



## Top Commitment

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## Mission TREEING 2030 Guiding us through uncertain times

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### Our long-term vision of what type of company we want to be

In February this year, Sumitomo Forestry Group defined and announced its vision to support the realization of a decarbonized society by 2050. Our aim is to provide value to our planet, to people and society, and to the market economy to make our world safer and more secure for current and future generations of people and all living beings. Because it is of primary importance to act now to produce results, our long-term vision Mission TREEING 2030 has set 2030 as the target year, the same as the target year for the United Nations' SDGs.

While formulating our long-term vision over the past two years, the world changed radically with the COVID-19 pandemic. Restrictions on people's movement and opportunities to meet changed the way we work. At Sumitomo Forestry Group, demand for newly built single-unit houses in our primary markets of Japan, the United States and Australia rose significantly. On the other hand, supply chain disruptions and other issues shook the foundation of business operations in many different sectors. In Japan, the domestic market was challenged by wood shortages and soaring prices – in other words, a wood shock. In addition, Russia's military invasion of Ukraine has had a huge impact on energy and food security not just for neighboring countries but for many other countries and regions around the world. Companies with global operations have also been affected and the outlook is unclear.



During these uncertain times, we must act urgently to address climate change, biodiversity loss and growing inequalities. To provide shared benefits to society, we must make the right choices and move forward in the right direction. Mission TREEING 2030 is our lighthouse, guiding us to the type of company we want to be in the future.

## Pursuing new challenges, building on the successes of our previous Medium-Term Management Plan

Last fiscal year was the final year of our previous Medium-Term Management Plan. We achieved most of our Mid-Term Sustainability Targets, which define our non-financial goals, and among our biggest achievements was our supply chain initiatives. For the first time, we set a time-bound goal to achieve 100% procurement of timber and wood products from sustainable forests. We reexamined our procurement standards primarily for directly imported materials. For tree species and regions with environmental, human rights or other sustainability concerns, we worked with our suppliers to switch to more reliable certified materials, in addition to ensuring legality. Otherwise, we ended our contracts in September and have currently achieved 100% of our goals. Further details about this and other efforts are available in the Sustainability Report 2022. With our new Medium-Term Management Plan, we plan to implement sustainability and lifecycle initiatives that capture and reduce GHG emissions of directly imported materials, procured raw materials used at manufacturing facilities and domestically distributed materials.



At COP26 held in November last year, an agreement was reached to limit global warming to 1.5°C compared to pre-industrial levels and to steadily phase down coal power. Ahead of this in September, Sumitomo Forestry Group signed Business Ambition for 1.5°C, a campaign led by the Science Based Targets (SBT) Initiative in partnership with the UN Global Compact and other organizations. To achieve net zero by 2050 and to align with the goal to limit warming to 1.5°C, we upwardly revised our 2030 SBT reduction target to 54.6 percent compared to fiscal 2017. By accelerating our move to RE100 through such measures as installing solar panels at all our manufacturing facilities, we plan to reduce CO<sub>2</sub> emissions by 18.5 percent in three years.

In terms of information disclosure, after conducting scenario analyses in 2018 of our Domestic Housing Business and our Timber and Building Materials Business as part of our TCFD efforts, we implemented scenario analyses of our Overseas Housing Business and our Environment and Resources Business, as well. As we did for the first two mentioned businesses, we examined the circumstances of two scenarios for 2030 – a 4°C increase and a 2°C (1.5°C) increase. These scenarios helped us determine how sustainable use of forest resources would accelerate decarbonization and how stakeholder sentiment would prompt the reinforcement of forest protection policies, both of which highlighted the importance of accurately communicating the function and effect of forests and wood resources to stakeholders. Working with such organizations as the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), we are actively engaging with policymakers and a wide variety of other stakeholders around the world.



## Climate, nature, equality – comprehensive initiatives are key

The COVID-19 pandemic and climate change have disproportionately impacted vulnerable groups in society, such as women and children. At COP26, there was much focus on the need to address biodiversity loss and widening disparities. Sumitomo Forestry Group, utilizing risk mapping based on human rights due diligence, scrutinizes the labor environment and other conditions for foreign technical trainees and is continuing to build a grievance mechanism this term. Our long-term vision was formulated around material issues that were newly defined in March 2021. With "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy" as one of our business policies, we are setting both societal and economic goals that take into consideration not only decarbonization but also conservation of biodiversity and natural resources, such as water.

As is widely known, trees absorb carbon dioxide through photosynthesis as part of the growth process and sequester large amounts of carbon even after harvesting. Using wood for housing, furniture and other purposes leads to long-term carbon fixation. Despite a variety of measures to reduce CO<sub>2</sub> emissions, inevitably, there are unabated CO<sub>2</sub> emissions that must be offset. Forests play an important role in this regard.

Ever since its establishment in 1691, Sumitomo Forestry has operated a wide variety of businesses focused on wood both in Japan and overseas. Our wood-centric value chain is based on forest management that is sustainable and mindful of biodiversity and human rights. With the stable and ongoing operation of this wood cycle, we believe we can contribute to decarbonization and resource circularity for not just our own company, but for the whole of society as well.

## Sumitomo Forestry's unique contribution: Decarbonization initiatives with our wood cycle

During the formulation process of Mission TREEING 2030, momentum to pursue SDGs and resolve societal issues grew within the company. We were able to visualize and share amongst ourselves how we can contribute to decarbonization while pursuing further growth in the areas of forests, timber and construction. In concrete terms, we will expand the area of sustainable forests we manage to 500,000 hectares and establish forestry funds to help other companies pursue decarbonization through carbon offsets. In addition, to reduce the risk of wood shortages that we experienced in Japan with the wood shock, we are working on such measures as raising the self-sufficiency ratio of domestic timber, establishing timber industrial complexes and using wood biomass as a heat source during manufacturing to secure a stable supply of high-environmental-value timber.

In the area of construction, we are working to visualize CO<sub>2</sub> emissions and standardize decarbonized design. We are also implementing environmental labeling of building materials and construction lifecycle assessments (LCA) utilizing a software called One Click LCA in Japan. The construction industry accounts for almost 40 percent of the world's CO<sub>2</sub> emissions, and two-thirds of that comes from cooling, heating and lighting during occupancy. This is called operational carbon, which can be reduced with the wider use of renewable energy. In contrast, the remaining one-third of carbon emissions, called embodied carbon, is attributable to building materials – from the procurement and processing of raw materials to make them, to their transport, construction, renovation/repair and disposal. The key to reducing embodied carbon is developing building materials and construction methods with a low environmental burden. As part of this effort, Sumitomo Forestry signed a contract to be the exclusive Japan sales agent of One Click LCA, a software that was developed in Finland and is currently used in over 130 countries around the world.



## Creating a resilient organization that can work with a diverse range of stakeholders

Sumitomo Forestry Group is undertaking numerous initiatives to grow and transform into a more diverse, resilient organization. As part of management's commitment to sustainable growth, we revised our director compensation system to be based on financial performance, which correlates with ESG management indices and is linked to the achievement of SBT, long-term CO<sub>2</sub> emissions reduction targets. In addition, to ensure that employees from a diverse range of backgrounds can work with a sense of security and harness their individuality, we introduced a new performance evaluation system that better promotes goal achievement and employee growth. In October, we also announced our Sumitomo Forestry Group Declaration on Health Management to promote workstyle reform.



To work with a diverse group of stakeholders, we must actively pursue alliances, join organizations and pay close attention to emerging sentiment while sharing our own company's knowledge, technologies and future vision. To begin to fully protect biodiversity, water and other forms of nature, we became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. Compared to a year ago, interest in embodied carbon reduction and decarbonization through forest utilization has grown. More than ever before, we are meeting with business partners as well as companies we have had no past contact with about opportunities for collaboration. We look forward to working with many stakeholders as we promote Mission TREEING 2030.