

Date: October 24<sup>th</sup>, 2016

Re: Report by Rainforest Action Network

Rainforest Action Network published a report, “Shareholders Beware – How major Japanese companies are misreporting sustainability under the Corporate Governance Code” on June 1<sup>st</sup>, 2016 and Sumitomo Forestry Co., Ltd. is referred in this report.

Below please find our position on each issues, which are publicly available in our annual CSR Report.

#### Basic Policy for Timber Procurement

Forests around the world are decreasing due to illegal logging, excessive slash-and-burn farming, conversion to agricultural land and other practices, and this has been a social issue on a global scale.

Also, since timber, one of renewable resources, is essential to Sumitomo Forestry's businesses, deforestation and forest degradation are significant challenges concerning sustainability of our business operations.

As a responsible builder of wooden houses and buildings as well as a trader of timber and building materials, we work with our suppliers to build a reliable supply chain and contribute to developing a sustainable society.

#### Sensitivity to Human Rights and Labor Practice as well as Consideration for Biodiversity Conservation and Local Communities

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner and consideration of compliance, human rights, labor practice, biodiversity, and local communities.

When performing due diligence, the Company ensures suppliers supply the timber that meet logging compliance requirements and use only the timber products made with raw materials that satisfy the requirements by consulting the provided information.

Normally, the information include names and locations of the producers, held

certifications or permits, procured product names, quantities of the products, used wood species, their logging sites, and their main buyers. Additionally, the aforementioned information sorted by country, region, wood species, and timber type is then compared with the procurement standards stipulated by Timber Procurement Committee for a risk assessment against illegal logging. For timber products found at medium to high risk, the Company requests additional information from their suppliers, sends its investigators for on-site inspections, and implement measures to mitigate the risk.

Following items are checked, through supplier surveys and local interviews for the procured products:

- Whether the rights of workers and local inhabitants are abused in the area where we procure (the raw material for) the products from. If it is the case, whether suppliers check their logging practices take place with consideration.
- Whether the high conservation values forests are included in the area where we procure (the raw material for) the product from. If it is the case, whether suppliers check their logging practices take place with consideration.

Please refer to the following URLs which include the information on the field survey in Sarawak State, Malaysia.

CSR Report2016 > Responsible Timber Procurement

[http://sfc.jp/english/information/society/social/business\\_partner/action.html](http://sfc.jp/english/information/society/social/business_partner/action.html)

#### Basic Policy of Overseas Plantation Utilization

Properly managed forests, which are planted regularly and logged based on annual growth provide sustainable timber and hold promise in mitigating our dependence on natural forests.

At overseas plantations where growth of woods are faster than in Japan, the Sumitomo Forestry Group operates the plantation business well-thought-out for local communities and biodiversity and proactively procures products made with woods harvested from the plantations, and thereby develops sustainable supply chains.

#### Respect for Human Rights at Overseas Plantations

For plantations in Indonesia's West Kalimantan Barat, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's

group institute in 2012, and cooperated in the assessment adhering to the concept of “High Conservation Value Forests (HCVF)” mainly on whether the commercial land use plan has been implemented appropriately and whether adequate consideration for biodiversity and local communities are made.

In 2013, the Company invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to a public hearing to communicate the assessment results as part of its plantation business with thorough consideration for human rights.

Please refer to the following URLs which include the information of the reforestation project in West Kalimantan, Indonesia.

CSR Report2016 > Using Overseas Plantation

[http://sfc.jp/english/information/society/social/business\\_partner/afforestation.html](http://sfc.jp/english/information/society/social/business_partner/afforestation.html)

CSR Report2016 > Respect for Human Rights

[http://sfc.jp/english/information/society/social/employment/human\\_rights.html](http://sfc.jp/english/information/society/social/employment/human_rights.html)

CSR Report2016 > Forest Management Overseas

[http://sfc.jp/english/information/society/environment/performance/forest\\_conservation/oversea.html](http://sfc.jp/english/information/society/environment/performance/forest_conservation/oversea.html)

Please do not hesitate to contact us at: [csr\\_team@sfc.co.jp](mailto:csr_team@sfc.co.jp)