

Unicharm Group
Sustainability
Report
2021



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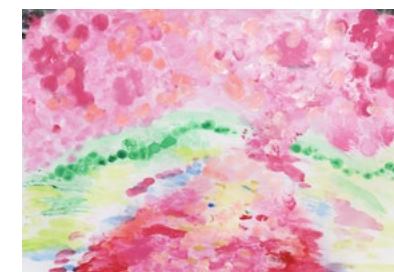
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Explanation of the Cover

Our Vision is based on the “NOLA & DOLA” concept which stands for “Necessity of Life with Activities & Dream of Life with Activities”. Unicharm aims to provide each and every “consumer” with products that offer mental and physical support to bring about a “cohesive society” in which people of all ages can spend their lives in the way they so wish. As one activity toward fulfilling this objective, we support the efforts of “Paralym Art” to facilitate social participation and financial independence of artists with disabilities and we use works drawn by them. We have supported “Paralym Art” since 2016 and this marks our sixth year.



Cover Title: “Sakura”
hatsuka

I create acrylic and watercolor paintings based on the themes of the realm between fantasy and reality. My art emphasizes color in the hopes of conveying the image in my mind and the expressions of my heart. I would like to continue creating art so that my works can soothe others' hearts.

Thoughts about the work “Sakura”

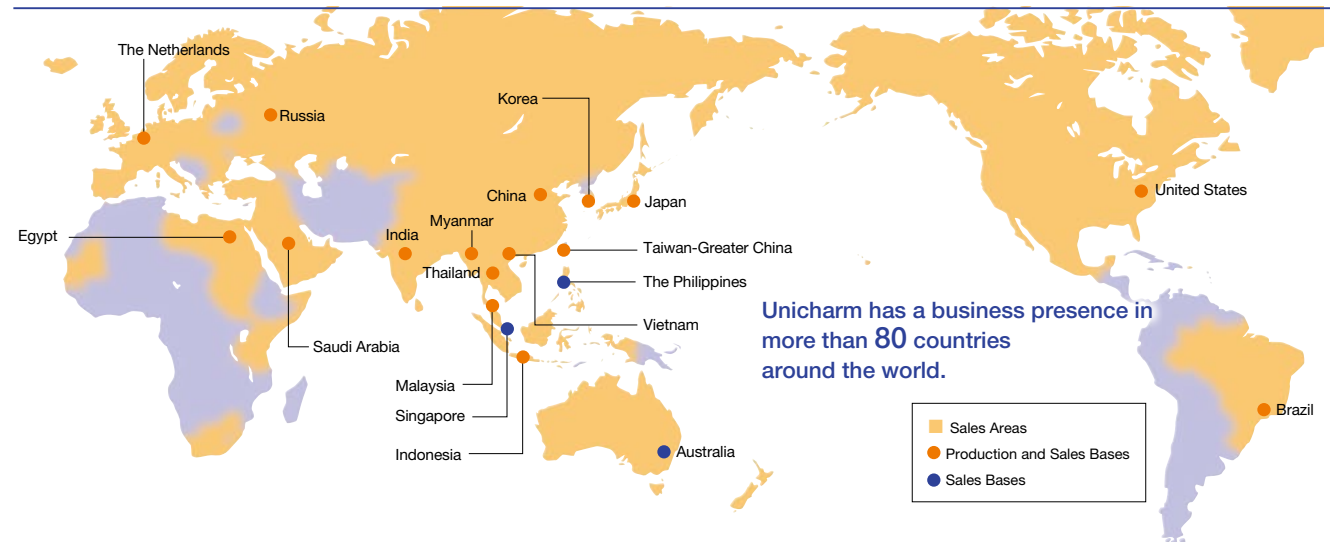
There is a large cherry tree in full bloom and a path covered in cherry blossom petals with the cherry blossoms cloaking everything in sight. It is my hope that we can live gracefully like these cherry blossoms.

Overview of Unicharm Group

Company profile

Corporate Name	Unicharm Corporation
Date of Establishment	February 10, 1961
Capital	15,993 million yen (as of December 31, 2020)
Number of Shares Issued	620,834,319 (as of December 31, 2020)
Head Office	Sumitomo Fudosan Mita Twin Bldg. West Wing, 3-5-27, Mita, Minato-ku, Tokyo
Registered Company Office	182 Shimobun, Kinsei-cho, Shikokuchuo-City, Ehime
Number of employees	16,665 (on a consolidated basis as of December 31, 2020)
Listed Exchange	First Section of the Tokyo Stock Exchange
Business Lines	Wellness care products Partner animal (pet) care products Feminine care products Baby and child care products
URL	https://www.unicharm.co.jp https://www.unicharm.co.jp/en/home.html

Production and Sales Areas

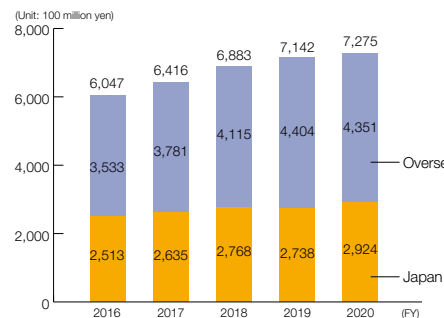


Primary Consolidated Subsidiaries and Affiliates

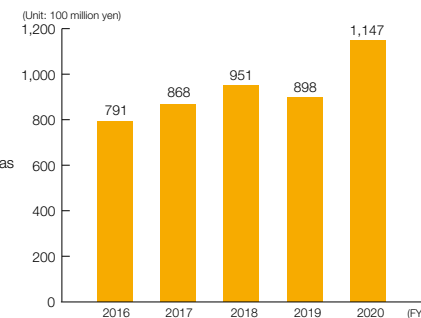
Japan	Unicharm Product Co., Ltd. Unicharm Kokko Nonwoven Co., Ltd. Cosmotec Corporation Unicharm Molnlycke K.K.
Overseas	United Charm Co., Ltd. (Taiwan-Greater China) Uni-Charm (Thailand) Co., Ltd. (Thailand) LG Unicharm Co., Ltd. (Korea) PT Uni-Charm Indonesia (Indonesia) Uni.Charm Mólnlycke B.V. (The Netherlands) Unicharm Consumer Products (China) Co., Ltd. Unicharm Consumer Products (Tianjin) Co., Ltd. Unicharm Gulf Hygienic Industries Ltd. (Saudi Arabia) Unicharm India Private Ltd. (India) Unicharm Australasia Pty Ltd. (Australia) Diana Unicharm Joint Stock Company (Vietnam) The Hartz Mountain Corporation (United States)
Other	44 companies (as of December 31, 2020)

Primary Management Indicators

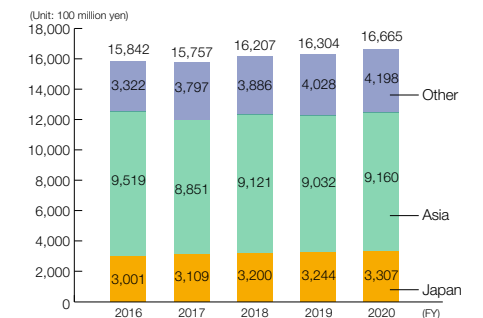
Consolidated net sales



Consolidated operating income



Number of group employees



* We have been using International Financial Reporting Standards since FY2017. The figures for FY2016 were created based on IFRS standards as well.

Editorial Policy/Contents

Editorial policy

■ In preparation for the “Sustainability Report 2021”

This report has been prepared as Unicharm’s corporate sustainability which is embodied by our corporate philosophy, “NOLA & DOLA*”. Here, we will take a closer look at how we are working to practice “NOLA & DOLA” through our businesses. This year, we will issue a report on the four key initiative themes we revealed in October 2020 as part of “Kyo-sei Life Vision 2030” and, at the same time, strive to further improve the disclosure in the report from the view-point of ESG information disclosure with regard to our mindset and initiatives toward sustainability.

As for our global report, we refer to the UN Global Compact, GRI Guidelines and other sources throughout the whole report based on global societal demands. We will continue to accommodate the requests of our stakeholders to the greatest extent possible, therefore, we ask that you go through our “Integrated Report 2021” as well and provide whatever frank opinions and comments you may have.

* NOLA&DOLA “Necessity of Life with Activities & Dreams of Life with Activities”: Unicharm aims to provide all people, from newborn infants to the elderly, with products that provide mental and physical support through gentle care so that they may be free of their burdens to fulfill their dreams.

Contents

■ Areas Covered

In the report, “Unicharm” refers to “Unicharm Group.” Company names are listed individually when there is a need to specify the scope. In addition, all data are shown on a consolidated basis of Unicharm Group companies. Details of companies mentioned in the environmental activity report can be found on the Unicharm website.

■ Intended Audience

All Unicharm stakeholders inclusive of customers, shareholders, investors, business partners, employees and society in general

■ Period

January 1 to December 31, 2020
(the report focuses on results from 2020 and includes some of the latest information from 2021)

■ Date of issue

April 2021
(the next edition is scheduled for publication in May 2022)

■ Available at

“Sustainability” on the Unicharm website

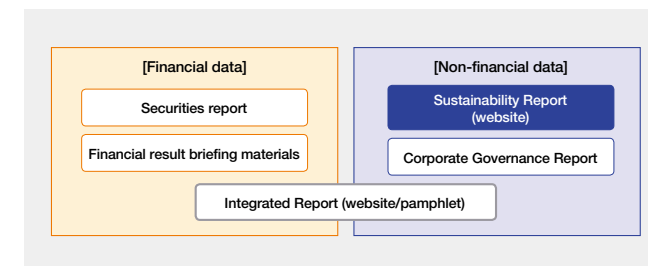
■ Reference Guidelines

- GRI Sustainability Reporting Standards
- “2018 Environmental Reporting Guidelines” of the Ministry of the Environment
- Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)
- Annual report (World Energy Outlook) by the International Energy Agency (IEA)

■ Information Disclosure System

We disclose our financial and non-financial data through the following channels.

Unicharm Group Information Disclosure System



Message from the President & CEO

Creating innovation that contributes to the realization of “Cohesive Society - Social Inclusion - ” aimed at sustainable growth by promoting the SDGs

■ In challenging the COVID-19 pandemic

I would like to express our sympathy for everyone who has been forced to live with a series of restrictions due to COVID-19 infection as well as all those who have been affected. I would also like to offer our heartfelt condolences for all those who have passed away. In addition, I would like to express our respect and deep gratitude for the healthcare professionals at the frontline of treatment and prevention aimed at controlling the spread of COVID-19.

The Unicharm Group has endeavored to continue its business while giving the greatest consideration to the safety and health of our employees and their families. We have maintained our company-wide efforts aimed at a constant supply of products and services that are essential for a hygienic life. To give you an example of our efforts, we have boosted the production capacity at our Shikoku Factory and worked to maintain operations around the clock in order to increase the supply of face mask as it was temporarily out of stock in the storefronts which became a social problem in Japan.

In addition, within the Company, we sent face masks from our in-house stockpile in Japan to our Chinese subsidiary for distribution to local employees at the end of January 2020. In February 2020, we took measures to prevent the spread of COVID-19 in Japan which included the introduction of working from home as a general rule. At the same time, we instructed the Presidents of our subsidiaries in each country and region to take flexible measures in accordance with the direction of governments based on the local infection status.

In recognition of such proactive measures, we were able to continue our business operations even in countries and regions where many companies were forced to suspend factory operations due to lockdowns and other restrictions.

■ Achieving sales and profit growth despite the challenging environment

The World Health Organization (WHO) officially announced the first case of COVID-19 infection on December 8, 2019. At the time, however, very few people foresaw that it would create such chaos. I believe COVID-19 is a powerful reminder that we are living in the age of the “new normal” which is a world where there are frequent major changes that overturn conventional notions and changes are unpredictable and constant, in other words, changes become the norm.

Despite such an unstable and challenging environment, in its consolidated business results for fiscal 2020, Unicharm recorded net sales of 727.5 billion yen, up 13.3 billion yen, or 1.9%, core operating income of 114.7 billion yen, up 24.9 billion yen, or 27.8%, and profit attributable to owners of parent company of 52.3 billion yen, up 6.2 billion yen, or 13.5%.

By region, Japan recorded sales and profit growth as the large downturn in demand from inbound tourism was offset by demand for face masks and wet wipes products. In overseas countries, primarily in Asia, sales were slightly up although the demand was shifted from high quality, high function, high-value added products to reasonably priced and standard products. This shift was partly attributable to

the increase in time spent at home because of prohibitions and self-imposed restraint on going out due to COVID-19. In addition, there was a fire at the Ahmedabad Factory in India (Gujarat in western India) on June 24, 2020, which also had an impact in terms of reducing supply in India.

By product category, in addition to the strong performance of face masks and wet wipes related to COVID-19 preventive measures, the business of nursing care and partner animal (pet) care products remained solid. Furthermore, in the area of feminine napkins, the Sofy brand developed loyal users and achieved steady growth in Asian countries, China, in particular. The disposable baby diaper category has reached maturity in developed countries including Japan. However, the market is still growing in ASEAN countries, India, Brazil, etc. and Unicharm's products which boast overwhelming quality in the high-quality pant-type disposable diaper category steadily won support from consumers and expanded the market share.

■ Implementing ESG-focused management through business to contribute to the SDGs

These days, it is not unusual that our stakeholders consider that ESG (Environment, Society, Governance) is important. Thus, we believe it is critical to not only set out our initiatives in the ESG area but also to instill ESG into the daily activities of each and every employee. Moreover, contributing to the “sustainable development goals (SDGs)” is a corporate responsibility and it is not possible to achieve the sustainable growth when and if shirking this responsibility. Based on this



Takahisa Takahara

President & CEO

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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perspective, Unicharm engages in day-to-day business that embodies the concepts of “business is really ESG in itself” and “contributing to the SDGs through business activities.” To give you an example of our activities in this area, Unicharm launched “MamyPoko Extra Dry Protect,” a disposable baby diaper with “Anti-Mos Capsule” that repels mosquitos which transmit dengue virus, in Malaysia and Singapore in September 2020. “Anti-Mos Capsules” are microcapsules filled with “lemongrass extract” which repels mosquitos. “Anti-Mos Capsules” are applied to the tape section of disposable diaper and, when the tape is put on and off, the capsules are crushed and lemongrass extract protects the baby’s skin from mosquitos. Natural ingredients are used for the lemongrass extract, therefore it is safe even if it comes into contact with the baby’s skin. The product has been supported by parents who want to protect their children from the threat of dengue fever and we believe that, in addition to expanding our business, it contributes to achieving “Goal 3: Ensure healthy lives and promote well-being for all people at all ages” out of the 17 SDGs.

We also launched the “#NoBagForMe” project in June 2019 to bring about the changes in conventional values around menstruation with the aim of achieving a society in which women can live in their own way and we have promoted activities aimed at achieving a “society where people can have the choice to talk about menstruation without feeling hesitant.” In 2020, we further expanded our activities, which included welcoming new members active in diverse fields, with the aim of “promoting improved knowledge and mutual understanding of menstruation.” As a part of our activities, we hosted “‘Education on Menstruation for Everyone’, a corporate training program,” at a number of companies and received a high satisfaction rating. In conjunction with this type of activity, we launched “Sofy #NoBagForMe limited-edition packaging design” products which are easily reachable in every retail store. We believe these activities

contribute to “Goal 3: Ensure healthy lives and promote well-being for all people at all ages,” “Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” and “Goal 5: Achieve gender equality and empower all women and girls” out of the 17 SDGs.

■ **Steadily implementing “Kyo-sei Life Vision 2030” to contribute to the realization of a cohesive society**

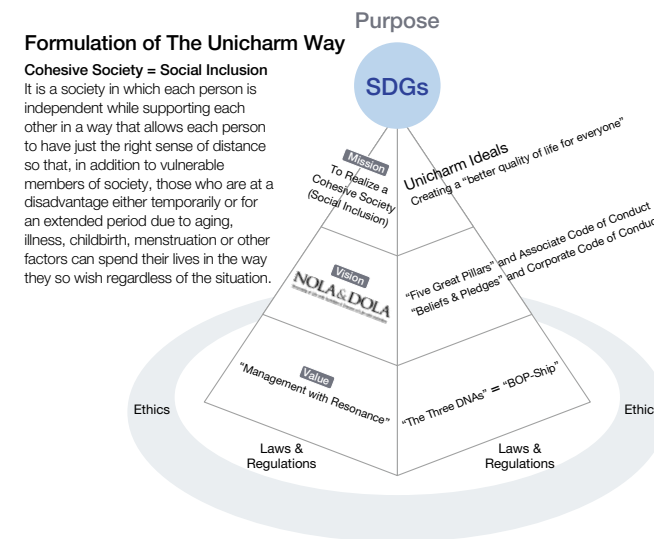
As I have outlined above, Unicharm is working to solve a variety of issues to contribute to the realization of a cohesive society. In order to promote these kinds of initiatives even more strongly, we formulated “Kyo-sei Life Vision 2030 - For a Diverse, Inclusive & Sustainable World - (‘Kyo-sei Life Vision 2030’),” our mid-to-long term ESG objectives which we unveiled on October 22, 2020. We clarified our “Desirable Future in 2030” that we envision and set a total of 20 key themes with indicators and targets. There are 5 key themes in each of 4 areas i.e. “safeguarding the well-being of individuals,” “safeguarding the well-being of society,” “safeguarding the well-being of our planet” and “Unicharm Principles.” By steadily implementing the “Kyo-sei Life Vision 2030,” we aim to solve environmental problems and social issues and contribute to consumers and local communities at the same time as achieving the sustainable business growth.

We launched the “11th Med-Term Management Plan” for the three years from January 2021 until 2023. We prepared the Med-Term Management Plan by backcasting from our goals for 2030, achieving net sales of 1.4 trillion yen and core operating income rate of 17% and gaining the top share of global market in the categories in which we operate. Under the plan, we have set five core strategies i.e. “develop human resources,” “strengthen added-value to support consumers’ lifestyle,” “develop added-value that captures the hearts of consumers,” “create the ultimate frontlines” and “establish recycling-based value chain.” We have incorporated these strategies into the plans of each and every employee who

works in the countries, regions and product categories in which we operate our business.

■ **Sharing “purpose along with our mission, vision and values” and adapting to changes in the environment with agility**

Establishing clear targets and plans such as those I outlined above is important. However, as I stated at the beginning, in today’s “new normal” where changes become the norm, there is a risk of leading to inflexibility. In order to respond in a flexible and agile manner to changes in the environment, it is important for each and every employee to “think, judge and act on their own.” However, doing this can lead to erratic responses. In order to avoid this kind of situation, we have established our “purpose along with our mission, vision and values” as follows and share it with all employees.



PDF See P.017 “Formulation of The Unicharm Way”

First, Unicharm considers achieving the SDGs as our “purpose.” In order to realize our purpose, we believed it is important for each and every employee to understand, believe in, sympathize with and act and have made our purpose more specific by dividing it into the three levels, “mission,” “vision” and “value.” Our “mission” is a clear statement of “what we want to do” which is, to be more specific, “the realization of a cohesive society.” The “cohesive society” Unicharm is aiming for is a society in which all people can live in their own way in individual independence and mutual assistance. Next, our “vision” indicates “how we will realize a cohesive society.” Specifically, it is by implementing “NOLA & DOLA,” our corporate philosophy, where “NOLA” means “gently supporting people in their minds and bodies and freeing them from various burdens” while “DOLA” means “contributing to fulfilling the dreams of each and every person.” Our “values” are the “aspirations” and “sense of mission” that underlie our “mission” and “vision” and, for Unicharm, that is to run such an integrated management model as “Management with Resonance” by all of our group employees worldwide.

We believe the most important thing for realizing the sustainable growth in today’s “new normal” is indeed developing human resources with the ability to always come up with the optimal solution to match the changing environment using our “purpose along with our mission, vision and values” outlined above as their “moral compass” and “basis for judgment.”

NOLA&DOLA
Necessity of Life with Activities & Dreams of Life with Activities

■ Aiming for a world that has realized a “cohesive society = social inclusion”

The “cohesive society” Unicharm is aiming for is nothing less than the realization of “social inclusion.” Unicharm’s idea of a social inclusion not only covers the so-called vulnerable but also extends to those people who are disadvantaged temporarily or for a certain period of time due to aging, illness, childbirth, menstruation or other. In this society, each of these people can live as they wish with individual independence while providing mutual assistance in ways that each person can manage with a reasonable sense of distance. This is the kind of society which we at Unicharm want to help create. While “diversity” is about “separating to capitalize on diversity,” “social inclusion” takes the approach of “harmonizing to capitalize on diversity” and I think this is the big point of difference. I would like to introduce one of our most recent initiatives aimed at the concept of a “cohesive society = social inclusion.” Due to countermeasures to address the spread of COVID-19, it was no longer possible to remove face masks, so the masks became an obstacle to communication for people who used “lip reading” to help for hearing. Going forward, even if COVID-19 is contained, it is undeniable that new viral diseases may spread in today’s world where global travel has become the norm and we believe there is a high possibility that the wearing of face masks for prevention will become established. Given such a situation, we are developing a “face mask that will firmly contain droplets while not interfering with communication.” We will let you know about it as soon as development is completed.

■ Increasing the number of shareholders and investors who support the realization of a “cohesive society” through stable and continuous return of profit

From the perspective of capital efficiency, we consider the appropriate return of profit to be one of our most important management policies. While strengthening our corporate structure to improve profitability and engaging in aggressive business investment aimed at growth, we adhere to a policy of stable and continuous returns. We believe that increasing the number of shareholders and investors who agree with this business investment and return policy is important for the realization of “cohesive society” Unicharm aims for. Specifically, we increased the dividend for the fiscal year ended December 31, 2020 by 4 yen from the previous fiscal year to 32 yen per share as in our initial plans. As a result, we have increased the dividend for 19 fiscal years in a row. As for the return of profit to shareholders for the next fiscal year, while prioritizing business investment for achieving sustainable growth, we will aim to enhance shareholder returns with a target payout ratio of 50% by paying dividends on a consistent and continuous basis in accordance with medium-to-long term growth in the consolidated business results. We will also engage in flexible acquisitions of treasury stock as necessary. We plan to increase the annual dividend for the fiscal year ending December 31, 2021 by 4 yen to 36 yen per share. Going forward, by continuing to do our best while giving consideration to the feelings of consumers, we will make concerted efforts to provide products and services that support the realization of a “cohesive society” in which diverse generations live together in their own ways. We look forward to your continued support in the future.

March 2021

Takahisa Takahara
President & CEO

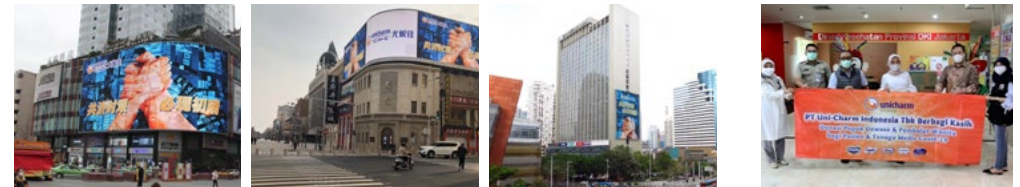
Unicharm Group's COVID-19 Initiatives

Efforts for Ensuring Health and Safety

■ Provision of masks, disposable diapers and more at various locations

With COVID-19 spreading around the world since the beginning of 2020, we have taken various measures at our business locations around the world to ensure the health and safety of our stakeholders.

January 2020 onward	<ul style="list-style-type: none"> In the United States, many animal shelters have closed due to the spread of COVID-19. During this time, we continued to provide various kinds of support including dog sheets to shelters in the United States and Canada
February 2020	<ul style="list-style-type: none"> Donated masks to Beijing, Shenzhen, Chengdu and other locations in China where the infection continued to spread. Provided rescue goods such as masks through trade groups to those returning from Wuhan, China and to passengers on the Diamond Princess cruise ship.
March 2020	<ul style="list-style-type: none"> In response to the government's request to purchase masks in bulk based on the Act on Emergency Measures for Stabilizing Living Conditions of the Public, we supplied masks to the Hokkaido area where a declaration of state of emergency was issued in cooperation with trade groups. Supplied masks to hospitals in areas throughout Japan other than the above. Gave donations to the "Vietnam Motherland Battlefield Central Committee" in Vietnam to fund the purchase of medical equipment. In addition, from March to August, we donated products such as napkins to hospitals in Hanoi, Ho Chi Minh City and Da Nang to support measures for fighting the spread of COVID-19.
April 2020	<ul style="list-style-type: none"> Donated incontinent adult diapers and feminine napkins to multiple hospitals in Jakarta and Karawang in Indonesia. Supplied masks to the Gumi area in South Korea and donated mineral water to prevent the spread of COVID-19 throughout the country.
May 2020	<ul style="list-style-type: none"> Donated sanitary products to households in Subang Jaya, Malaysia, in cooperation with local NGOs.
July 2020	<ul style="list-style-type: none"> Donated masks developed in Indonesia(Nyaman Mask) to hospitals in Jakarta and Karawang.
August 2020	<ul style="list-style-type: none"> Donated baby diapers through an international development NGO to socially disadvantaged people in South Korea living in poverty due to COVID-19.
October 2020	<ul style="list-style-type: none"> Made donations to COVID-19 Quarantine Center in Yangon, Myanmar.



Curbside advertisements to show appreciation for donations in three Chinese cities

Donating masks, etc., in Indonesia

In June 2020, we held an "On-Line Moony-chan Class Room" through the official Moony Instagram account in which we invited midwives and other specialists as instructors so that people could casually discuss issues they wanted to know about such as childbirth, as well as concerns they had such as how to spend their time during pregnancy, how to choose and use diapers and so on. In the midst of the COVID-19 pandemic, a number of people participated in the event which supported pre-mamas and pre-papas with concerns about childbirth. Furthermore, in December 2020, we opened "With Corona Health, Hygiene & Security Information useful for new lifestyle" as a portal of useful information for daily life within our Japanese website. Previously, each division had posted its own information in the various different areas of Unicharm site, but all these information are now available in one spot with the start of "With Corona" subdivided into the categories of "Living with Babies," "Comfortable Living for Women," "Living with Family," "Living with Partner animals (pets)," and "Living in Society." By making it easier and convenient for users to have an access to the information needed for their lifestyle "in the way they so wish," Unicharm will help support healthy, hygienic and safe living under the current situation with Corona and also into the future.

"With Corona" health, hygiene and safety information useful for new lifestyle

We must live with COVID-19 both amid the upheaval of the present and into the future. We will support healthy and hygienic lifestyles that offer peace of mind.

"With Corona" Health, Hygiene, and Safety Information Useful for New Lifestyle (Japanese only)
https://www.unicharm.co.jp/ja/with_c.html

Developing and producing products to ensure customer health and safety

The spread of COVID-19 has had a significant impact on the world economy as well. Economic activity shrank due to restrictions on movement and outdoor activities as well as store closures and more in various countries and regions. Lockdowns were also implemented in China, Saudi Arabia, India, Indonesia and other countries comprising the main markets where the Group has made inroads to prevent the spread of COVID-19 and the markets shrank due to people buying less with distribution stagnating as well.

Under such circumstances, we obtained permits for priority business activity from the governments of each country based on the viewpoint that our products are indispensable for people to maintain their hygiene in their daily lives. We were one of the first to resume local production.

Growing awareness of infection measures has led to a rapid increase in demand for masks and wet wipes in Japan as well, resulting in a temporary shortage of products at stores. To handle this, we enhanced our system of production and expanded our supply. Through the above overseas and domestic measures, we were able to achieve increased sales and profits in fiscal 2020 despite the COVID-19 pandemic, with net sales of 727.5 billion yen and a core operating income of 114.7 billion yen.



Strengthening our mask production system

Enhanced Crisis Management and “Autonomous Working Style”

We also used the spread of COVID-19 as an opportunity to strengthen our crisis management functions around the world.

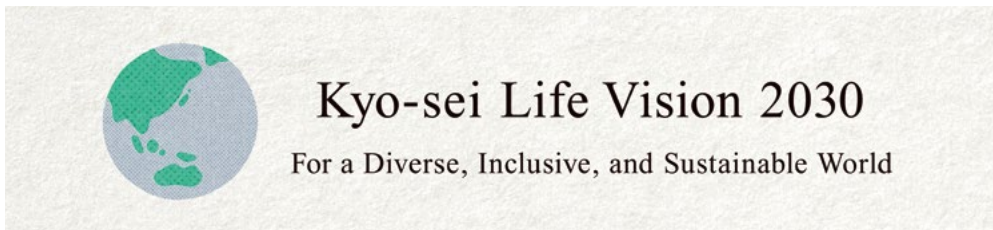
First, we formulated a business continuity plan (BCP) adapted to the current conditions surrounding the spread of COVID-19 and launched the “COVID-19 Crisis Management Team” in April 2020. We disseminated COVID-19 countermeasure guidelines (four times total), COVID-19 countermeasure regulations for production departments and COVID-19 response manuals in the event of an occurrence of infection throughout the entire company to focus on enhancing our internal control functions while maintaining and improving productivity.

Moreover, to avoid the “three Cs” (closed spaces, crowds and close contact) in office work, we promoted remote work in which employees can choose where to work; partly reformed our “flextime system” which allows employees to select their working hours; and abolished “core time” (in the past, we established core work hours between 8:00 a.m. and 12:00 p.m. as the standard working period). Looking ahead to a state in which we will have to learn to live “with COVID-19,” we will improve employees’ motivation for working by achieving an “autonomous working style” in which each employee can decide his or her own working style. We would like to contribute to the growth of employees and the company as well as make further contributions to society.



“Promoting remote work” that allows employees to choose “where they work” for avoiding “Three Cs” and “abolishing the core time” system so that employees can choose “when to work.”

Kyo-sei Life Vision 2030



At Unicharm, we are committed to helping solve environmental and social issues as we work together to realize a cohesive society.

With that in mind, we have put forward Unicharm Group's mid-to-long term environmental, social, and corporate governance (ESG) goals in a document called "Kyo-sei Life Vision 2030 - For a Diverse, Inclusive, and Sustainable World."

In this declaration, we bring our vision for 2030 into sharper focus, explicating the key initiatives and targets that we believe will help us achieve our goals.

Through the implementation of "Kyo-sei Life Vision 2030," we are confident that we can satisfy the needs of consumers and communities, while continuing to grow our business.

Positioning of "Kyo-sei Life Vision 2030"

At Unicharm, we believe that our fundamental *raison d'être*, that is, our "Purpose", is to help achieve the United Nation's Sustainable Development Goals (SDGs). Because this "Purpose" is so basic to our essence as a company, we think that it is important that all of our employees understand, agree, and empathize with it. To better delineate the substance of that "Purpose", and to further its accomplishment, we have broken it down into three key components: "Mission," "Vision," and "Value."

"Mission" clarifies what we want to do. More specifically, our mission is to realize a cohesive society, a society that must inherently be diverse, inclusive, and sustainable.

In this society, personal freedom will harmonize with social altruism, enabling people to be true to themselves and live lives of their own choosing, while at the same time helping others to achieve a better life.

Where "Purpose" is the goal, "Vision" is the means. "Vision" elucidates how we can realize a cohesive society. In practical terms, it is the application of our corporate philosophy, which we like to call "NOLA & DOLA" (Necessity of Life with Activities & Dreams of Live with Activities). Through "NOLA," we hope to provide powerful, yet discreet and unobtrusive support for the minds and bodies of our users, relieving them of some of the burdens of their lives and enabling them to better focus their efforts on making their dreams come true.

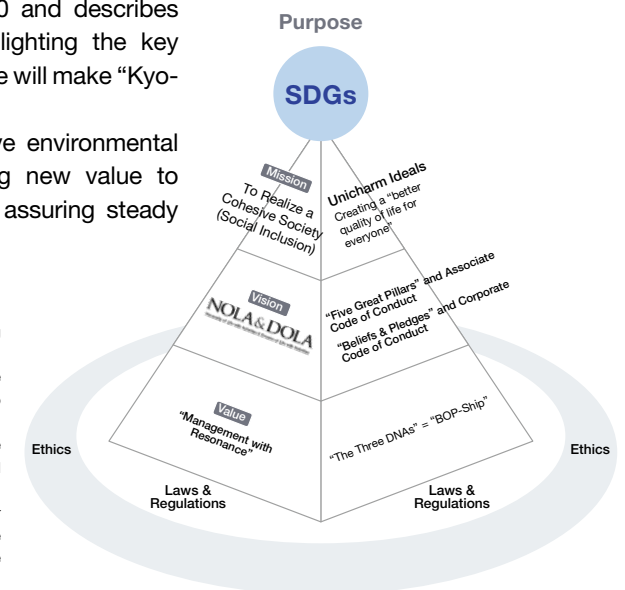
"Value" is the sense of duty and social responsibility that underlies our "Mission" and powers our "Vision," bringing it all together to serve the common "Purpose." All Unicharm employees around the world are now pushing forward our standardized management model called "Management with Resonance."

To understand and promote our "Purpose", and to clarify how our "Mission," "Vision," and "Value" work together to push forward that "Purpose," this document explains in detail the world we have envisioned in 2030 and describes how we hope to get there, highlighting the key initiatives and targets that we believe will make "Kyo-sei Life Vision 2030" a reality.

We are committed to helping solve environmental and social issues, while providing new value to consumers and communities and assuring steady business growth.

Cohesive Society = Social Inclusion

It is a society in which each person is independent while supporting each other in a way that allows each person to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation or other factors can spend their lives in the way they so wish regardless of the situation.



The Future We Envision

A society in which everyone can maximize individual potential and live life to its fullest.
A society in which we comfortably coexist,
helping each other while respecting mutual independence.

Unicharm continually considers every moment of life.
From birth to adulthood, and all the years in between.
From this generation to the next, and many years into the future.

We endeavor to realize a diverse,
inclusive and sustainable world,
protecting and supporting life for people and society through “kindness” in various forms.

Baby care that supports and comforts both infant and family.
Nursing care that helps people live a full life at any age.
Environments that ensure our partner animals (pets) a warm welcome by the family and neighborhood.
Feminine care that helps lift spirits during the monthly cycle.
Good hygiene that helps enhance and expand pleasant interactions for everyone.

This is the “kindness” we at Unicharm have always valued.

As we create and extend such kindness,
we must emphasize not only the well-being of individuals,
but also the well-being of society and our planet as a whole.

When we picture the manufacturing that sustains local economies,
we imagine the faces of people at work and their families.

When we consider the dynamic switch to renewable energy,
we visualize a future with reduced global warming.

At Unicharm, we strive for all of our business activities to reflect kindness,
thereby contributing to a diverse, inclusive and sustainable world for our future.

Unicharm continues to conduct business while championing the freedom of individuals
to pursue their own way of life,
based on our corporate philosophy of “NOLA & DOLA.”*

In the decade to come, we at Unicharm will continue to affirm this ideal,
providing kindness and support at every moment, throughout every lifetime.

* “NOLA & DOLA”: Necessity of Life with Activities & Dreams of Life with Activities
Our corporate philosophy: From Newborn infants to the elderly, Unicharm aims to provide people with products that offer physical and psychological support through gentle care so that they may be free of their burdens to fulfill their dreams.

Kyo-sei Life Vision 2030 For a Diverse, Inclusive, and Sustainable World

In order to realize the world we envision, Unicharm upholds the following three commitments based on our corporate principle of fair and transparent management.

Safeguarding the well-being of individuals

<p>Our goal</p> <p>Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.</p>	<p>Key initiatives</p> <ul style="list-style-type: none"> • Extension of healthy life expectancy and improvement of QOL • Support for a society where gender and sexual orientation do not restrict people's activities • Coexistence with partner animals (pets) • Improvement of childcare • Improvement of public hygiene
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Safeguarding the well-being of society

<p>Our goal</p> <p>Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers, but also contribute to solving social issues and promoting sustainability.</p>	<p>Key initiatives</p> <ul style="list-style-type: none"> • Innovations to achieve "NOLA & DOLA" • Practicing sustainable lifestyles • Construction of value chains that take account of sustainability • Improvement of customer satisfaction • Provision of safe, reliable products
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<p>Our goal</p> <p>Our aim is to provide products and services that are sanitary and convenient, as well as contribute to activities that improve our planet's environment.</p>	<p>Key initiatives</p> <ul style="list-style-type: none"> • Development of eco-friendly products • Addressing climate change • Expanding our line of recycled models • Promotion of product recycling • Reduction of the amount of plastic materials used
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Safeguarding the well-being of our planet

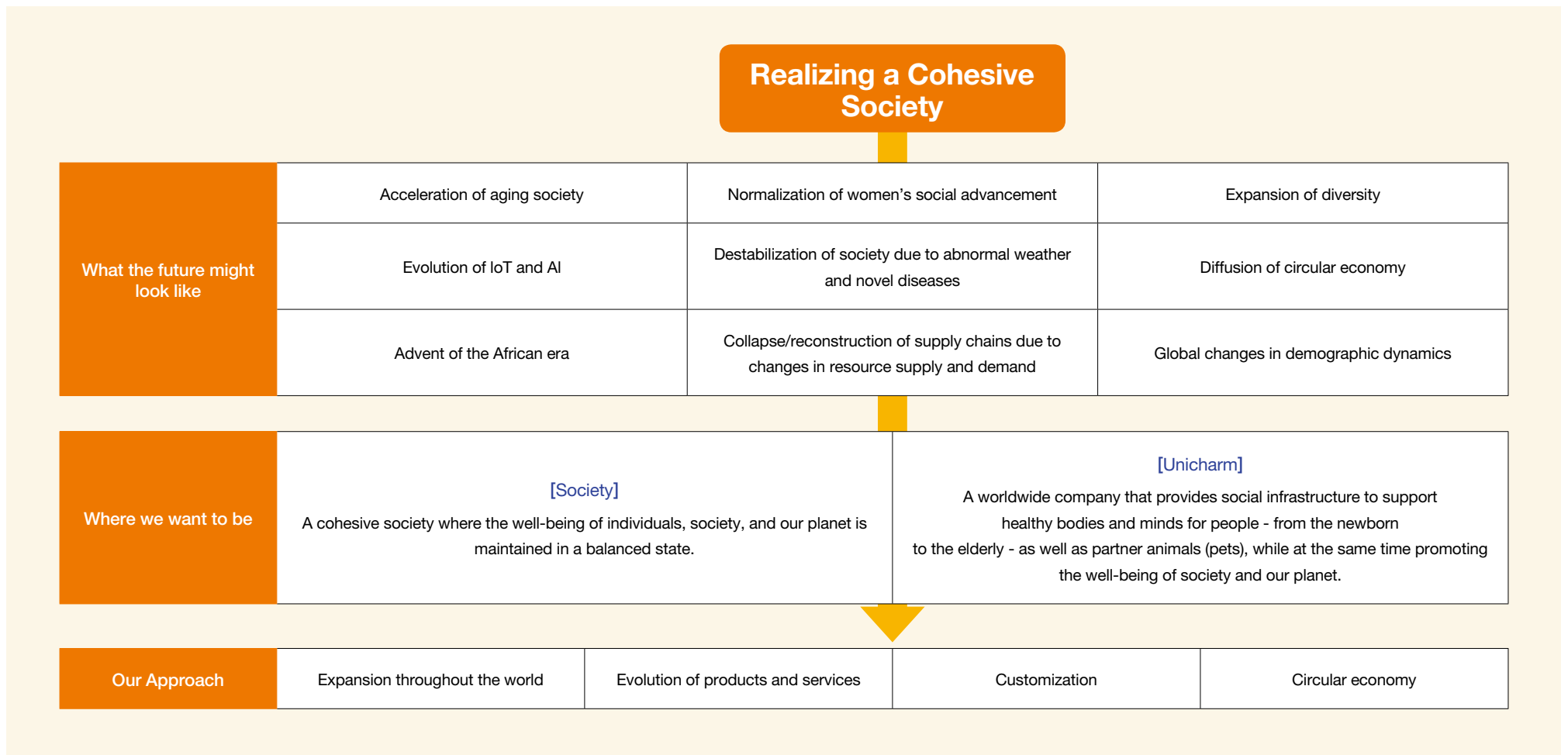
<p>Our goal</p> <p>Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.</p>	<p>Key initiatives</p> <ul style="list-style-type: none"> • Management practices that take sustainability into account • Practice of appropriate corporate governance • Promotion of diversity management • Fostering the development of competent human resources • Construction of healthier workplaces and workplace safety systems
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Unicharm Principles

Our Approach to Realize a Cohesive Society by 2050

As described in “Positioning of ‘Kyo-sei Life Vision 2030’,” our mission is to realize a cohesive society.

With the year 2050 set as the target date for bringing such a society into being, we have developed some specific ideas about what that the future could look like and where we as a company want to be at that time. To bridge the gap between where we are today and where we want to be in the future, we have conceived carefully focused approaches that will help us transition to the future.



The Formulation of “Kyo-sei Life Vision 2030”

Phase 1 Defining our material issues

To define our material issues, we implemented the following steps. These steps helped us extract material issues and draw a matrix diagram.

1 Extraction of relevant issues

We extracted 513 relevant social issues from many literature sources. We categorized them into 44 groups (ISO 26000, GRI, SDGs, FTSE, MSCI, DJSI, etc.) based on the 4 points of view.

2 Internal assessment

We surveyed about 900 people associated with Unicharm including members of the board of directors, executive officers, headquarters directors, subsidiary presidents, and managers.

3 External assessment

We asked 56 organizations to participate in surveys to assess the degree of importance assigned to various issues from an external viewpoint (stakeholders' viewpoint) and received responses from 32 organizations.

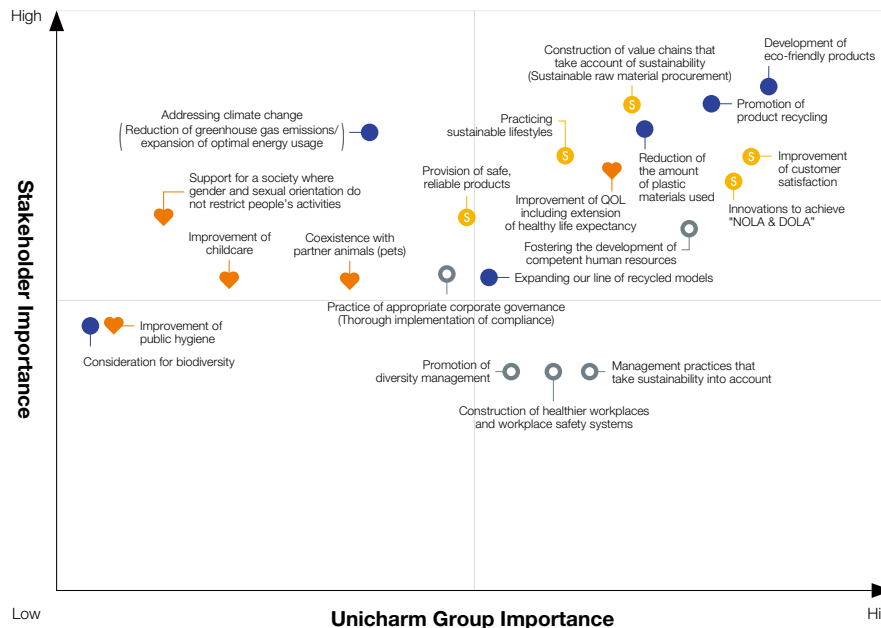
4 Workshop with executive officers

A meeting of executive officers was held to study the SDGs, followed by a workshop

where executives offered their opinions about what society might look like in 2050 as well as possible directions the company should take.

5 Defining our material issues

We listed the main themes underlying where we wanted the company to be in 2050 and the various approaches that we would have to take in order to achieve those goals; then we specified material issues. The results of these deliberations were subsequently approved by the ESG committee.



Material Issue Matrix Diagram

- ♥ Safeguarding the well-being of individuals
- \$ Safeguarding the well-being of society
- Safeguarding the well-being of our planet
- Unicharm Principles

Phase 2 Formulation of indicators linked to the material issues and target values

We examined various indicators and targets pertaining to the material issues as outlined below.

- 1 Implementation of research into ESG assessment institutions and competitors' benchmarks
- 2 Comparison between branding strategies of our products
- 3 Exchange of opinions with General Managers and Senior Managers
- 4 Creation of indicators and initial proposals for targets
- 5 Discussions with Marketing Division and R&D Division
- 6 Finalization of indicators and target values

We formulated indicators linked to the material issues and target values. These were subsequently approved by the ESG committee.

ESG Promotion Structure

“Kyo-sei Life Vision 2030” will be carried out with the following promotion structure, which is a cross-enterprise organizational system.

[PDF](#) See P.018 “Unicharm Group Sustainability > ESG promotional structure”

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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Unicharm Group Mid-to-Long Term ESG Objectives

Key initiatives, indicators, and target values

Key initiatives	Indicators	Target value	Target year
Safeguarding the well-being of individuals Our aim is to provide products and services that contribute to the realization of a society where all people can have a sense of individuality and enjoy their daily lives.			
Extension of healthy life expectancy and improvement of QOL	Percentage of products and services that contribute to the realization of a society where everyone can have a sense of individuality.	100%	2030
Support for a society where gender and sexual orientation do not restrict people's activities	Percentage of products and services that contribute to a society where people around the world are free from discrimination by gender or sexual orientation (including products and services that contribute to the elimination of sexual discrimination still present in certain countries and regions).	100%	2030
Coexistence with partner animals (pets)	Percentage of products and services that contribute to the realization of a society where partner animals (pets) are welcomed by family members and community residents.	100%	2030
Improvement of childcare	Percentage of products and services that contribute to the realization of a society where infants and their families can live healthily and happily.	100%	2030
Improvement of public hygiene	Percentage of products and services that contribute to activities which can reduce the spread of preventable infectious diseases (contact transmission or droplet transmission).	100%	2030
Safeguarding the well-being of society Our aim is to provide products and services that not only improve the safety, security, and satisfaction of our customers, but also contribute to solving social issues and promoting sustainability.			
Innovations to achieve "NOLA & DOLA"	Percentage of products and services that contribute to liberation from various burdens and finding enjoyment in life.	100%	2030
Practicing sustainable lifestyles	Percentage of products and services suitable for the "SDGs Theme Guideline," an internal guideline for contributing to sustainability.	50%	2030
Construction of value chains that take account of sustainability	Percentage of products and services that use raw materials procured from local production for local consumption, thereby contributing to local economies based on the perspectives of the environment, society, and human rights.	Double (Compared to 2020)	2030
Improvement of customer satisfaction	Percentage of products and services supported by consumers (No. 1 market share).	50%	2030
Provision of safe, reliable products	Percentage of products to which a new internal guideline for safety and quality has been set and certification has been granted.	100%	2030
Safeguarding the well-being of our planet Our aim is to provide products and services that are sanitary and convenient, as well as contribute to activities that improve our planet's environment.			
Development of eco-friendly products	Number of products and services that implement "3Rs + 2Rs" based on Unicharm's unique approach.	10 or more	2030
Addressing climate change	Percentage of renewable energy used for business operations in total.	100%	2030
Expanding our line of recycled models	Number of disposable paper diaper recycling facilities introduced.	10 or more	2030
Promotion of product recycling	Material recycling of non-woven products using recycling resources.	Start of commercial usage	2030
Reduction of the amount of plastic materials used	Percentage of virgin plastics to total plastics.	Reduced by half (Compared to 2020)	2030
Unicharm Principles Our aim is to pursue fairness and transparency in order to establish and retain stakeholder trust.			
Management practices that take sustainability into account	Maintain and improve ratings by external evaluation agencies.	Highest level	Every year starting from 2026
	Number of serious human rights violations in the value chain.	Zero occurrences	Every year
Practice of appropriate corporate governance	Number of serious compliance violations.	Zero occurrences	Every year
Promotion of diversity management	Percentage of female managers driven by the provision of various opportunities for women.	30% or more	2030
Fostering the development of competent human resources	Percentage of positive answers received for the "Growth through Work" employee awareness survey.	80% or more	2030
Construction of healthier workplaces and workplace safety systems	Reduction in the percentage of employees on leave for mental or physical health reasons by improving the workplace environment so that employees can work with peace of mind and maintain mental and physical health.	Reduced by half (Compared to 2020)	2030

Unicharm Group Mid-to-Long Term ESG Objectives Contributing to SDGs

Key initiatives	1 POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Safeguarding the well-being of individuals																	
Extension of healthy life expectancy and improvement of QOL			●	●				●			●	●	●		●		
Support for a society where gender and sexual orientation do not restrict people's activities	●		●	●	●			●		●	●	●	●		●		
Coexistence with partner animals (pets)			●	●				●			●	●	●	●	●		●
Improvement of childcare			●	●	●			●			●	●	●		●		
Improvement of public hygiene			●	●		●		●			●	●	●		●		
Safeguarding the well-being of society																	
Innovations to achieve "NOLA & DOLA"	●		●					●					●	●	●		
Practicing sustainable lifestyles				●		●	●	●				●	●	●	●		
Construction of value chains that take account of sustainability	●			●		●	●	●	●	●	●	●	●	●	●		
Improvement of customer satisfaction			●	●								●					
Provision of safe, reliable products			●					●				●					
Safeguarding the well-being of our planet																	
Development of eco-friendly products						●	●	●				●	●	●	●		
Addressing climate change						●	●	●				●	●	●	●		
Expanding our line of recycled models						●	●	●				●	●	●	●		●
Promotion of product recycling						●	●	●				●	●	●	●		
Reduction of the amount of plastic materials used							●	●				●	●	●	●		
Unicharm Principles																	
Management practices that take sustainability into account	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Practice of appropriate corporate governance								●				●				●	
Promotion of diversity management	●			●	●			●		●							
Fostering the development of competent human resources	●		●	●	●			●		●							
Construction of healthier workplaces and workplace safety systems			●	●	●			●		●							

Unicharm Group Sustainability

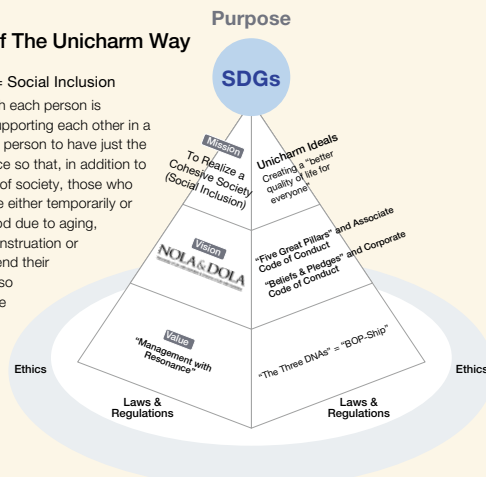
Our Purpose & Mission, Vision and Value

Unicharm believes that contributing to the achievement of SDGs is its “purpose” (significance of existence). This purpose is divided into three parts: “Mission,” “Vision,” and “Value” for being more specific. The “Mission” is described to be “what we want to accomplish” and, to be more specific, it is the “realization of cohesive society” as far as Unicharm is concerned. The “cohesive society” we aim for is a society in which all people can continue to spend their lives in their own way by becoming independent and helping each other. The “Vision” shows about “how we can realize a ‘cohesive society’.” Specifically, we make it happen by putting our philosophy, “NOLA & DOLA” (Necessity of Life with Activities & Dreams of Life with Activities), into action. “NOLA” means “providing people with gentle support both in their mind and body for freeing them from various burdens” while “DOLA” means “contributing to fulfill the dream of each and every person.” Our “Value” is the underlying “aspiration” and “sense of mission” that sustain “Mission” and “Vision” and, at Unicharm, it is to promote such common management model as “management with resonance” by all of our group employees around the world.

Formulation of The Unicharm Way

Cohesive Society = Social Inclusion

It is a society in which each person is independent while supporting each other in a way that allows each person to have just the right sense of distance so that, in addition to vulnerable members of society, those who are at a disadvantage either temporarily or for an extended period due to aging, illness, childbirth, menstruation or other factors can spend their lives in the way they so wish regardless of the situation.



Unicharm Ideals (Established: 1974)

1. We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad.
1. We strive to pursue proper corporate management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities.
1. We bring forth the fruits of cooperation based on integrity and harmony, by respecting the independence of the individual and striving to promote the Five Great Pillars*.

*The Five Great Pillars

- (1) Founder's spirit (2) Enterprising spirit (3) Spirit of simplicity and fortitude
- (4) Spirit of collaboration (5) Spirit of respecting people

Five Great Pillars and Associate Code of Conduct (Established: 1999)

Creativity & Innovation

- We will respect the creation of new society values and maintain a spirit that always seeks out innovation.

Ownership

- We will follow in the footsteps of our founder and strive to identify and solve the issues from a company-wide perspective for achieving our management targets.

Challenger-ship

- We will continue to transform our abilities without fear of failure and maintain a positive attitude based on our belief in the capacity of challenge to tap into unlimited potential.

Leadership

- We will become leaders who are capable of motivating people with our own determination by clearly showing the way for the organization to move forward.

Fair play

- We will carry out fair corporate activities that combine the spirit of respecting humanity and dignity with high ethical standards.

“Beliefs & Pledges” and Corporate Code of Conduct (Established: 1999)

Pledge to our customers

- We pledge to earn the full support of customers by always doing everything we can.

Pledge to our shareholders

- We pledge to distribute industry-leading returns to shareholders.

Pledge to business partners

- We pledge to achieve mutual growth by maintaining a fair and equitable relationship.

Pledge to associates

- We pledge to achieve the happiness of associates and their family members by filling each of them with confidence and pride.

Pledge to society

- We pledge to contribute to the economic and emotional fulfillment of the entire population through our corporate activities.

“Three DNAs” = “Best Practice-ship, Ownership & Partnership”

Being a company with sustainable growth, Unicharm has nurtured a corporate culture and spirit called the “Three DNAs” that has seamlessly been passed down from its foundation. As our business activities were spread from Japan to Asia then to the Middle East, Europe and the United States, we have rephrased the Three DNAs as “Best Practice-ship, Ownership & Partnership (BOP-Ship)” for all employees around the world to better understand. The “Three DNAs” and “BOP-Ship” are the corporate values that sustain the foundation of our activities and these values are common to each and every member of the group from top management to the employee.

- Best Practice-ship (Changing values)

This refers to frantically accumulating the best practices, abandoning the past persistence, constantly making updates and incorporating the best practices at the time with an emphasis on speed.

- Ownership (Find reason within ourselves)

This refers to recognizing everything as “our own matter” and thinking and acting on our own initiative as if we were paranoid for overcoming the difficulties.

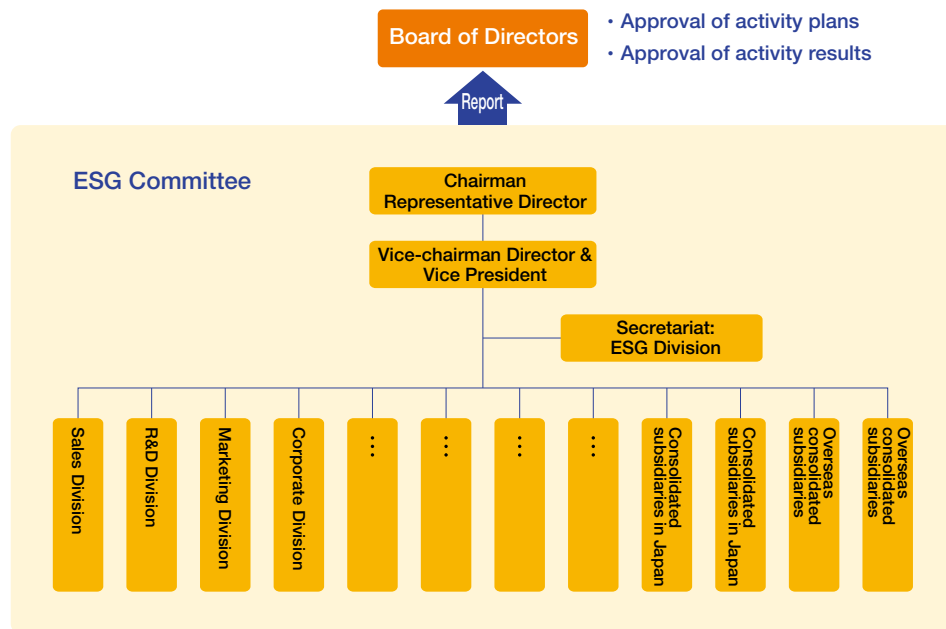
- Partnership (Maintain our No. 1 position through continued and dedicated services)

Partnership entails always respecting collaboration with the peers with a mind of altruism. Collaboration creates the internal and external cross-organizational communication and its further development will lead to innovation.

Management structure

ESG promotional structure

Unicharm has established a structure to implement and promote smooth ESG activities in order to meet our stakeholders' expectations. Our "ESG Committee" is a cross-organizational structure chaired by the Representative Director for promoting ESG. The committee meets four times a year to discuss and share information about ESG activities which in turn is utilized in the management.



Core themes and categories of ESG Committee initiatives

ISO26000 Core Subjects	Organizational governance, Human rights, Labor practices, The environment, Fair business practices, Consumer issues and Community involvement and development
Core themes of initiatives	
E	<ul style="list-style-type: none"> Climate change/Greenhouse gases, Energy use management and Climate change risk Water resources/Water use and Reduction of water use Pollution and resources/Waste disposal, resource usage and recycling Supply chain/Supplier policy, Environmental issues and Sustainable palm oil procurement Biodiversity Development of environmentally-friendly products
S	<ul style="list-style-type: none"> Labor standards/Forbidding child labor, Forbidding forced labor, Anti-discrimination, Freedom of association, Collective bargaining rights, Minimum wage and Harassment Health and Safety Human rights/Due diligence, Children's rights, Forbidding child labor, Community employment and Complaint handling Society/Community investment and Social contribution activities Responsibilities to customers/Responsible advertising and marketing and Customer satisfaction Supply chain/Forbidding child labor, Forbidding forced labor, Anti-discrimination, Freedom of association, Collective bargaining rights, Minimum wage, Health and Safety, Due diligence and Capacity building Product quality and Product safety
G	<ul style="list-style-type: none"> Corruption prevention/Anti-bribery, Insider trading, Whistleblower hotline, Education and Risk assessment Corporate Governance Company-wide risk management(environment, society, corporate governance) Compliance Tax transparency

Reference framework for Unicharm's CSR strategy

At Unicharm, we run our global business activities by paying attention to the voices of stakeholders and by referring to various international guidelines, etc. We support the ten principles of the "UN Global Compact" and, in fact, have started to participate in the compact since May 2006.

UN Global Compact

	Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	Environment Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
	Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	

The Ten Principles of the UN Global Compact

WEPS



ISO26000



Sustainable Development Goals (SDGs)



COSO
ISO9001
ISO14001
ISO10002
ISO13485
ISO14971

TCFD



Communicating with stakeholders

Under its "Beliefs & Pledges" and Corporate Code of Conduct, Unicharm pledges to undertake honest corporate activities that win the fullest confidence of its customers, shareholders, business partners, employees and society and encourages two-way communication with its stakeholders by providing a wide range of dialogue opportunities.



Communicating with stakeholders

	Communication policy (Beliefs and Pledges)	Primary communication methods	Examples of dialogue themes
Customers	We pledge to earn the full support of customers by always doing everything we can.	Customer Communication Center Group interviews Monitoring surveys Exhibitions and events	Quality, safety and functions of products Opinions concerning products and services and response
Shareholders	We pledge to distribute industry-leading returns to shareholders.	General shareholders' meetings Results briefing Overseas IR roadshows	Summary explanations of financial results Sound company management
Business partners	We pledge to achieve mutually sound growth by maintaining fair and equitable relationships.	Quality Policy Briefing Session New product presentation conference Exhibitions and events Audits	Supply chain management Quality, safety and the environment
Employees	We pledge to achieve the happiness of associates and their family members by filling each of them with confidence and pride.	Labor-management discussions Employee survey Employee counseling hotline Family day at factories Intranet and company newsletter	Compensation and health Satisfaction toward work Introduction of programs that respect diversity and examples
Society	We pledge to contribute to the economic and emotional fulfillment of all people involved and the entire society through our corporate activities.	Agreements with local governments Cooperation with government and NGOs/NPOs Emerging countries Activities through industry organizations	Disaster assistance Continence care, Health promotion, Health & Hygiene Local hiring Coordination through business activities

Message from Management



Tetsuya Shite

Senior Executive Officer, Chief Quality Officer (CQO) and Head of the Global Human Resources & General Affairs Division responsible for overseeing the ESG Division and Customer Communication Center, Head of the Global Quality Assurance Department
Unicharm Corporation

We would like to express our deepest sympathies to all those whose lives have been upended by COVID-19 and those who have been afflicted by the disease and we sincerely pray for the souls of those who have died. We would also like to express our sincerest gratitude to all the medical professionals who are on the frontlines of treatment and prevention to stop the spread of the infection.

We, the Unicharm Group, have strived to develop the world's first and #1 products and services that provide comfort, excitement and joy in an effort to contribute to the realization of a "cohesive society" in which all people can continue to shine through independence and mutual aid. We believe that such efforts are becoming more important day after day due to the spread of COVID-19. We strive to continue our business activities while giving the utmost consideration to the safety and health of our employees and their families and the entire group is continuing to work for providing the products and services that are essential for daily hygiene including the enhancement of supply system of mask in responding to its shortage problem throughout the society.

The Unicharm Group whose purpose or significance of existence is "to contribute to Sustainable Development Goals (SDGs)" has always endeavored to realize "its business is really the contribution to SDGs in itself." In order to make it more specific, in October 2020, the Unicharm Group revealed its mid-to-long term ESG objectives, "Kyo-sei Life Vision 2030 - For a Diverse, Inclusive & Sustainable World -" (hereinafter "Kyo-sei Life Vision 2030").

In formulating the "Kyo-sei Life Vision 2030," a number of stakeholders

participated in the assessment based on which we identified the important issues. In parallel with the internal discussions, we also formulated the important initiative themes, performance indicators and goals along with the basic framework for dealing with environmental issues including, for instance, the Task Force on Climate-related Financial Information Disclosure (TCFD) for which we expressed our endorsement in May 2019. In addition, the ESG Committee chaired by Mr. Takahara, President & CEO, held the multiple discussions and summarized their details.






Ultimately, a total of 20 key initiative themes, indicators and goals were established, 5 each in the 4 areas such as "safeguarding the well-being of individuals," "safeguarding the well-being of society," "safeguarding the well-being of our planet" and "Unicharm Principles." These 20 themes cover global environmental issues, declining birthrate and aging population in mature countries such as Japan, poverty and hygiene issues in emerging countries and coexistence with partner animals (pets) which, we believe, will contribute to the 17 goals and 169 targets of SDGs.

We, the Unicharm Group, aim to continue to steadily implement the "Kyo-sei Life Vision 2030" throughout our value chain and, by addressing environmental and social issues and contributing to local communities, we aim to be a company that can be trusted by all stakeholders including our customers, shareholders, business partners, employees and their families and local communities. We will further enhance our activities through the combined efforts of all group employees.

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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Unicharm Group's CSR Key Topics and Initiative Indicators (2020 targets and results)

2020 was the final year of the "Unicharm Group CSR Key Topics and Indicators" and, starting 2021, we will move forward the mid-to-long term ESG objectives, "Kyo-sei Life Vision 2030."

Key Topics/Relevant SDGs Targets	Initiatives	Initiative Indicators (KPI)	2020 targets	2020 results	Internal/external*
Lengthening healthy life expectancy 	Responding to a super-aging society	Dementia prevention education	Number of Lifree Social Walking experiential activity participants 1,500 people	Refraining from activities due to COVID-19	External
		Number of "Mild Incontinence Care and Continence Care" seminar participants (cumulative since 2014)	21,000 people	20,409 people	External
	Building a cohesive society for people and their partner animals (pets)	Supporting Animal Therapy - Companion Animal Partnership Program (CAPP) -	Verification of results seven times	Refraining from activities due to COVID-19	External
		Education on new approach to care of aging dogs	Number of participants in courses for staff at veterinary clinics 160 people	Number of participants in courses for staff at veterinary clinics 268 people	External
Supporting women's independence and improving hygiene 	Supporting women's independence	Supporting education of first menstruation (Japan and overseas)	601,500 people	134,700 people	External
	Maintaining women's health	Breast cancer early detection initiative	Sofy Pink Ribbon activities awareness rate 28% Female employee breast cancer screening rate 100%	Sofy Pink Ribbon activities awareness rate 26.7% Female employee breast cancer screening rate 100%	External External
	Improving health and sanitation for women and children	Support for measures to help safeguard the health of mothers and children	Cooperating in the spread of maternal and child health handbooks in emerging countries	Continuing to distribute maternal and child health handbooks	External
	Improving health and sanitation for children	Supporting underweight new born babies	Donated to Tiny Lives Support Project Maintaining NICU development in seven countries/ Expanding the domestic measures taken within each individual country	Donated to Tiny Lives Support Project Continuing to roll out in seven countries	External External
Contributing to the global environment 	Eco Plan 2020	Recycling used disposable diapers	Operation	Installation of actual equipment completed	Internal/External
		Percentage of paper and pulp suppliers certified by third parties (Japan)	100%	93%	Internal/External
		Percentage of paper and pulp suppliers certified by third parties (overseas)	100%	93%	Internal/External
		Percentage of environmental-friendly products (Japan)	100%	93%	Internal/External
		Percentage of products with the Eco Charming label (Japan)	60%	81%	Internal/External
	Initiatives to environmental impact reduction	Energy consumption(GJ)/Net sales(millions of yen) (per unit of net sales basis) *Based on the IFRS standards.	10.50GJ	10.27GJ	Internal/External
Resource environment	Recycling rate at three main plants in Japan	99%	99.6%	Internal/External	
Contributing to the local community and respecting people 	Diversity & inclusion	Employment rate of people with disabilities	2.3%	2.2%	Internal
		Rehiring rate of retired employees	93%	83.8%	Internal
		Percentage of female managers (Japan)	14%	14.7%	Internal
	Creating a worker-friendly workplace	Work satisfaction (average score on a scale of 5)	4.10	(No results due to review of items)	Internal
		Employee satisfaction (average score on a scale of 5)	4.10	4.16	Internal
	Maintaining and promoting employee health	Implementation rate of mental health care and lifestyle habit improvement education (for those eligible)	100%	100%	Internal
	Providing ongoing support for disaster areas	Number of participants in Super Cool Biz and Warm Biz	2,000 people	2,238 people	Internal/External
Improving health and sanitation	Raising awareness of maintaining sanitation	Providing sanitary products in preparation for disasters Spreading awareness of a website for provision of relevant information	Launch of "With Corona" Health, Hygiene & Security Information Site	External	
Strengthening organizational foundation and following fair business practices 	Corporate governance	Number of female officers	At least 2 people	2 people	Internal
	Practicing fair and equitable transactions with suppliers	Implementation rate of supplier evaluations (applicable companies)	100%	100%	External
	Assuring product safety	Number of problems with material or product safety	0	0	External
	Improving customer satisfaction	Satisfaction rate of inquiries from customers	91.3%	88.0%	External

*Primary Scope of Our Initiatives

Key Topics



In order to realize the world we envision, Unicharm upholds the following three commitments based on our corporate principle of fair and transparent management.

- Safeguarding the Well-being of Individuals 023
- Safeguarding the Well-being of Society 026
- Safeguarding the Well-being of Our Planet 028
- Unicharm Principles 031



Kyo-sei Life Vision 2030

Safeguarding the Well-being of Individuals

Our basic approach and strategy

“NOLA&DOLA (Necessities of Life with Activities & Dreams of Life with Activities), our corporate philosophy, is filled with our hope that “Unicharm aims to supply all people, from new-born infants to the elderly, with products and services that provide mental and physical support through gentle care so that they may be free of their burdens and can fulfill their dreams.” We aim to develop products and services that contribute to the realization of a society in which each and every people throughout the world can truly feel their “own uniqueness” at various stages of their lives and enjoy their day-to-day living.

Creating a society where women can shine

Contributing to SDGs



Background of Initiatives

Overcoming the challenges faced by various countries and regions and having women play an active role in society will not only lead to the achievement of gender equality, but also eliminate poverty and stimulate regional economic development. We promote awareness-raising activities while providing products and services tailored to the local peculiarities of each country and region by utilizing the know-how of our business activities that we have accumulated in the past so that we can help create a society where women throughout the world can shine.

Status of activities

Japan Sofy “#NoBagForMe” project

The “#NoBagForMe” project was launched by feminine napkin brand Sofy in June 2019 with the slogan “Let’s talk and learn about menstruation!” for an objective of creating the new perspective of value for menstruation within the entire society. The project is engaged in a variety of educational activities, including the development and sale of new designs that are completely different from those of typical packaging based on the conventional concept of “It is indeed a sanitary napkin!” (2019) as well as “Education on menstruation for everyone” which was developed as a corporate training program and implemented at multiple companies (2020).



Let's talk and learn about menstruation.

Myanmar Menarche and maternity education

In Myanmar, only around 50% of women use hygienic sanitary products*. In rural areas, it is not uncommon for women to use pieces of rag to absorb the flow of menstrual blood. Since 2017, in collaboration with the public institutions such as NGOs and local government agencies, Unicharm has been conducting menarche education activities, such as teaching students how to use sanitary napkins, at junior high schools in Myanmar. In 2020, we were able to conduct these educational activities at 21 schools.

We also hold seminars for pregnant women where we explain how to select and use disposable diapers according to the stage of their child’s growth as well as share knowledge about nutrition during pregnancy. In 2020, we visited 42 clinics. We will continue the similar activities going forward to contribute to improving the health of pregnant women and infants in Myanmar.

* Based on a survey conducted by Unicharm



India Progress on menarche and menstruation education

In 2013, in cooperation with the Japan International Cooperation Agency (JICA) and local NGOs, Unicharm began promoting an educational program for female students in India entitled “Managing Menstruation: My Pride” on the menstrual cycle mechanism and its appropriate care.

In 2020, it was held at 174 schools in 4 regions and about 12,500 people took part. In 2019, we started a session for teaching mothers and daughters and, in 2020, we held 79 sessions in Delhi and Jaipur with about 2,320 pairs of mothers and daughters participating.

In addition, we are rolling out the menstrual awareness activities in rural areas through “Sofy Sahayogi” which means ambassadors who have gone through our training program and acquired knowledge about sanitary products. In 2020, 12 sessions were held in 10 agricultural villages, such as Kolkata and Neemrana, and about 450 people participated.



For lengthening the healthy life expectancy

【Contributing to SDGs】



【Background of Initiatives】

Japan is the super aged society in the world. By 2025, it is estimated that 30% of the population will be aged 65 or older.

Improvements in medicine have led to an increased average life expectancy and a growing focus on “healthy-life expectancy,” the length of time for which people are able to spend their lives without any restrictions due to health issues. Everyone wants to be able to maintain their own preferred lifestyle and a rich social life even as they get older. Unicharm’s mission is to contribute to an extension of healthy-life expectancy by providing care products that address various issues associated with aging and letting people far and wide know that they can live as actively as before through appropriate use of these products.

【Status of activities】

Japan “Lifree Walk Assist Pant” provides support for the torso and helps people walk independently

For smooth walking, it is very important for the pelvis to be strong enough to support the torso. Unicharm’s newly-developed “Lifree Walk Assist Pant” product is a special type of pant using technology which exerts pressure on the pelvic girdle to enhance abdominal muscle pressure, thereby providing support for the torso and helping the wearer maintain their balance which in turn makes the wearer feel less anxious about walking. The structure of the pant is designed so that it does not restrict the movement of the legs, enabling the wearer to take longer strides and making it easier to walk. The fabric used has been carefully designed to be thin, elastic, soft and breathable with a texture similar to that of ordinary cloth underwear so that users can wear it for everyday activities without feeling uncomfortable.

In addition, we investigated the changes in “daily activities” by focusing on the elderly people who have refrained from going out due to the impact of COVID-19 and the “enthusiasm toward their lifestyle” owing to the decrease in the frequency of going out. As a result, we found that more than half feel that their physical strength has decreased and decided to introduce walking exercises that people can do at home on our website. In order to easily maintain good health while living with their family at home, we proposed a combination of products and gymnastics that support walking, increase motion and motivation throughout their daily life and contribute to maintaining and enhancing an independent life.



For coexistence with partner animals (pets)

【Contributing to SDGs】



【Background of Initiatives】

One of our goals is to help make it possible for people and their partner animals (pets) to live together with happiness. Through food and hygiene products for dogs and cats, we are working to improve the environment where they are welcomed not only by their families but by the people living in the community as well. In recent years, the number of cats kept as pet has been increasing and, for many owners, cats have become like their family members. The more time they spend together, the deeper their relationships become. Through products and services that utilize the knowledge and technology that has supported the health of partner animals (pets) for 30 years, we will contribute to raising awareness about cat health and solutions to excretion problems.

【Status of activities】

Japan “Absorbent wear for cats” that solves their excretion issues

In March 2020, for cats kept indoors, we launched “Manner Wear for Cats (pet diapers for cats)” which are absorption pads for cats that handle excretion issues such as “spraying” to mark surfaces with their own odor and accidents that occur away from the toilet. This product is designed to accommodate the cat’s unique body shape and flexible movements and not induce much stress for the cat while it is wearing it. In addition, for owners who are using it for the first time, we have also released an easy-to-understand video that explains how to put it on properly and how to get the cat used to it.



Japan Supporting to keep your cat healthy in its daily life with food and urine checks

In response to the growing need for cat health management, we launched a new brand, “AlliWell,” in March 2020. “AlliWell” is a product that offers seven functions centered on reducing meal regurgitation, an issue peculiar to pet cats, and supports the pet cat’s health throughout its daily life. In the same period, we released the “Urine Home Testing Kit” that promotes the management of cats’ physical condition at home. The “Urine Home Testing Kit” utilizes the cat’s urine to check its physical condition based on the color, amount and protein content and support urine collection for transport to a veterinary clinic.



To improve environmental hygiene (masks and wet wipes)

【Contributing to SDGs】



【Background of Initiatives】

Under the “Ultra-Comfort Mask” and “Ultra 3D-Shape Mask” brands which safeguard daily health and support safe and comfortable lifestyles, we have expanded the lineup according to the diversifying usage of masks and changes in needs and offer masks for use by everyone from children to adults that can be used comfortably throughout the year. In the area of wet wipes, we are developing products that adapt to changes in residential circumstances and lifestyles and contribute to the creation of effective and comfortable daily lives. In Asian countries in particular, the demand for wet wipes has increased as their income levels rise and we are contributing to improvements in the sanitary environment by rolling out our development activities more quickly.

【Status of activities】 Japan

In 2020, throughout the COVID-19 pandemic, we made various efforts to ensure the health and safety of our stakeholders such as donating masks at bases around the world (for more details, please see the special feature “Unicharm Group’s COVID-19 Initiatives”).



In November 2020, we unveiled the “Unicharm Ultra-Comfort Mask & Ultra 3D-Shape Mask Official Website” which focuses on inquiries regarding masks sent to the Customer Communication Center. This site tells visitors how to choose the best size for making the most effective use of the mask, how to wear it without leaving gaps and other useful information for wearing the mask with comfort. There are also videos explaining how to wear masks so that they do not hurt their ears, among others.

For wet wipes which are an indispensable COVID-19 countermeasure, the website explains the correct way to pull them out to maintain hygiene at all times.

PDF See P.008 “Unicharm Group’s COVID-19 Initiatives”

Improving health and sanitation for children

【Contributing to SDGs】



【Background of Initiatives】

Recently, the risk of dengue fever has increased in Malaysia and Singapore due to an increase in precipitation. To prevent dengue fever, it is important for the entire region to take two measures: “avoid being bitten by mosquitoes” and “not allow mosquitoes to propagate.” Unicharm wants to assist babies and parents throughout Malaysia and Singapore by providing information on infection control and mosquito-repellent disposable diapers.

【Status of activities】 Malaysia and Singapore

Launched “MamyPoko Extra Dry Protect,” the first diaper in the world* to protect babies from dengue fever featuring Anti-Mos Capsules.

In September 2020, in Malaysia and Singapore, we launched “MamyPoko Extra Dry Protect,” a seasonal disposable diaper featuring “Anti-Mos Capsules” which repel the mosquitoes that transmit dengue virus. “Anti-Mos Capsules” are microcapsules filled with lemongrass which act as a mosquito repellent. Because these “Anti-Mos Capsules” are applied to the tape section of the disposable diaper, each capsule is crushed when the tape is attached and detached and the lemongrass protects the baby’s skin from mosquitoes. The lemongrass uses naturally derived materials, therefore, it is safe for the baby’s skin to touch.



In addition, as an initiative for preventing the spread of dengue fever, we have set up a dedicated website that shares the information of mothers who have experienced dengue fever as well as provides information on preventive measures. We also held a panel session with medical specialty practitioners in Kuala Lumpur on the dangers of dengue fever and preventative measures.

* A structure in which microcapsules containing fragrance are coated on the tape section, both crushed and non-crushed. Covering all disposable baby diapers offered by major global brands (Based on a February 2020 survey conducted by Unicharm)

Kyo-sei Life Vision 2030

Safeguarding the Well-being of Society

Our basic approach and strategy

Unicharm is constantly striving to improve customer safety, security and satisfaction through the products and services it provides. To that end, it is essential to share our philosophy with regard to safety and environment with our suppliers and build a cooperative relationship with them through close-knit collaboration via two-way communication. Throughout the value chain, we aim to solve social issues and, at the same time, contribute to sustainability.

For protecting biodiversity

【Contributing to SDGs】



【Background of Initiatives】

We have established the “Basic Environmental Policy” and “Environmental Action Guidelines” and caused all of our employees to promote the “2 Eco” initiatives for “reducing the burden on the environment” and “economy” with an eye toward achieving a sustainable society. We also recognize that the products and services we provide are closely intertwined with the environmental issues, such as consumption of resources and waste generation, and understand the importance of protecting biodiversity. In our “Environmental Targets 2030” released in May 2020*1, we set goals to promote “sustainable forest resource procurement” for the next 10 to 30 years.

*1 See P.037 “Environmental Targets 2030”

【Status of activities】

Thailand, Indonesia and Japan Paper and pulp

We strive for sustainable procurement and production when utilizing forest resources. For example, for materials made from wood such as pulp and the water-absorbent paper used in disposable diapers and feminine napkins, we procure those materials from well-managed forests, such as forest-certified materials, and also investigate the place of origin for our materials. In 2020, we acquired CoC certification (Chain of Custody: management certification for the fabricating and distribution processes) from the international forest certification system PEFC*2 at our factories in Thailand, Indonesia and Japan and launched “BabyLove” brand in Australia with the PEFC logo mark on the package, first in Unicharm Group.



BabyLove’s social media and website accounts explain the forest certification system and PEFC and state all pulp materials contained in “BabyLove” brand products are PEFC-certified and procured through a chain of CoC certification.

In addition, since 2019, we have been switching in turn the materials for product packages and cardboard boxes sold in Japan to FSC®-certified*3.

*2 Programme for the Endorsement of Forest Certification Scheme. It is the world’s largest forest certification system, headquartered in Geneva, Switzerland, and is an independent non-profit NGO that aims to promote sustainable forest management through the implementation of strict third-party certification.

*3 Forest Stewardship Council®. It is an independent non-profit organization that operates an international forest certification system with the goal of expanding the responsible forest management around the world.

Japan Palm oil

In 2017, we joined RSPO (Roundtable on Sustainable Palm Oil) and began collecting information and establishing traceability for sustainable procurement. In 2020, we expanded the use of RSPO-certified oil using the mass-balance system*4 and actual usage was 131.6 tons (85.9% of total). Going forward, we will continue our sustainable procurement activities while confirming both quality and procurement routes and fully transit to RSPO-certified oil for all the palm oil we purchase.



*4 Mass-balance system: A certification model in which certified oil produced at certified farms is mixed with other uncertified oil during the distribution process. While the certified oil physically contains uncertified oil, the purchased farm certification and quantity of certified oil are both guaranteed.

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality
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Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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For building a sustainable value chain

【Contributing to SDGs】



【Background of Initiatives】

In October 2017, we established the “Basic Policy of Procurement” to prevent human rights and labor problems throughout the supply chain. At the same time, the “Unicharm Group Sustainable Procurement Guidelines” were established as a subdivision of “Basic Policy of Procurement” to express our intentions towards the prevention of child and forced labor, prohibition of discrimination, right to the freedom of association, right to the collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards and prevention of corruption. These policy and guidelines were created for the purpose of fair and impartial business activities with all business partners that conduct business with the Unicharm Group around the world as well as the fulfillment of our social responsibility.

【Status of activities】 Japan

Starting in 2019, we began using the Sedex* platform as a B member (supplier member) at 19 factories located in Japan, China, Taiwan-Greater China, Thailand, Indonesia, India and Saudi Arabia and have worked toward respecting the human rights of employees and improving the working environment. In addition, with the goal of building a sustainable value chain based on the “Unicharm Group Policy on Human Rights” and “Sustainable Procurement Guidelines,” we joined Sedex as an AB member (buyer/ supplier member) on July 1, 2020 and began registering and operating the Sedex platform for facilities with production bases, etc. Going forward, as an AB member, we will make further use of the Sedex platform and cooperate with our suppliers to expand our sustainable value chain even more.



* Sedex is a global membership organization, leading in responsible sourcing practices. Sedex provides companies with technology and insights to build a responsible business and supply chain, including the world's largest platform for sharing supply chain data on labor standards, health and safety, the environment and business ethics.

For supplying safe products

【Contributing to SDGs】



【Background of Initiatives】

We carry out all processes, from material procurement to product development, manufacturing, sales and disposal in accordance with the “Unicharm Management System Basic Regulations” so that the consumers can use our products that come into direct contact with their skin with peace of mind. For example, during the product development stage, a gate function is established by the Safety Assessment Committee, risk assessments are conducted while taking various usage conditions and disposal methods into account and Safety Assessment Confirmation Sheets are issued for products which safety was assured. In addition, we conduct actual-use test of products that use materials which have been confirmed to be safe.

【Status of activities】 Japan

In December 2019, our “Natural Moony (Tape Type)” brand of baby diapers obtained “STANDARD100 by OEKOTEX®” certification. This certification offers proof of textile products that have been confirmed to have the highest level of safety in the world. This is the first time this certification has been obtained for disposable baby diapers in Japan. STANDARD100 by OEKO-TEX® is an international safety certification for textile products given only to products that clear strict standards after analysis and testing for more than 350 types of harmful substances by authorized testing institutes*2 that belong to the international consortium called OEKO-TEX®. To use the STANDARD 100 label, a product has to clear the testing criteria for all of materials and chemical solutions it is made from. In addition, since it complies with the standards for hazardous substances in the countries around the world primarily in Europe, it is widely regarded as “proof” that the labeled products offer the highest level of safety in the world.



In December 2020, we obtained “OEKO-TEX® Standard 100” certification for “Natural MoonyMan (Pant Type)” and “MoonyAirfit (Tape Type)” and are working to expand the safe and secure products across the entire Moony brand.

*1 Based on a January 2020 survey conducted by Unicharm

*2 This product was certified by the Nissenken Quality Evaluation Center, the only OEKO-TEX®-authorized testing institute located outside of Europe, and OEKO-TEX® Business Center.

Kyo-sei Life Vision 2030

Safeguarding the Well-being of Our Planet

Our basic approach and strategy

Addressing global environmental issues is becoming extremely pressing and companies are playing an increasingly important role in reducing the burden on the environment and making a sustainable society a reality. Unicharm recognizes that protecting and supporting the global environment is one of its most important issues. To contribute to activities that improve the global environment, we aim both to provide hygienic and convenient products and services such as the creation of a recycling model that covers the entire product life cycle through a recycling system for used disposable diapers and to introduce renewable power.

Initiatives aimed at promoting the recycling of disposable diapers

Contributing to SDGs



Background of Initiatives

With the advent of a super-aged society, production of disposable incontinent adult diaper continues to increase and it accounts for around 1/8th of total household waste by volume. In addition, disposable diapers are made from paper pulp which uses wood as its raw material and rising pulp usage leads to the increased consumption of forest resources. We consider efforts to reduce waste incineration costs and CO₂ emissions and make effective use of resources the “responsibility of disposable diaper manufacturers,” therefore we began efforts to recycle used disposable diapers in 2015 and are working on technology development and demonstration experiments.

Status of activities

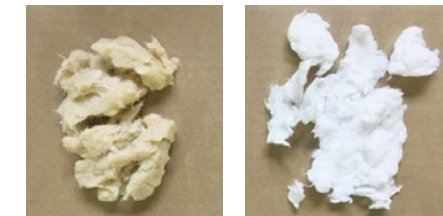
Japan Creating our own unique recycling system for used disposable diapers

In Unicharm’s used disposable diaper recycling project which began in 2015, we created a recycling system in which the used disposable diapers collected are washed and separated and the pulp taken out undergoes a unique ozonation process to kill the bacteria contained in the excrement, making it as hygienic and safe as virgin pulp.

Verifying environmental effects and hygienic safety

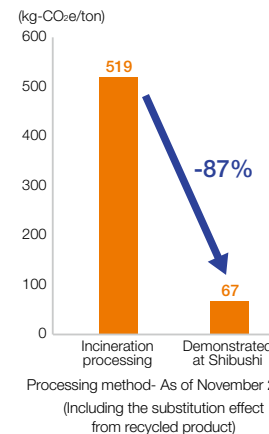
We examined the actual effects implementing the recycling system would have from a variety of perspectives. The results showed that the amount of greenhouse gases emitted could be reduced by 87% compared to incinerating used disposable diapers and producing new products from unused pulp. We were also able to confirm that recycled pulp maintained high safety and sanitation levels similar to those of unused pulp.

Comparison of pulp before/after ozonation of used disposable diapers

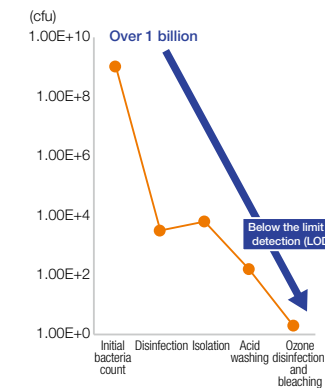


Pulp prior to ozone treatment | Pulp after ozone treatment

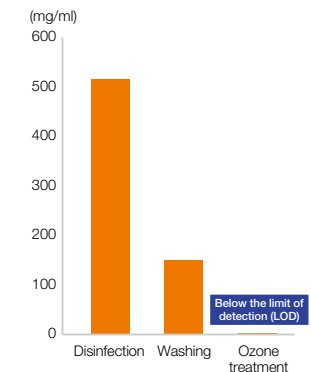
Greenhouse gas emission volume



Bacteria count in each process



Amount of residual proteins



If adult diapers from 100 people were to be recycled over a one-year period, this would reduce the waste generated by an amount nearly equivalent to the waste contained in 23 2-ton waste collection vehicles and would save 100 trees worth of wood.

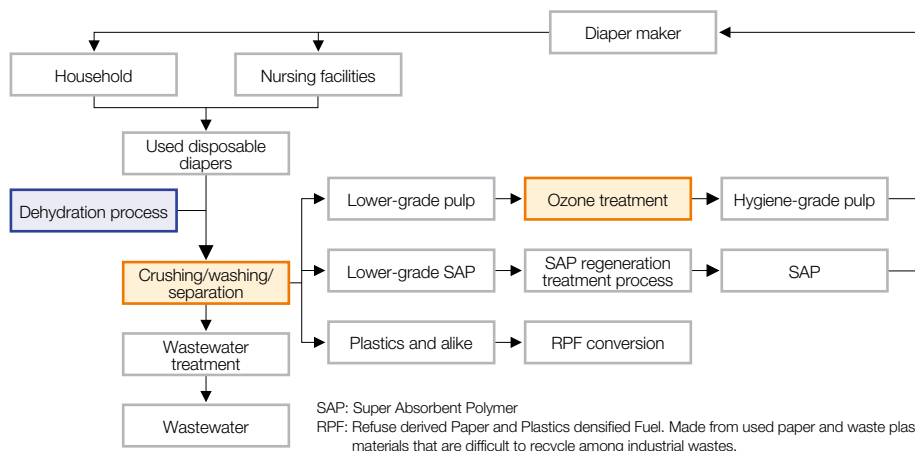
* Based on a survey conducted by Unicharm



Collaboration with self-governing bodies

Since May 2016, we have taken part in the “Used Disposable Diaper Recycling Promotion Council” which consists of 18 groups and individuals primarily in Shibushi City, Kagoshima Prefecture. On November 1st of the same year, Shibushi City, along with the So Recycling Center, and our company signed an agreement on the collection and recycling of used disposable diapers (on April 2, 2018, we signed a four-party agreement that included Osaki Town). In order to make our used disposable diaper recycling business a reality, we are conducting a demonstration project of a recycling system and promoting collaboration with Shibushi City and Osaki Town. In 2020, we introduced large-scale mass production equipment at the So Recycling Center to replace the current small-scale equipment and are strengthening our efforts to establish a recycling system that can be widely used both in Japan and overseas. In addition, on October 30, 2020, we concluded a “Regional Revitalization Comprehensive Partnership Agreement” with HigashiYamato City, Tokyo to support in seven areas such as disaster countermeasures, health promotion, child-rearing and others. With regard to one of these areas, “environmental measures,” it was decided that a “demonstration project for promoting the recycling of used disposable diapers” would be carried out by the Tokyo Metropolitan Government in 2020. Going forward, we will work on the demonstration project to promote technological development for the recycling of used disposable diapers in urban areas by collaborating with HigashiYamato City, elderly care facilities, nursery schools and companies involved with collection and transportation to solve problems related to segregating, collecting and transporting the used disposable diapers.

Flow of “Pulp recovery process for horizontal recycling through water solubilization/separation/ozonation”



Formulation of “Guidelines for the Reuse of Used Disposable Diapers” (Ministry of the Environment)

In March 2020, the Ministry of the Environment formulated the “Guidelines for the Reuse of Used Disposable Diapers” as a reference for municipalities in their consideration of recycling used disposable diapers. These guidelines organize the series of considerations to be made when recycling used disposable diapers and others, examples of initiatives, relevant technologies and regulations, etc. In addition, one of the example cases introduces Unicharm’s ozone recycling method and the details of its demonstration project in Shibushi City.

For reducing the amount of plastic use

【 Contributing to SDGs 】



【 Background of Initiatives 】

The quantity of “plastic waste in the oceans” has been increasing steadily and, because this type of waste takes a long time to decompose, it is forecast that, by 2050, the combined weight of all the plastic waste in the sea will exceed the combined weight of all the fish living in the oceans. As a manufacturer that uses plastic in its packaging materials, Unicharm feels that it has a responsibility in this regard. With the aim of helping to address the global problem of plastic waste in the oceans, Unicharm supports the “Plastics Smart” campaign organized by the Ministry of the Environment which is being implemented in collaboration with organizations in many different sectors, and is working to reduce plastic usage at every stage of product development from R&D onwards.

【 Status of activities 】

Japan Adopting environmentally-friendly packaging

To protect babies’ futures, “Natural Moony” is proactively engaged in sustainable activities to ensure that it is not only safe for the skin but gentle on the earth. As part of these activities, we have adopted environmentally-friendly packaging for our “Natural Moony New Born Baby Size with 5 Promotional Trial Samples” distributed at baby shops nationwide. The packaging uses recycled paper material and plant-derived bioplastics and it is designed to be discarded as paper waste. In addition, disposable diapers can be hygienically stored as a zipper is used for opening and closing the package.



Introducing renewable power *1

【Contributing to SDGs】



【Background of Initiatives】

With the effects of climate change increasing year after year, Unicharm recognizes that reducing carbon dioxide is a priority. Therefore, to contribute to achieving the 2°C scenario outlined in the Paris Agreement, in June 2018, we received certification for our CO₂ reduction plans up to 2045 under the Science-Based Targets (SBT) initiative. In addition, in our “Kyo-sei Life Vision 2030” revealed in October 2020, we set the goal of “using 100% renewable electricity for all of our business operations by 2030.”

【Status of activities】

Brazil

The Amazon River which flows through South America is the largest river in the world and the area of its basin is more than 18 times the size of Japan and comparable to the Australian continent. In Brazil, this rich source of hydropower is utilized to generate about 63% of the country’s electricity through hydroelectric power generation*2. At our local subsidiary factory in Brazil located in Jaguariuna, Sao Paulo, we are promoting the reduction of CO₂ emissions by using 100% renewable electricity such as hydroelectric power generation, wind power generation, and solar power generation.



Japan (Kyushu Factory)

Unicharm Products Co., Ltd. signed a contract with Tepco Customer Service Co., Ltd. regarding the transfer of the “Green Power Certificate”^{*3} issued by Japan Natural Energy Company Limited and operations began on September 1, 2020. This allows the company to make all of its annual power consumption (9.8 million kWh) of the Kyushu Factory, a state-of-the-art smart factory in Japan, derived from green energy and aim to reduce annual carbon dioxide emissions by about 5,000 tons^{*4}.



Thailand

Our local subsidiary in Thailand signed “Power Purchase Agreement”^{*5} with Symbior Solar Limited and has been conducting commercial operation of solar power generation since November 2020. The solar panels placed on the roof of the factory and throughout the premises utilize the hours of sunlight which are about 1.4 times the amount of Japan to efficiently generate and supply electricity. As a result, about 11% (9 million kWh) of the electricity used at the factory will be converted to renewable electricity and we aim to reduce carbon dioxide emissions^{*6} from the factory by about 4,300 tons annually.



Vietnam

Our local subsidiary in Vietnam signed “Power Purchase Agreement” with a group of eight investors including TP Viet Nam Investment Limited and started solar power generation in December 2020. This resulted in approximately 22% (10.2 million kWh) of annual power consumption being converted to renewable power which will reduce carbon dioxide emissions by approximately 3,600 tons^{*7} per annum.



*1 Electricity generated from renewable and natural energy sources such as wind power, solar power, biomass and small-scale hydropower.

*2 International Energy Agency, “IEA World Energy Balances 2019”

*3 A certificate that turns the added environmental value of electricity obtained from renewable electricity into a tradeable certificate or a system that uses such certificates.

*4 The annual reduction of about 5,000 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 1,400 households in Japan.

*5 Under “Power Purchase Agreement,” a solar power company installs power-generating equipment such as solar panels on the customer’s roofs or on their site to generate and manage electricity for an extended period of time.

*6 The annual reduction of about 4,300 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 4,400 households in Thailand.

*7 The annual reduction of about 3,600 tons of carbon dioxide is equivalent to the amount of CO₂ emitted annually by about 5,100 households in Vietnam.

Kyo-sei Life Vision 2030

Unicharm Principles

Our basic approach and strategy

Unicharm will strive for appropriate collaboration with its stakeholders and aim to be a fair and highly transparent company that is well-regarded and trusted by society. We believe that doing so in an effort to achieve sustainable growth and creation of corporate value over the medium- to long-term will lead to “sound corporate management” through the “pursuit of proper management which collectively accomplishes corporate growth and development, associates’ well-being and fulfillment of social responsibilities” as stated in our corporate ideals. In addition, we aim to create an environment in which happiness for each employee can be made a reality through the promotion of diversity management and human resource development.

For promoting diversity management

Contributing to SDGs



Background of Initiatives

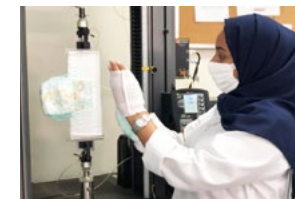
Overcoming these issues in each country and region so that women can participate more actively in society is important not only from the perspective of achieving a gender equal society but also of eliminating poverty and supporting regional economic development. Utilizing the know-how that we have accumulated in our business activities, we are pursuing various awareness-raising activities and the creation of working opportunities while expanding products and services suited to each country and region’s characteristics with the aim of helping women all over the world enjoy more fulfilling lives.

Status of activities

Saudi Arabia Expanding employment of women

In the past, for cultural and religious reasons, women in Saudi Arabia were not permitted to be in the same room with, or speak to, men from outside their own family and there were many restrictions on women’s activities including those in their workplace. Amid this situation, with the aim of providing women with employment opportunities while still respecting local cultural traditions, in May 2012, Unicharm established a women-only factory in Saudi Arabia. In recent years, women in Saudi Arabia have made rapid progress in their social advancement, but

challenges still remain. Unicharm has sought to create an environment that is most desirable for women working there. The plant features a day-care center, cafeteria and rest area and there is also a production line optimized for people with disabilities. Opportunities for women to fulfill their full potential are currently making solid advancements outside the factory as well. Since 2018, we have been hiring women as promoters, field marketers and product development staff who engage in product explanations at retailers. On March 8, 2020, International Women’s Day, we were selected as one of the organizations in Saudi Arabia that actively advocates for and promotes the development of women’s roles and female employees being active were broadcasted in local media. The broadcast explained how the active participation of women in society can contribute not only to achieving goals for the women themselves and their families but also to the economic and social development of Saudi Arabia and that the country is rapidly changing into such a society.



Japan Further enhancing efforts to promote the active participation of women

In 1963, the third year after our founding, we began manufacturing and selling sanitary napkins out of a strong desire to “eliminate the anxiety and dissatisfaction that women feel in their lives”. Since then, as a company that comprehensively supports the lifestyle by utilizing the technology we cultivated in the sanitary napkin business, we expanded our business that turns “discomfort” into “comfort” at all life stages, from infancy to old age and even for partner animals (pets).

We established a “child-care leave system” and “reduced work-hour system” for female employees before such systems were stipulated by law and we currently have implemented “flextime system in which employees can choose their work hours regardless of the core working hours” as well as a “remote-work system”. These systems help expand opportunities for female employees’ active participation in the workplace. In addition, we support the aim of the Women’s Empowerment Principles, sign statements to act on these principles, promote diversity initiatives and aim to increase the proportion of women among our corporate executives. Through our membership in “30% Club Japan,” we are enhancing our efforts to promote the active participation of women throughout the Group.



Developing resonant personnel

~ A development program based on “The Unicharm Way” ~

【 Contributing to SDGs 】



【 Background of Initiatives 】

For Unicharm whose businesses are really SDGs in themselves, it is important to provide employees with opportunities for growth through their daily business activities. We work to create an environment and system in which we respect the humanity of each employee, awaken their hidden potential and develop them to be the “resonant personnel” who can contribute to the “realization of cohesive society” through their daily activities. Currently, the approximately 16,700 employees working at our company are active in more than 80 countries and regions. The importance of sharing our unique “perspectives, way of thinking and way of acting” has increased while respecting the local culture and customs.

In February 2021, we celebrated the 60th anniversary of our founding. The number of people who experienced what it was like at the start-up our business in each country and region, let alone the founding period of the company, is decreasing year by year. We believe it is necessary to evolve the style of HR development in a way that can gain a sympathetic attitude from the members in the millennial and Z generations who will be the torchbearers in the future while maintaining the spirits of simplicity & fortitude and freedom & generosity that we have had since our founding.

【 Status of activities 】

We are promoting the development of “resonant personnel” by practicing the unified management model, “Management with Resonance,” by all employees. The following three initiatives in particular have significant features.

(1) Objectives, Goals, Issues, Strategies, Measures, Action plan (OGISM (A) table)	A strategic framework consolidated into a single table is used to formulate a plan which consists of Targets to be achieved within the period (Objectives) → Numerical goals → Issues → Strategies → Judgment criteria (Measures) → Action Plan.
(2) Observe, Orienting, Decision, Action (OODA) Loop method	Consolidates the OGISM(A) table planning method into a list on a weekly rotation with the structure Observe → Orient → Decide → Act.
(3) The Unicharm Way	Includes 10 components such as “Unicharm Terminology” that summarizes our “perspectives, ways of thinking and ways of acting” and others. It has been translated into each country’s language and is used by all employees. It was turned into an app in February 2021.

We are striving to enhance our capabilities through high-quality and standardized OJT centered on the aforementioned three pillars.

In addition, as a human resources development program under the direct control of the president, we have implemented the “Strategy Secretary to CEO” system (which gives employees who have been with the company for about 10 years the opportunity to experience working as the president’s secretary for two months), “Global 15 Project” (an educational curriculum for department managers) and the “executive training camp” (a training camp in which medium-term management plan is discussed under the non-ordinary circumstances) among others.

“Unicharm-way Work-Style Reform” = “Reforming job satisfaction”

【 Contributing to SDGs 】



【 Background of Initiatives 】

We believe that development of human resources is indispensable to providing products and services that bring about a cohesive society in which all consumers, from newborn infants to the elderly, can spend their lives in the way they so wish forever and ever. We strive to create an environment where employees can feel rewarded by supporting their growth while staying by the side of each and every employee.

【 Status of activities 】

We believe that the development of each and every employee will lead to the development of the organization and company and contribute to society. We have put in place systems such as remote work, an “interval system” for periods between work, a side business system and annual leave by the hour so that the “way people pursue their life becomes their own work style” and allows them to develop “themselves” to the fullest and shine as a parent, partner, employee, supervisor, subordinate, child and member of the community and society. In 2020, with the aim of accelerating the independent “work style” and improving the “motivation” of employees as we “co-exist with COVID-19,” we have also decided to do away with the core time system to increase choice in working hours and locations while increasing the frequency of remote work. We will create an environment where employees can discover the environment in which they can grow best and most and make use of their work time most valuably as a part of their lives.



See P.008 “Unicharm Group’s COVID-19 Initiatives”
See P.086 “Labor Standards”

Environment

Environmental Management

■ Our basic approach and strategy

The products that Unicharm provides are consumables essential to a clean and healthy lifestyle. At the same time, they are closely connected to the global environment in terms of use of resources and emission of waste. In order to provide better products to consumers around the world, we are expanding our operations globally while retaining a focus on Asia. As we do this, our role in and responsibility for reducing environmental impacts have also increased with each passing year.

All of our employees are committed to environmental activities following the Basic Environmental Policy and the Environmental Action Guidelines developed based on our corporate philosophical framework (Unicharm Ideals, “Beliefs & Pledges” and Corporate Code of Conduct”). We carefully monitor the impact our business activities have on the environment and are promoting initiatives to realize “Twin Eco Goals” by “reducing environmental impacts” and “improving economic efficiency” with the aim of achieving a sustainable society.

Basic Environmental Policy and Environmental Action Guidelines

Unicharm Group Basic Environmental Policy:

As a company that engages in the manufacture and sale of disposable products, we recognize the extent of our responsibility to the global environment. Through our business activities, we strive to create environmentally friendly products so that we may in the future pass on a beautiful earth to the future generations. We are committed to providing goods and services that bring comfort, excitement and joy to people throughout the world and are determined to realize the sustainable development of a society that achieves a balance between environmental conservation and economic growth.

Unicharm Group Environmental Action Guidelines

- Abide by all laws and regulations!
- Eliminate waste!
- Enhance productivity!
- Reduce the use of natural resources!
- Make sound choices for the environment!
- Learn more about environmental issues!
- Share efforts for helping to improve the environment!

Engagement with Stakeholders

Environmental issues such as climate change cannot be solved by Unicharm alone. We are therefore proceeding with and participating in the planning of measures created by various stakeholders including industry associations and government.

• Response to national measures

In accordance with the Japanese government’s newly set objective of “net-zero greenhouse gas emissions by 2050,” Unicharm is further strengthening its own push toward activities aimed at decarbonization.

As part of our efforts to pursue these activities, we joined the Japan Climate Leaders’ Partnership (JCLP) as a supporting member in October 2020. Going forward, we are actively proceeding with procurement of renewable electricity.

• Response to Japan Business Federation measures

We are the members of the Japan Business Federation (hereafter Keidanren) and are working proactively toward the measures promoted by Keidanren.

- Keidanren’s Commitment to a Low Carbon Society
- Voluntary Action Plan for the Formation of a Recycling-Oriented Society
- Keidanren Declaration of Biodiversity and Action Policy; and more

■ Management structure

Our environmental activities are collectively managed and overseen by the ESG Committee which is chaired by the Representative Director and operated under the Board of Directors.

The integrated implementation of ISO14001 and ISO9001, both closely related to our day-to-day operations, is pursued independently by each of our business locations and involves implementation of a PDCA cycle and gate-control based on pre-set control points and key performance indicators (KPIs). The ESG Division is responsible for tasks such as understanding the environmental situation and reports to the ESG Committee which meets four times a year. Information and discussion points arising in the ESG Committee are also reported to the Board of Directors.

Unicharm's "Eco Plan 2020," formulated in 2016, functioned as our key environmental targets, was translated into targets for each individual division and involved more finely-tuned activities such as individual targets and weekly action plans linked to each division.

With our "Eco Plan 2020" ended in 2020, Unicharm has established new targets in the form of "Environmental Targets 2030" and "Kyo-sei Life Vision 2030" which will function as the key medium-to-long term environmental targets for the entire Group from 2021.

In addition, ESG evaluation was added to the group-wide core strategy which has been one of the metrics used to evaluate executive remuneration since 2020 and we are striving to accomplish the ESG strategies and targets under the leadership of directors and executive officers.

Environmental Management Structure



Environmental Management based on ISO

In order to improve our environmental performance, Unicharm has introduced ISO14001. We have been promoting continuous improvement in accordance with Environmental Management System (EMS) activities.

In 2017, we merged our quality and environment management systems in order to further strengthen our activity in both of these areas. By integrating and effectively utilizing the management systems, we are engaging with quality and environmental issues through a unified framework.

Environmental audits for preventing environmental risk and enhancing performance

Unicharm conducts three types of environmental audits in order to eliminate environmental risks and enhance environmental performance. These include target-focused audits such as:

- (1) regular audits in conformance with ISO14001-compliant environmental management systems;
- (2) onsite confirmations at industrial waste processing partners; and
- (3) confirmation of compliance with laws and regulations.

In addition, operational audits performed by the Internal Audit Department confirm the status of waste treatment at sales offices that are not covered by an environmental management system.

Results of Environmental Regulatory Audits

It has been confirmed that, in 2020 as well, surveys, data and documentation for submission to governments as required by environmental laws and regulations were submitted correctly. No fines have been incurred due to violations of environmental laws or regulations. Furthermore, there are no environmental matters pending.

ISO9001, ISO14001 and ISO13485 Certification at the Unicharm Group (certified unit)

Name of unit obtaining certification	Certification status		
	ISO9001	ISO14001	ISO13485
Unicharm and Unicharm Products (Japan)	○	○	○*
Unicharm Kokko Non-Woven (Japan)	○	○	
Cosmotec (Japan)	○		
United Charm (Taiwan-Greater China)	○	○	
Uni-Charm (Thailand) (Thailand)	○	○	○
PT.UNI-CHARM INDONESIA Factory1 (Indonesia)	○	○	○
PT.UNI-CHARM INDONESIA Factory2 (Indonesia)	○	○	○
PT.UNI-CHARM INDONESIA Factory3 (Indonesia)	○	○	○
Unicharm Consumer Products (China) (Shanghai, China)	○	○	
Unicharm Consumer Products (Jiangsu) (Jiangsu, China)	○	○	
Unicharm Consumer Products (Tianjin) (Tianjin, China)	○	○	
Unicharm Gulf Hygienic Industries (Saudi Arabia)	○	○	
LG Unicharm (Korea)	○	○	
Unicharm India (India)	○		
Unicharm Australasia (Australia)	○		
Unicharm Middle East & North Africa Hygienic Industries (Egypt)	○	○	
UNICHARM DO BRASIL INDUSTRIA E COMERCIO DE PRODUTOS DE HIGIENE LTDA. (Brazil)	○		
Diana Unicharm (Vietnam)	○		
DSG International (Thailand) (Thailand)	○		
Disposable Soft Goods (M) (Malaysia)	○		

* ISO13485 certification is applicable only to Unicharm Products Co., Ltd.

Validation of environmental protection activities

In 2016, we identified materiality through open discussions with investors and NGOs and, based on these findings, drafted our “Eco Plan 2020,” a set of medium-term environmental targets for 2020. With 2020 bringing “Eco Plan 2020” to a close, we will proceed with “Environmental Targets 2030” and “Kyo-sei Life Vision 2030” from 2021 onward.

Materiality identified by Unicharm

Stakeholder interest	High	<ul style="list-style-type: none"> Use of water resources Treatment and management of drainage Reduction of packaging materials, recycling 	<ul style="list-style-type: none"> Response to climate change CO₂ reduction targets with suppliers Correlation with SDGs 	<ul style="list-style-type: none"> Disclosure of environmental targets Increased waste, recycling response Procurement of sustainable materials
	Medium	<ul style="list-style-type: none"> Proper management of hazardous substances Emissions of VOC gases Labeling of carbon footprint 	<ul style="list-style-type: none"> Legally compliant processing of waste Ratio of environmentally-friendly products Scenarios for science-based targets 	<ul style="list-style-type: none"> Supplier selection and assessment results Collaboration with suppliers Promotion system and governance
	Low	<ul style="list-style-type: none"> Environmental impact studies of plant sites Protection and restoration of IUCN red list species 	<ul style="list-style-type: none"> Emissions of NOx and SOx Compliance with environmental laws and regulations 	<ul style="list-style-type: none"> Accuracy of non-financial data Percentage of third party certification Targets for renewable energy

Impact on Unicharm

High

Eco Plan 2020

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Judgment
(1) Reduction of waste	Recovery technologies for used disposable diapers (Japan)	Established technologies	Starting with local governments	Start testing	Cycle model establishment	Cycle model operation start	Full-scale operations	Installation of actual equipment completed	△
	Recycling of product loss (Overseas)	2,000 tons	2,600 tons	2,600 tons	4,300 tons	6,000 tons	4,000 tons	5,700 tons	○
(2) Procurement of sustainable materials	Third party certification of paper and pulp suppliers (Japan)	82%	80%	94%	95%	95%	100%	99%	△
	Third party certification of paper and pulp suppliers (Overseas)	—	84%	87%	90%	95%	100%	93%	×
	Third party certification of palm oil suppliers (Japan)	0%	Start of investigation	Ascertained	2%	31%	100%	86%	×
(3) Measures for climate change	Environmentally-Friendly Products (Japan)	72%	78%	80%	86%	89%	100%	93%	×
	Products with the Eco Charming label (Japan)	50%	56%	58%	66%	66%	60%	81%	○
	Products with the Eco Charming label (Overseas)	0%	Survey	Understanding Completion	Operation Start Delay	Operation Start	Operation Start	Review	—
	CO ₂ emissions base unit during manufacturing compared to 2015 (Japan)	Base year	-2.4%	-4%	-6%	-8%	-10%	-10%	○
	CO ₂ emissions base unit during manufacturing compared to 2015 (Overseas)	Base year	—	-3%	-6%	-8%	-10%	-10%	○
	Collection of overseas site data (compared to sales)	73%	77%	81%	83%	88%	80%	84%	○

- In the area of waste reduction, we have extended an additional year in which to fulfill our targets for installation of commercially operable facilities in Shibushi City and Osaki Town, due to the impacts of COVID-19. In this area, we have also been able to convert 5,700 tons/year of product loss generated during the manufacturing stage into cat continence care products. This achievement of our planned goals forms the basis of the evaluation above.
- In the area of procurement of sustainable materials, we increased the percentage of sustainable paper pulp in operations in Japan as compared to 2019 but did not achieve 100%. Neither we managed to meet our goals overseas partly due to the introduction of new materials in certain areas. We vastly increased our sustainable palm oil as compared to last year, but did not achieve 100% resulting in the evaluation above.
- In the area of measures toward climate change, production of environmentally-friendly products has increased, yet some products remain limited in terms of the switch to environmentally-friendly specifications and our overall objectives have not yet been met. With regard to the percentage of Eco Charming products, our goal was achieved ahead of schedule within Japan, as of 2018, while we have had to review our systems overseas. The above evaluation is based on our achievement of our target of reducing CO₂ emissions intensity at the manufacturing stage and production locations that have received third-party certification now accounting for 84% of our total sales.

* From 2021 onward, we will advance our “Environmental Targets 2030” and “Kyo-sei Life Vision 2030.”

■ “Environmental Targets 2030”

In order to formulate our “Environmental Targets 2030,” we held open discussions with stakeholders, set materiality and fixed targets. We also promote internal discussions aimed at achieving our targets.

Holding open discussions on environmental activities

With the aim of correctly identifying key environmental issues and using this knowledge effectively in our business activities, we held an open discussion with WWF Japan in April 2019. Managers from Unicharm’s Marketing and ESG Division were joined for an exchange of ideas by four WWF Japan officials – Mr. Sadayoshi Tobai, Conservation Director; Mr. Yosuke Ikehara, Climate and Energy Project Leader, Mr. Yukihiro Misawa, Plastics Policy Manager with WWF Japan’s Seafood Markets Group and Ms. Chiaki Furusawa of WWF Japan’s Forest Program.

[Suggestions from the Open Discussion]

(1) Company Vision

- When setting and sharing environmental targets for 2030, first set out the “company’s vision for where it wants to be in 2050.”
- Once this “2050 Vision” has been established, consider what must be achieved by 2030 as part of the process of realizing this overarching vision.

(2) Raising Issues

- In consideration of our areas of activity, three issues that Unicharm should actively work on are: (1) plastics pollution, (2) response to climate change and (3) sustainable procurement of forest resources.

1. Approach to plastics pollution

- Follow the “3Rs” (Reduce, Reuse, Recycle) in the correct order to promote reduction in the quantity of materials consumed and effective use of recycled materials.
- Consider adoption of the “5Rs” (the “3Rs” with the addition

of “Refuse” and “Replace”) and begin with actions that can be taken now to make steady progress in this area.

- Take proactive steps in sharing information that makes it possible to monitor Unicharm’s engagement in this area.
2. Approach to responding to climate change
- Take proactive steps to accelerate the creation of “Renewable Energy Society” by announcing initiatives aimed at “Net Zero CO₂ Emissions Society by 2050” and through activities such as lobbying the government and electric power providers.
3. Approach to sustainable procurement of forest resources
- Conduct thorough surveys of production areas and share relevant information publicly, as there may be problems in certain production areas even if the forest resources are certified.
 - Expand our use of certified materials, using our guidelines not only for the raw materials used in our products but also for the forest-derived resources used in the making of office furniture, handout materials and similar products.

We took these ideas as our themes for discussion in the ESG Committee and used them to formulate and plan group-wide promotion of “Environmental Targets 2030” in May 2020.



Open discussion on environmental activities

Environmental Materiality Identified by Unicharm in Relation to the Period Leading up to 2030

Stakeholder Interest	High	<ul style="list-style-type: none"> • Effective utilization of water resources • Responding to environmental air pollution (NOx/SOx) • Compliance with laws and regulations 	<ul style="list-style-type: none"> • Effective utilization of forest resources • Promotion of environmentally-friendly products • Promoting measures to safeguard marine resources • Promoting efficient production activities 	<ul style="list-style-type: none"> • Tackling the problem of plastic waste polluting the oceans • Responding to climate change • Promoting a recycling society • Enhancing the quality of information disclosure • Appropriate management of chemical substances
	Medium			
	Low			
		Impact on Unicharm		
		High		

Environmental Targets 2030

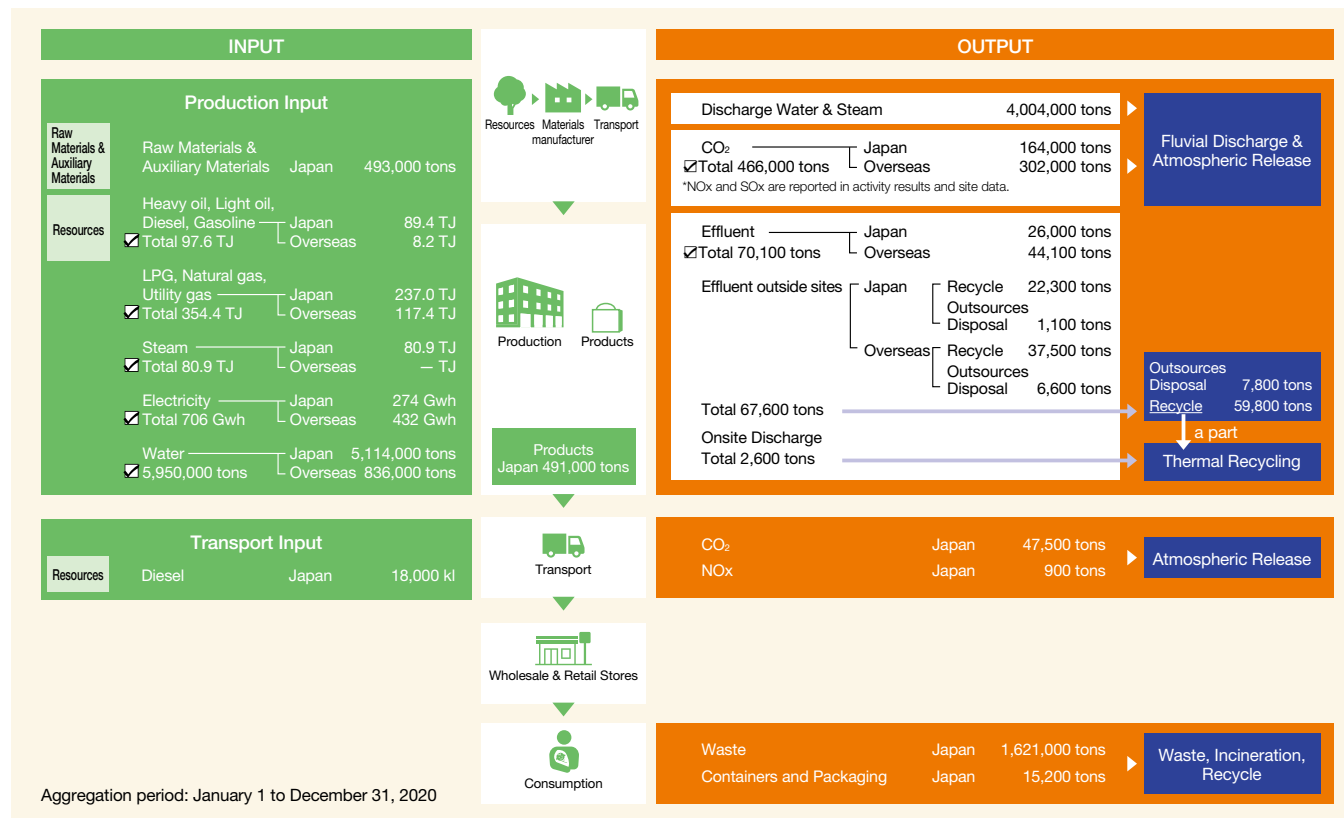
Environmental issues	Implementation items	Baseline year	2030 targets	2050 vision
Responding to the problem of plastic waste	Reducing usage of packaging materials	2019*	Per unit of sales -30%	Realizing a new society with zero plastic waste
	Sale of products that contain no petroleum-derived plastic	—	10 stock-keeping units (SKU) or more sold	
	Raising awareness about proper disposal of used products	—	Rolled out at all local management units (LMU)	
	Eliminating the use of plastic in sales promotional items	—	In principle, reduced to zero at all local management units (LMU)	
Responding to climate change	Reducing CO ₂ emissions associated with raw materials procurement	2016	Per unit of sales -17%	Realizing a society with net zero CO ₂ emissions
	Reducing CO ₂ emissions in manufacturing	2016	Per unit of sales -34%	
	Reducing CO ₂ emissions associated with disposal of used products	2016	Per unit of sales -26%	
Not contributing to forest destruction (response to procurement-related issues)	Ensuring traceability to pulp and palm oil production locations (country/region)	—	Completed	Realizing a society with zero forest destruction related to the purchasing of timber
	Expanding the use of certified pulp (PEFC and CoC certified)	—	100%	
	Expanding the use of certified palm oil (RSPO certified)	—	100%	
	Promoting the recycling of disposable diapers	—	Rolled out in at least 10 municipalities	

* We have updated our baseline year for “reducing plastic usage in packaging materials” from 2016 to 2019 following a review in 2020.

Energy/material flow from the entire life cycle perspective

As a manufacturer of consumer products, we use resources in various aspects of business activities. As a responsible manufacturer that utilizes resources and runs businesses, we engage in efforts to improve the environment at every stage of the supply chain through all of our business activities, from the procurement of materials to manufacturing, transport and disposal of products after use.

Energy/material flow from a lifecycle perspective



Third-party assurance

In order to increase the reliability of non-financial data, we are receiving third-party assurance from PwC Sustainability LLC, based on ISAE3000/3410.

Locations with third-party assurance are marked with a in the diagram below.

Sites receiving third-party assurance: (84% of sales)

All business locations inside Japan (however, Headquarters, Sales Offices and Unicharm Mölnlycke have assurances only for fuel, electricity and CO₂), Unicharm Corporation (Sales Offices, Development, Itami Factory, Mie Factory and Saitama Factory), Unicharm Products Co., Ltd. (Fukushima Factory, Shizuoka Factory, Shikoku Factory and Kyushu Factory), Unicharm Kokko Non-Woven (Manufacturing Group 1 and Manufacturing Group 2) Unicharm Mölnlycke, Uni Care, Peparlet Co., Ltd. and Kinsei Products Co., Ltd.

Overseas manufacturing sites (manufacturing locations only)

China: Unicharm Consumer Products (China) Co., Ltd. (Shanghai Factory, Tianjin Factory and Jiangsu Factory), Unicharm Nonwoven Tianjin, Unicharm Packaging Materials (Tianjin) Co., Ltd.
 Indonesia: PT Uni-Charm Indonesia (Karawang Factory and Surabaya Factory), PT Uni-Charm Nonwoven Indonesia
 Thailand: Uni-Charm (Thailand) Co., Ltd. (Bangkok Factory)
 India: Unicharm India (Sri Factory, Ahmedabad Factory)
 Taiwan-Greater China: Unicharm Co., Ltd. (Junan Factory)
 Vietnam: Diana Unicharm Joint Stock Company Vietnam (Bac Ninh Factory)

USA: The Hartz Mountain Corporation (Pleasant Plain manufacturing facility)

Policies and standards: Aggregation based on company rules concerning the management of environmental information in accordance with relevant environmental laws and regulations including the Act on Rationalizing Energy Use, the Act on Promotion of Global Warming Countermeasures and the Waste Management and Public Cleansing Act.

Notes:

- CO₂ emissions in Japan are calculated based on the 2019 emission factors under the Act on Rationalizing Energy Use and the Act on Promotion of Global Warming Countermeasures. The overseas portion is calculated based on the GHG Protocol Ver. 4.8. (0.734 for China, 0.809 for Indonesia, 0.500 for Thailand, 0.926 for India, 0.8 for Taiwan-Greater China, 0.351 for Vietnam) and the published factors disclosed on electricity company website for the U.S.
- In terms of transportation, we have statistics only for inside Japan.
- Discharge includes industrial waste, general waste from offices and recyclables.
- Figures estimated from incinerator operations at the Fukushima Factory are used for the volume of thermal recycle of incinerated waste materials on premises.
- Scope 3 emissions third-party assurance within Japan is denoted using the symbol. For more information about Scope 3 emissions third-party assurance, please see p. 129.

PDF See P.129 "Third Party Assurance"

Climate Change

■ Our basic approach and strategy

Background and approach of TCFD initiatives

The impact of climate change is increasing every year and gaining in severity. Under the Paris Agreement reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in December 2015, signatories agreed to keep the increase in global average temperature to under 2°C above pre-industrial levels.

The Task Force on Climate-related Financial Disclosures (TCFD) disclosed its final report in June 2017 as recommendations to encourage disclosure of climate-related financial information by corporations to allow investors to make appropriate investment decisions. The content of the report is globally recognized as an important framework for disclosure of information on climate change. Under TCFD, corporations need to consider the risks and opportunities of climate change and make disclosures in the areas of “Governance,” “Strategy,” “Risk Management” and “Metrics and Targets.” “Strategy” also requires disclosure of results of analysis including climate scenarios that keep the increase in temperature to below 2°C. Unicharm recognizes that climate change is an issue to be worked on as a priority. Therefore, in order to contribute to achieving the 2°C scenario in the Paris Agreement, we received certification in June 2018 under the Science-Based Targets (SBT) initiative for our CO₂ reduction plans up to 2045. We also expressed our endorsement of TCFD in May 2019 and will continue to report in accordance with the TCFD framework going forward.

To achieve the “Net Zero CO₂ Emissions Society by 2050” target set forth in our “Environmental Targets 2030,” our Representative Director will take the lead on setting targets

and monitoring the progress and aim to achieve a switch to renewable electricity for 100% of the electricity used in the business development as set out in our group-wide “Kyo-sei Life Vision 2030.” To this end, we joined the Japan Climate Leaders’ Partnership (JCLP) in 2020. We will continue to strive to reduce CO₂ emissions associated with the various business activities within the group while also continuing to actively encourage all those involved in the supply chain to reduce their emissions throughout the product life cycle. We are also striving to pursue such activities in partnership with all of our stakeholders.

■ Management structure

Governance

Our Representative Director is responsible for evaluating risks and opportunities related to climate change and for setting and enforcing CO₂ reduction targets. The ESG Committee chaired by the Representative Director and staffed by directors and main executive officers meets four times a year (once in each quarter) to report and deliberate on overall environmental activities including those related to the climate (also including “Eco Plan 2020” progress updates), our response to social issues and important issues for governance. For these Committee meetings, the ESG Division which is responsible for response to the group-wide environmental issues collects and checks environmental data and information on our activities monthly for each site. This information is discussed with CQO and the ESG Senior Executive Officer and forms the agenda for the ESG Committee. The activities of the ESG Committee are then supervised by the Board of Directors who receive reports on Committee activities from the CQO and ESG Senior Executive Officer at least once a year. The ESG Committee and the Board of Directors perform checks and provide guidance and instructions on the activities in accordance with the progression of “Eco Plan 2020.” To allow Unicharm

to achieve its goals, we also set the term (years) for return on investment, deliberate on investment decisions on a case-by-case basis, implement the necessary measures and aim to meet our targets. Following the recommendations of the TCFD, we publicly share information about specific plans based on our “Eco Plan 2020,” “Environmental Targets 2030” and “Kyo-sei Life Vision 2030” (the former until the end of 2020 and the latter two from 2021 onward).

ESG evaluation was also added to the metrics used to evaluate the executive remuneration in 2020 and we are making efforts toward achieving our targets, with not only climate change but also the SDGs forming part of our company purpose, in the aim of prompting sustainable growth and improving the medium-to-long term corporate value.

Strategy

A joint team of researchers from Stanford University and the University of California, both in the United States, commented in a report of their findings published in “MIT Technology Review” in 2017 that Asia will be the hardest hit region if measures to mitigate and adapt to climate change are not taken. Unicharm’s business activities are concentrated in Asia and we see the risks and opportunities associated with climate change as an important factor in our business strategy.

Given this, in 2018, Unicharm independently estimated the financial impact of energy based on the “450 Scenario” of the International Energy Agency (IEA) and the operational impact due to physical risk based on the “RCP 2.6 Scenario” of the Intergovernmental Panel on Climate Change (IPCC). Unicharm considers risks and opportunities with reference to our situation year-by-year (the short-term), in alignment with management plan (the medium-term; 3–5 years) and international prospects (the long-term; 10–20 years, encompassing factors such as the SDGs and the Paris Agreement).

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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We also use an ERM (enterprise risk management) approach to identify risks to the group as a whole and engage with climate change risks as one of them.

In order to respond to the risks and opportunities identified in the table to the right, we are implementing the ideas listed below in conjunction with our financial plan.

Conforming to regulations and standards

In Japan, we are prioritizing capital expenditure that allows us to aim for the target of an annual 1% increase in energy efficiency, as stipulated in the “Japanese Act on Rationalizing Energy Use.”

Financial optimization calculations

For investment in energy conservation, we are expanding our criteria for assessing expected depreciation periods, facilitating assessment of return on investment.

Budget dedicated to research and development of low carbon products

We are investing in establishing a system that we can implement with our suppliers and use to exchange data relating to CO₂ emissions by weight of material, linked to each of the code we use to categorize the raw materials and are implementing database management to establish and execute a budget that will allow developers to more easily select low carbon materials.

Climate change risks and opportunities identified by Unicharm

	Category	Details
Risks	Procurement risks	Over 90% of the pulp used by Unicharm comes from North America and factors including the possibility of a global increase in the frequency of heavy rainfall and the increase seen in North America between the 1970s and 2010s of both the frequency of hurricanes and the damage they inflict lead us to believe that physical risks pose a threat of acute damages to production areas supplying timber for pulp, the main raw material for our products. Meanwhile, if we also consider Brazil, another production area, factors such as reported annual losses of two to five Mha of forest across every region of Brazil and North America in the ten-year period from 2008 to 2017 mean that it is becoming increasingly necessary to procure forest resources that take sustainability into account and lead us to believe that there is a risk of pulp procurement becoming restricted if deforestation accelerates.
	Regulatory risks	Once regulations arising from the Paris Agreement and relating to GHG emissions are applied not only to developed countries but also to developing nations, we can project that all Unicharm factories will come within their scope. Due to this strengthening of regulations in all countries going forward, we believe that there is a risk that further measures for energy conservation and purchasing of emissions credits will become necessary and that the adoption of carbon taxation and other schemes will increase costs for electric power companies, manufacturing sites and suppliers.
	Market risks	Large-scale disasters caused by major typhoons, cyclones and other abnormal weather attributable to climate change are occurring in approximately 80% of the countries, primarily in Asia, where we are focusing on and expanding and are beginning to elicit changes in consumers' psychology. Energy saving features are already an important factor influencing purchasing decisions for automobiles, home appliances and other durables and, as this awareness spreads to daily necessities for everyday use, we believe that there is a risk that products that do not take the global environment into account will lose consumer support.
Opportunities	Market opportunities (services)	In over 90% of the countries into which Unicharm is expanding (approximately 80 countries and regions as of December 2020), used diapers are either incinerated or disposed of in open dumps or landfill sites. Unicharm is therefore advancing an initiative to recycle used disposable diapers. If and when such recycling could be implemented, our trial calculations suggest that it could reduce production of GHGs, including the CO ₂ from incineration and methane from open-dump and landfill disposal. We therefore see possibilities for recognition of our commitment to used disposable diaper recycling and increasing support for our products utilizing recycled pulp.
	Market opportunities (management)	Unicharm is striving toward sustainable management and was chosen as a constituent of various indexes in December 2020, including the “FTSE4Good Index Series,” “FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index” and “S&P/JPX Carbon Efficient Index.” We hope to maintain and expand this position going forward. By pursuing sustainable initiatives centered around the SDGs, we believe that we will increase our chances of being recognized by corporate investors and other entities and attracting stable, long-term shareholders.
	Market opportunities (products)	A first in the category of daily commodities, Unicharm has granted certain products the “Eco Charming Mark” (a Type II ecolabel based on our own criteria) and rolled out environmentally-friendly products. We believe that the speed at which we have brought environmentally friendly products to the market will lead to Unicharm being viewed as quickly meeting customer expectations and put the company in an excellent position to secure a competitive edge for our products.

We believe that the most significant climate change-related impact on our business strategy will be our participation in the scientific approach to the COP21 Paris Agreement’s reduction targets aimed at keeping warming below 2°C. With our 2030 reduction targets having been endorsed by the SBT, environmental consciousness has been promoted as part of the company’s product development strategy within our operations and development divisions, while plans incorporating both short- and long-term perspectives, including energy conservation activities and adoption of renewable energy, are being instituted as part of our strategy within our manufacturing division.

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Scenarios and planning

Unicharm uses the RCP scenario* as a basis from which to calculate estimated physical impacts. These include risks related to operating plants in coastal zones with rising sea levels, operating risks linked to supply chain disruption caused by cyclones and other disasters, the risk of falling GDP in equatorial regions due to heat waves and the impact of increased raw material costs due to reduced production capacity in terrestrial eco-systems.

Warming will have a significant impact not only on the global environment but also on our business development. In order to observe the Paris Agreement, we will continue to proceed with the efforts in cooperation with various stakeholders. We believe that this situation in which global warming is becoming an increasingly urgent problem presents an opportunity to showcase Unicharm's "used disposable diaper recycling technology." By means of this technology, we will be contributing to efforts such as forest conservation and decarbonization.

* The RCP (Representative Concentration Pathway) scenarios are series of scenarios setting out several "representative concentration pathways" and predicting the future climate for each pathway, as well as allowing the formulation of various socioeconomic scenarios that would lead to each of these concentration pathways

Unicharm's envisaged scenarios

	Details	Impact on Unicharm
RCP 2.6 Scenario	<p>We use the IEA 450 ppm scenario as a basis from which to calculate the anticipated economic impact of Scope 1 (fuel usage) and Scope 2 (electricity usage). Specifically, we calculate financial impact using BAU energy costs and the estimated costs of a scenario in which we achieve SBT with regard to the predicted 2030 sales revenue. Our calculations also use anticipated carbon pricing costs of 90 dollars per ton in 2030 and assume governmental change.</p> <p>We create transition risk time lines based on these hypotheses which then form the basis of our scenario analysis.</p> <p>We have created multiple scenarios based on the IEA's transition risk time line and the IPCC's physical risk time line.</p> <p>While achieving RCP 2.6 would entail significant price volatility risks and increased risks associated with carbon pricing and changes in consumer tastes, we believe that it would present a strong possibility of sustainable economic development. In addition, if the scope of carbon pricing is extended to cover Scope 3, we will have increased the opportunities to utilize our used disposable diaper recycling technology.</p>	<p>If international agreements progress and reduction targets keeping warming under 2°C are met, sales in Asia will see an increase in CAGR (compound annual growth rate) from 7% to 9%, allowing the increase in related energy costs to be absorbed. We would continue to achieve sustainable growth after 2050 as well.</p>
RCP 4.5 Scenario	<p>Under RCP 4.5, the private green economy would continue to actively develop and transition risks would be limited to a reasonable economic level. Although physical risks would increase, economic development would accelerate and we believe that the consequent financial surplus available would bring an increase in opportunities to absorb the costs of used disposable diaper recycling technology. Further, we believe that a worldwide balancing of environment and economy would prompt consumers to reevaluate the value of products with a low impact on the environment and lead to the expanded possibilities for increasing added value and expanding sales.</p>	<p>If global warming is limited to approximately 2°C, we believe that proactive adoption of the private sector-led "WASI" (We Are Still In: an American non-state actor) declaration would keep physical risks to a minimum and increases in costs of raw materials at permissible levels. In addition, we could expect to maintain sufficient time and financial resources to preserve our corporate assets (responding to storm surges and rising temperatures, related insurance, etc.). In this scenario, we would expect over 15% ROE.</p>
RCP 6.0 Scenario	<p>In RCP 6.0, transition risk perception would be minimized and economic development would accelerate, but physical risks would increase and the supply of pulp, the main material used in our products, would become unstable leading to increased costs. Even in such circumstances, Unicharm could reduce materials costs as compared to other companies by making our sophisticated used disposable diaper recycling technology practicable, creating opportunities to expand sales. However, with Asia—where the majority of our key customers are located—being particularly in danger of physical damages due to climate change, there would be a heightened risk of being unable to maintain our market expansion.</p>	<p>If the focus of the SDGs shifted to the pursuit of economic development, with a consequent rise of more than 3°C in global temperature, sales in Asia would see an increase in CAGR from 7% to 10%. As the associated increase in energy costs would be lower than in the RCP 2.6 scenario, we would expect ROE to be over 15%. However, the impacts of global warming would render this growth unsustainable and we would face declining sales from 2050 onward.</p>
RCP 8.5 Scenario	<p>In RCP 8.5, there is a possibility that accelerated economic growth would, in the short term, create increased demand for products with a low impact on the environment and an increase in sales.</p>	<p>A focus on economic growth would result in an increase in CO₂ emissions, but sales revenue would also increase in the short term. However, physical risks would increase, costs of raw materials would rise and corporate environmental protection costs would grow. As a result, it would become difficult to maintain a 15% ROE.</p>

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Risk Management

We use an ERM (enterprise risk management) approach to identify risks to the group as a whole and engage with climate change risks as one of them.

Group-level climate-related risk assessment is conducted by the ESG Division. First, we run simulations of climate change impact that cover severity, scope and transition risks (carbon pricing, energy prices, etc.) based on the recommendations of the TCFD and create multiple qualitative scenarios (based on RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5) of the period up to 2050, using information from sources such as the IPCC Climate Change Report and the IEA World Energy Outlook.

These four scenarios are then used, together with the estimated value of damages (calculated as part of site level risk assessment), to estimate the group-level total damage costs. The results of this evaluation are reported to the ESG Committee and the Board of Directors which then are used in the formulation of business strategy and business plan. In the event that the ESG Committee in which the Board of Directors and heads of departments participate judged that they would influence the aforementioned scenarios, a responsible department will be placed for developing an action plan with the ESG Division acting as a secretariat. This will then be approved at the next ESG Committee meeting and the responsible department will implement the plan. Further, the responsible department will provide progress reports on all action plans at ESG Committee meetings.

 See P.122 "Governance > Risk Management"

Risk assessment based on TCFD

Risk category	Details
Transition risks	Electricity prices in Japan are showing an upward trend due to carbon taxation and the cost structure for purchasing renewable energies. If carbon taxation is introduced in all of the overseas countries where Unicharm carries out manufacturing or the purchasing cost structure for renewable energies is not improved, operating costs may rise. In 2020, we took actions by switching to LED lighting, reviewing our air conditioning running practices and replacing the centrifugal chillers and transformers. These risks and countermeasures are evaluated and implemented at the discretion of the ESG Division and the ESG Committee.
Physical risks	The IPCC AR5 WG3 Report points to the possibility of an increase in the frequency of heavy rainfall on a global scale. Further, the news that hurricanes have been increasing in both frequency and scale of destruction in North America in the period from the 1970s to the 2010s carries the physical risk of sudden damage to forests being used for timber production. We believe that these factors may have an effect on pulp, the key raw material for Unicharm products. Accordingly, in order to avoid deforestation, we have set procurement guidelines for forest-derived raw materials and requested our suppliers to observe these guidelines. As part of our efforts to fully eliminate deforestation, we have been requiring our suppliers to supply wood products from areas that avoid High Conservation Value Forests (HCVF) and High Carbon Stock Forests (HCSF) since 2016. In 2020, we switched over 95% of our wood-derived materials by weight (not including recycled paper) to sustainable forest resources certified by the FSC, PEFC, SFI and other bodies. These risks and countermeasures are evaluated and implemented at the discretion of the ESG Division and the ESG Committee.
Regulatory risks	As a manufacturer, Unicharm's CO ₂ emissions are tied to our sales volume. Unless we devise countermeasures, an increase in sales will lead directly to a correspondent increase in CO ₂ emissions. If Japan's Global Warming Countermeasure Tax is set at European levels, this will entail a risk of increased operating costs. We are making preliminary calculations of the degree to which our operating profit may change, encompassing calculations of combined expenses from China's Shanghai ETS (Emissions Trading Scheme) and Japanese surcharges and calculations of expenses adjusted to the most expensive region according to our current expenditure. Consensus on an international framework to tackle climate change has been achieved in the Paris Agreement and regulations relating to GHG emissions will be applied not only to developed countries but also to developing nations. Electricity forms the bulk of the energy used in Unicharm factories. We estimate that this is equivalent to approximately 400,000 tons of annual CO ₂ emissions across the Unicharm Group as a whole. The OECD's Effective Carbon Rates: Pricing CO ₂ through Taxes and Emissions Trading Systems state that a minimum carbon price of 30 euros per ton of CO ₂ is necessary to achieve the 2°C target. As a result, we believe that there is a risk that development of energy saving measures and the purchase of emissions credits will become necessary and that costs will rise for electric power companies, manufacturing sites and suppliers.
Technology risks	Within the sector of the Unicharm Group's main product, the disposable paper diaper, there is a risk that our competitors will change the configuration of their products, develop technologies that increase efficiency in terms of quantity of materials required and manufacturing processes and lead the way in launching low-CO ₂ -emissions products that address climate change. Our strategic business unit is looking into patent information, conducting supplier surveys and performing evaluations and assessments of the risk of reduced sales.
Legal risks	We believe that there may be an increased risk of litigation throughout the supply chain, principally as a result of NPO or NGO investigations as well as whistle-blowing. In addition to the recent focus on human rights issues, there is also a risk of litigation linked to deforestation caused by the production of primary products such as palm oil or timber grown in plantations established through slash-and-burn agriculture. We believe that deforestation is intimately linked to climate change.
Market risks	Approximately 80% of our products are disposable products providing hygienic and convenient ways to create a more sanitary environment. We believe that radical changes in the market as a result of consumer movements for environmentally oriented products designed to mitigate climate change (such as the recent movement to stop the use of plastic straws in order to reduce marine pollution) could potentially lead to market contraction.
Reputational risks	Approximately 70% of Unicharm products contain pulp. As a company that uses pulp, we believe that we run the risk of developing a reputation as participants in deforestation. We are conducting risk evaluations and assessments into whether a judgment of Unicharm as unenthusiastic in our measures to counter deforestation could turn into a judgment that our company is also unenthusiastic in measures to address climate-related issues, adversely affecting our brand value.
Urgent physical risks	Unicharm procures materials on a global scale, principally using materials derived from conifers and petroleum. We believe that unexpected, large-scale cyclones and floods caused by climate change could result in the destruction of supply chains or insufficient supply as a consequence of damage to forest resources and lead to a reduced operating uptime rate of Unicharm.
Chronic physical risks	We project increased costs in energy for the air conditioning that will be necessary to maintain working conditions and product quality due to rising temperatures, increased damage insurance costs accompanying increased damage caused by heavy rain and depreciation of real-estate values. These will be negative factors for our profits and assets. We review these benchmarks for ISO14000 environmental impact evaluation once a year and use them to conduct risk assessments. Unicharm procures materials on a global scale, principally using materials derived from conifers and petroleum. We also have manufacturing bases in 16 countries and there is a risk that high temperatures or torrential rain caused by global warming could lead to reductions in operating uptime rate, shut-down of manufacturing plants and suspension of supply chains.

Benchmarks and targets

In terms of Unicharm's CO₂ emissions reduction targets, our plan for reductions by 2045 was certified by the SBT (Science-Based Targets) initiative in June 2018. Working toward these targets, we have set specific long-term CO₂ reduction targets for both "Scope 1" (direct emissions: from our own factories, offices, vehicles, etc.) and "Scope 2" (indirect energy-related emissions: energy consumed by Unicharm, such as electricity).

SBT CO₂ emissions reduction targets

By 2030, Unicharm aims to achieve a reduction of 90% for Scope 1 (direct emissions: from our own factories, offices, vehicles, etc.) and of 30% for Scope 2 (indirect energy-related emissions: energy consumed by Unicharm, such as electricity), both as compared to 2016 level. These targets function as our management indicators.

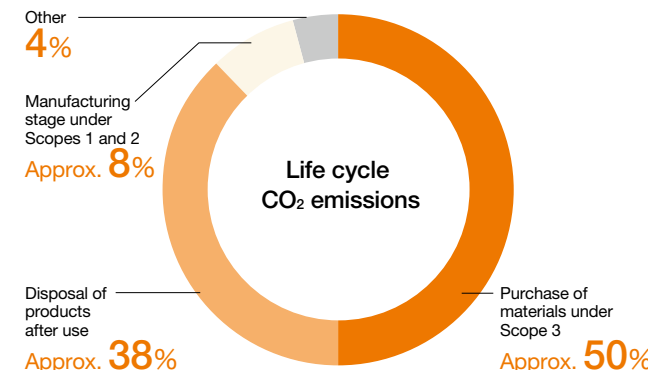
Under the 2020 targets set in our "Eco Plan 2020" formulated in 2016, we realized an annual reduction of 2% for Scopes 1 and 2 and a reduction in environmental impacts throughout the life cycle as compared to baseline figures from 2005 for Scope 3 covering supply chains as well as pursuing activities aimed at bringing total products with improved environmental performance to 100%.

By achieving these goals, we will also be preparing for the following risks. If regulations are strengthened in order to achieve the goals of the Paris Agreement, we believe that there is a risk that development of energy saving measures and the purchase of emissions credits will become necessary and that costs will rise for electric power companies, manufacturing sites and suppliers. Electricity prices in Japan have risen by approximately 10% on average due to carbon taxation and the cost structure for purchasing renewable energies. If carbon taxation is introduced in all of the overseas countries where Unicharm carries out manufacturing or the cost structure for purchasing renewable energies is not

improved, we believe that there is a risk that operating costs could rise by 10%.

Contributions to life cycle CO₂ emissions are, from highest to lowest, approximately 50% for materials purchased within Scope 3, approx. 38% for disposal of products after use and approx. 8% for the manufacturing stage under Scopes 1 and 2, with other transport and business activities accounting for the remaining 4% (all figures are for Japan).

For Scopes 1 and 2, we run energy conservation working activities with EMS activity promoters at each site four times a year, implement annual plans and monitor their progress. For CO₂ emissions from raw materials which form the bulk of our Scope 3 emissions, we perform LCA (life cycle assessments) to calculate CO₂ emissions for each product from the design phase onward and product developers and the ESG Division discuss these emissions and consider countermeasures from the perspectives of product function and CO₂ emissions.



[PDF](#) See P.045 "Initiatives for reducing CO₂ through products"

"Eco Plan 2020" goals and results of measures against climate change (from "Eco Plan 2020")

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Evaluation
(3) Measures for climate change	■ Environmentally-Friendly Products (Japan)	72%	78%	80%	86%	89%	100%	93%	×
	■ Products with the Eco Charming label (Japan)	50%	56%	58%	66%	66%	60%	81%	○
	■ Products with the Eco Charming label (Overseas)	0%	Survey	Understanding Completion	Operation Start Delay	Operation Start	Operation Start	Review	—
	■ CO ₂ emissions base unit during manufacturing compared to 2015 (Japan)	Base year	-2.4%	-4%	-6%	-8%	-10%	-10%	○
	■ CO ₂ emissions base unit during manufacturing compared to 2015 (Overseas)	Base year	—	-3%	-6%	-8%	-10%	-10%	○
	■ Collection of overseas site data (compared to sales)	73%	77%	81%	83%	88%	80%	84%	○

Third-party assurance

In order to increase the reliability of non-financial data, we are receiving third party assurance from PwC Sustainability LLC based on ISAE3000 /3410.

[PDF](#) See P.038 "Environmental Management > Energy/material flow from the entire life cycle perspective"

[PDF](#) See P.129 "Third Party Assurance"

[Japan] CO₂ emissions throughout the supply chain (overall picture of Scope 1 - 3)

Unicharm (in Japan) estimates its CO₂ emissions according to the Greenhouse Gas Protocol*, the standard for calculating greenhouse gases (GHG) most widely used in the world today.

The results of calculations made using this standard indicate that approximately 50% of Unicharm's emissions are from materials purchased and approx. 38% from the disposal of products after use. We will continue our efforts toward activities aimed at establishing a low-carbon society.

* In 1998, the GHG Protocol Initiative was established as a meeting for developing standards of calculating and reporting GHG primarily by the World Resources Institute (WRI), an environmental NGO based in the United States and the World Business Council for Sustainable Development, comprising 200 multinational corporations. In 2001, version one of the GHG Protocol was established and since then this approach to GHG calculation has become a worldwide standard.

[PDF](#) For Scopes 1 and 2, see P.038 "Environmental Management"

CO₂ emissions by Scope (Japan)

Scope	Category	Emissions (thousand tons) 2018	Emissions (thousand tons) 2019	Emissions (thousand tons) 2020
Scope 1		29	24	25
Scope 2		160	141	140
Scope 3	1 Purchased goods and services	800	771	1,065*
	2 Capital goods	119	84	41
	3 Fuel- and energy-related activities	2.7	2.7	3.0
	4 Upstream transportation and distribution	47	48	48
	5 Waste generated in operations	1.2	1.1	1.1
	6 Business travel	0.4	0.4	0.1
	7 Employee commuting	1.8	1.8	1.7
	8 Upstream leased assets	1.2	1.1	0.7
	9 Downstream transportation and distribution	not applicable	not applicable	not applicable
	10 Post-processing of products	not applicable	not applicable	not applicable
	11 Use of products	not applicable	not applicable	not applicable
	12 End-of-life treatment of products	538	531	817*
	13 Downstream leased assets	not applicable	not applicable	not applicable
	14 Franchises	not applicable	not applicable	not applicable
	15 Investments	not applicable	not applicable	not applicable
Scope 3 Total		1,512	1,440	1,978
Total of Scopes 1, 2, 3		1,701	1,606	2,143

Our scope for non-financial auditing was expanded to cover Scope 3 in addition to Scopes 1 and 2 in 2019. Any categories that have received third-party assurance are marked with a ✓ (Scope 3, Category 12). The combined total for Scope 3 covers all of our business sites in Japan (taking into account only fuel, electricity and CO₂ for our sales offices and Unicharm Mölnlycke K.K.): Unicharm (headquarters, sales offices, development, Itami Factory, Mie Factory, Saitama Factory), Unicharm Products Co., Ltd. (Fukushima Factory, Shizuoka Factory, Shikoku Factory), Unicharm Kokko Non-Woven Co., Ltd. (No. 1 Manufacturing Group, No. 2 Manufacturing Group), Cosmotec Corporation, Unicharm Mölnlycke K.K., Unicare Corporation, Peparlet Co., Ltd. and Kinsei Products Co., Ltd. Please see Environmental Management for information on Scopes 1 and 2.

We have added the following two elements to Scope 3, Categories 1 and 12, based on our 2020 results.
 (1) Emissions arising from the purchase of OEM goods.
 (2) Emissions linked to sales made to non-Unicharm Group companies by Unicharm Group materials subsidiaries.
 Results totaled using the same scope as in 2019 are as follows.
 Category 1: 769,000 tons, Category 12: 511,000 tons

[Japan and overseas] CO₂ emissions from business activities (Scopes 1 and 2)

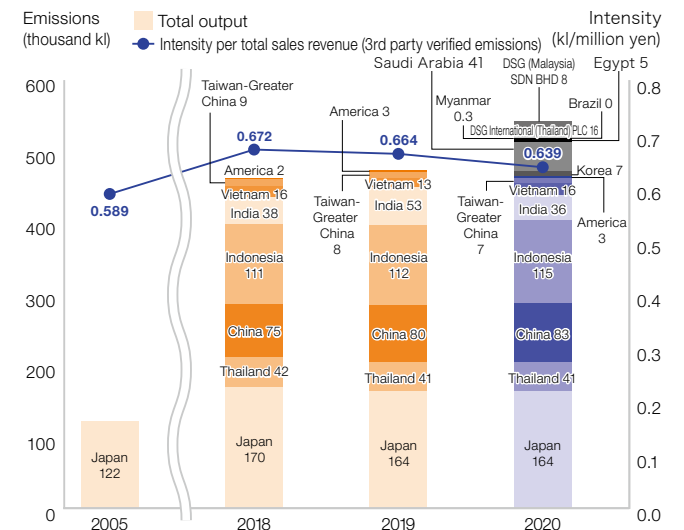
In 2020, CO₂ emissions were 31,000 tons for Scope 1 and 435,000 tons for Scope 2. Going forward, we will promote activities to lower CO₂ emissions in each country and region and work to lower base unit per net sales.

[PDF](#) For details about goals, see P.036 "Eco Plan 2020"

Reducing CO₂ emissions

In 2020, we did not add any new business sites to the data range for non-financial auditing. However, we began data collection for non-target sites and can now provide data for all sites. We will proceed with emissions reduction activities at all sites.

Progress on CO₂ emissions (Scope 1 + Scope 2)



■ [Overseas and Japan] Pursuing renewable energy initiatives (Scope 2)

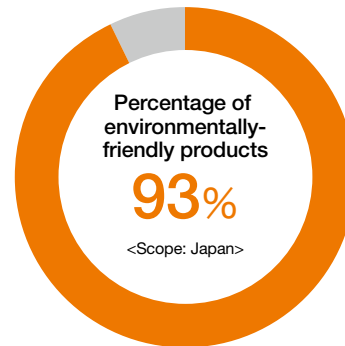
PDF For renewable energy initiatives, see P.030 “Key Topic: Safeguarding the Well-being of Our Planet > Introducing renewable power”

■ [Japan] Initiatives to reduce CO₂ through products (Scope 3, Categories 1, 4 and 12)

Unicharm has set a target ratio for environmentally-friendly products as part of its environmental goal and is working on product development by having an environmentally-friendly mindset. Products with improved environmental performance are defined as “environmentally-friendly products”* based on an evaluation of whether environmental impacts were successfully reduced within the life cycle as compared to baseline figures in 2005. Certification is carried out by the ESG Division. In 2020, we achieved our goal of 93% environmentally-friendly products.

Additionally, Eco Charming products are further evolved version of environmentally-friendly products defined as top tier product that help contribute to the realization of a sustainable society. As of today, a total of 220 items fulfilled this definition (certification was extended to pet care products and institutional-use products in addition to personal care products starting in 2017).

Framework of environmentally-friendly products



* The scope is products sold in Japan (excludes products listed in general catalogues, OEM products and imported products).

PDF For details about goals, see P.036 “Eco Plan 2020”

Example - Sanitary Product

“Sofy Ultra-Sound-Sleep Best-Fit Slim” which is sold as part of the “Sofy Ultra-Sound-Sleep” brand of nighttime feminine napkins features two-thirds the thickness of the ordinary “Sofy Ultra-Sound-Sleep Guard.” This means that, in comparison with the “Sofy Ultra-Sound-Sleep Guard,” the slim product weighs 84.0% as much and its CO₂ emissions from manufacturing and distribution processes are reduced to 82.4%.



■ [Japan] Sharing the Importance of Climate Change Countermeasures with Suppliers (Scope 3 Category 1)

At our Quality Policy Briefing Session held for suppliers in 2017, we presented “Eco Plan 2020” to address procurement of sustainable materials. With approximately 80% of our CO₂ emissions coming from purchased materials and disposal of products after use, we were able to reinforce awareness of the importance of taking countermeasures together with our suppliers. While we planned to hold another Quality Policy Briefing Session in 2020, this had to be postponed due to COVID-19, leading us instead to make individual requests to our suppliers for cooperation on the introduction of environmentally-conscious materials.

■ [Japan and overseas] Initiatives to reduce waste at production sites (Scope 3 Category 5)

At our overseas subsidiary in Thailand, we installed facilities to crush out-of-spec products from the production process, with approximately 97% of the waste generated at the site being recycled. In conjunction with domestic recycling activities, we have achieved zero landfill waste.



■ [Japan] Initiatives to reduce CO₂ in distribution and retail (Scope 3 Category 4 and 9)

Unicharm Products is actively promoting initiatives to build a sustainable distribution system. Specifically, it has been working with business partners to shorten transportation distances, reduce the volume of movement between production sites or warehouses, promote modal shift and enhance loading efficiency by making corrugated cardboard sizes smaller and streamlining pallet modules, in addition to other measures. The aforementioned initiatives not only make distribution more efficient but are also effective for reducing CO₂. In fact, we managed to reduce CO₂ emissions in 2020 to 96.0% compared with those in 2019 (a reduction of 1,556 tons). Going forward, we will continue promoting further initiatives aimed at building a sustainable distribution system and reducing the environmental impact.

Acquiring Eco Rail Mark Certification

Unicharm is promoting a “modal shift” as an initiative to reduce CO₂ and became an “Eco Rail Mark”-certified company in 2019. We are expanding the use of environmentally-friendly rail transportation, primarily for long-distance transport between Fukushima and Shikoku factories.

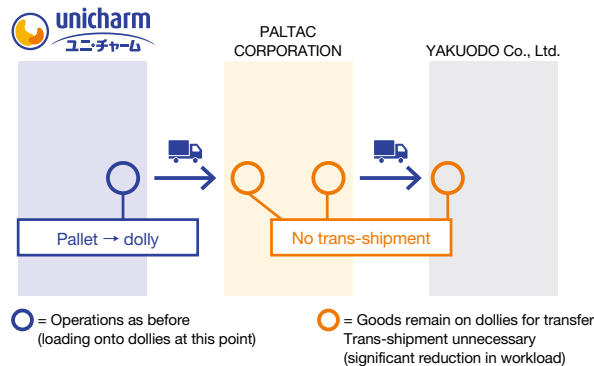


Granted Supply Chain Innovation Award

Unicharm is working with its business partners to continue making the supply chains more efficient. The three-way initiative toward an industry-first “Standardized Unit Load System Utilizing Dollies” created in collaboration with PALTAC CORPORATION and YAKUODO Co., Ltd. was recognized on July 3, 2020, receiving “FY2020 Supply Chain Innovation Award” from the Distribution System Research Institute, an organization administered by the Ministry of Economy, Trade and Industry. This award recognizes the achievements of businesses aiming to optimize their supply chains as a whole, engaging in excellent initiatives with collaboration between each area of manufacture, distribution and sales and acting as a driving force within the industry. Through this initiative, we have achieved reductions in the frequency of operations such as trans-shipment which had been occurring at each point in the distribution process as well as reducing the strain on warehouse workers and drivers and reducing long working hours (a reduction of approximately 60% as compared to previous work time). We aimed to further optimize and improve the efficiency of the supply chain as a whole.



Initiative details: no trans-shipment in 3 of 4 cases resulting in large-scale reduction



Received the “Minister of Land, Infrastructure, Transport and Tourism Award” as part of the Green Logistics Partnership Conference’s Excellent Green Logistics Commendation Program

In an initiative aimed at building sustainable transportation systems, we are also promoting “collaboration with different industries.” Unicharm Products is collaborating with Home Logistics Co., Ltd. (a logistics subsidiary of Nitori) and its shared logistics partner, Trancom Co., Ltd., on a three-way project, “Utilizing Swap Body Containers for Joint Transportation.” This initiative was recognized in December 2020, receiving the “Minister of Land, Infrastructure, Transport and Tourism Award,” the highest commendation awarded by the “FY2020 Green Logistics Partnership Conference’s Excellent Company Commendation” sponsored by the Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism and trade industry. Through this initiative, we have achieved a 50% reduction in the number of vehicles in operation, a drop in CO₂ emissions (an annualized reduction of 880.4 tons) and reduced strain on drivers (loading and unloading, single day round-trip operations, etc.). This has contributed significantly to reducing environmental impact and improving drivers’ working conditions. Following Unicharm’s receipt of the “Minister of Economy, Trade and Industry Award” in 2019, this made 2020 the group’s second award-winning year running.

* Total reduction across all three companies



Awards Ceremony at 2020 Green Logistics Partnership Conference

Commencing joint transportation via rail freight container

In February 2021, Unicharm Products and Suntory Logistics, Ltd., a logistics subsidiary of Suntory MONOZUKURI Expert Ltd. hereafter Suntory, began joint transportation via rail freight container over the Shizuoka Prefecture–Fukuoka Prefecture section.

Products delivered from the Suntory shipping hub join products made in our factory in Shizuoka Prefecture to be loaded into rail freight containers and transported by rail to a distribution center in Fukuoka Prefecture. By combining Suntory beverages, which are heavy goods, and our products, light goods, we maximize container loading efficiency. With this joint transportation system in place once per week, we expect to be able to reduce CO₂ emissions by a joint total of approximately 2 tons annually.



Lower layer: Suntory beverages; upper layer: Unicharm products [12 ft rail freight container with combined cargo]



Use of 31 ft large-scale containers also enhances rail transportation [Bringing in 31 ft large-scale rail freight containers]

■ [Japan and overseas] Engaging in CO₂ reduction efforts with Container Round Use (Scope 3, Categories 4 and 9)

Beginning the “round use” with container transport within Japan, Unicharm is pursuing Container Round Use* together with over 40 of our partner companies in Japan, Indonesia, Thailand and Vietnam, furthering our efforts to reduce CO₂. Our 2020 results show that we achieved a reduction of approximately 640 tons.

* Container Round Use is a system in which, rather than sending empty containers back to port after they have been used to transport imported goods, the containers are used for export, being transported directly from the importer to the exporter or used by local inland container depots, thereby reducing the transport of empty containers.

■ Participation in “Japan Climate Initiative (JCI)” since its establishment

The “Japan Climate Initiative (JCI)” was launched in Tokyo on July 6, 2018 and Unicharm has endorsed its declaration, “Joining the front line of the global push for decarbonization from Japan,” and has participated in the JCI. Unicharm will strive to achieve the COP21 Paris Agreement while collaborating with companies, local governments, organizations, NGOs and others that are working proactively on measures for climate change.



Climate Change initiatives

■ CDP* “Climate Change” rating

As part of Unicharm’s 2020 rating from the CDP, an international NPO, we received an “A-” rating as a company engaging in excellent climate change initiatives and disclosure of information.

This indicates that the PDCA cycle for climate change is functioning at a high level to address our company’s overall efforts. Unicharm was also recognized for moving forward with information disclosures to shareholders. Going forward, Unicharm will continue to carry out activities that are even more mindful of climate change.

	2018	2019	2020
Climate Change	B	B	A-



* An international NGO that works to realize a sustainable society by conducting global surveys on the environment and by presenting information

- See P.056 “Supply Chain (Environment) > CDP ‘Forests Program’ rating”
- See P.061 “Supply Chain (Environment) > CDP ‘Water Program’ rating”

■ Membership of the Japan Climate Leaders’ Partnership (JCLP)

In the “Kyo-sei Life Vision 2030,” we aim to combine provision of useful, hygienic products and services with contribution to activities that will improve the global environment and have established a target of “switching to renewable electricity for 100% of the electricity used in our business development by 2030.” With Unicharm expanding the operations in over 80 countries and regions, we believe that various issues will have to be resolved as we work toward our goal to switch to 100% renewable electricity by 2030. With this in mind, we joined the “Japan Climate Leaders’ Partnership (JCLP),” a corporate group aiming to achieve a sustainable carbon-free society, in October 2020. As a supporting member, we participate in a variety of training courses, workshops and events and aim to gain knowledge that will help us achieve our goals while holding open discussions and other meetings with member companies. Through the JCLP membership, we are striving to reduce CO₂ emissions associated with our various business activities while also proactively encouraging the reduction of emissions throughout the product life cycle and contributing to the realization of a carbon-free society and sustainable economic development.

■ [Japan] Utilization of SBT activities as a specific climate change mitigation plan

In order to draft the specific climate change mitigation plans, Unicharm endorsed the “SBT (Science-Based Targets),” an international initiative, in May 2017 and has performed simulations covering the period up to 2045 to draft the reduction plans. In June 2018, in consultation with SBT, we received Japan’s 17th certification for a plan that is aligned with the 2°C target.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

■ [Japan] Commendation of initiatives aimed at establishing a low-carbon society

The “Zero Carbon Challenge Cup” is a program for commending the daily work of various organizations (including schools, corporations, local governments and NPOs) toward preventing global warming in the aim of building a carbon-free society for the next generation. The program shares know-how and information about excellent initiatives taking place across Japan and fosters cooperation and motivation for further activities. 2021 marks its eleventh year. Unicharm endorses the initiatives of “the Zero Carbon Challenge Cup” and, in our role as a co-sponsor, we have established the “Gentle Care for Life Award of Excellence” to be presented to companies or organizations.

Due to COVID-19, “Zero Carbon Challenge Cup 2021” had to be held remotely. After judging presentations from the 28 finalists, Saga City Nabeshima Municipal Junior High School’s project “Using Disposable Heat Packs for Water Purification and Developing Woodlands” entered in the Junior and Kids category was selected for the “Gentle Care for Life Award of Excellence.”

Saga City Nabeshima Municipal Junior High School has engaged in a water purification initiative, setting up a filtration device utilizing used disposable heat packs collected from neighboring areas in an irrigation channel beside the school. In a further step, once the heat packs have been used in the purification device, their contents were mixed with fallen leaves gathered from the school grounds and made into a leaf-mold compost for the planters, growing flower seedlings and saplings that decorate the school grounds. Once grown, the flower seedlings are distributed throughout the community while the saplings are transplanted to local woods. Through these initiatives, the school is striving to build a “zero carbon cycle.”

Unicharm believes that the activities of everyone taking part at Saga City Nabeshima Municipal Junior High School set a

good example in terms of “sustainability” both in contributing to the realization of a carbon-free society and providing a model for initiatives that will lead to the building of a sustainable society and in their approach that seeks to hand down this series of initiatives to younger students going forward. For these reasons, we selected their project for the “Gentle Care for Life Award of Excellence.”



Report on the activities of Saga City Nabeshima Municipal Junior High School



The award-winning students from Saga City Nabeshima Municipal Junior High School (above)

Pollution Prevention and Resource Utilization

Our basic approach and strategy

Many Unicharm products are consumables essential to a clean and healthy lifestyle. At the same time, our business development is closely related to the global environment through our use of natural resources and the generation of waste. Based on the above, we believe our role and responsibility in reducing environmental impact are significant and continue to expand with each passing year as our business grows.

We therefore worked in line with our “Basic Environmental Policy” and “Eco Plan 2020” until the end of 2020 and will strive to prevent pollution and work toward effective utilization of resources in accordance with the “Basic Environmental Policy,” “Environmental Targets 2030” and “Kyo-sei Life Vision 2030” from 2021 onward.

At ESG Committee meetings held four times a year and chaired by the Representative Director, we also work through PDCA cycle aimed at achieving our goals including the confirmation of progress on environmental activities.

Management structure

Four times a year at the ESG Committee meeting chaired by the Representative Director, plans and progress on environmental activities, quality issues, social issues and other important governance matters are shared. Specific plans are reported using “Eco Plan 2020” as the baseline, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) announced in June 2017.

Pollution prevention activities and controls are carried out in

accordance with environmental laws and regulations and ISO14001. Three types of environmental audits are implemented in order to maintain and improve the level and performance of activities and controls:

- (1) regular audits in conformance with ISO14001-compliant environmental management systems,
- (2) regular audits focused on confirmation of compliance with laws and regulations and
- (3) onsite audits at industrial waste processing partners in order to confirm appropriate practices.

“Eco Plan 2020” goals and results of reduction of waste (from “Eco Plan 2020”)

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Judgment
(1) Reduction of waste	■ Recovery technologies for used disposable diapers (Japan)	Established technologies	Starting with local governments	Start testing	Cycle model establishment	Cycle model operation start	Full-scale operations	Installation of actual equipment completed	△
	■ Recycling of product loss (Overseas)	2,000 tons	2,600 tons	2,600 tons	4,300 tons	6,000 tons	4,000 tons	5,700 tons	○

Targets relating to waste and emissions reduction (from “Environmental Targets 2030” and “Kyo-sei Life Vision 2030”)

Details	Target year	Target
Reducing plastic used for packaging materials	2030	30% waste intensity reduction compared to 2019
Proportion of virgin petroleum-derived plastics composed in plastics	2030	50% reduction compared to 2020
Development of products achieving “3R+2R” using an innovative Unicharm approach	2030	Over 10
Development of products that contain no petroleum-derived plastic	2030	Over 10 stock-keeping units (SKU)
Eliminating the use of plastics in sales promotional items	2030	Reduced to effectively zero at all local management units (LMU)
Raising awareness about proper disposal of used products	2030	Rolled out at all local management units (LMU)
Number of recycling facilities set up for used disposable diapers	2030	Over 10

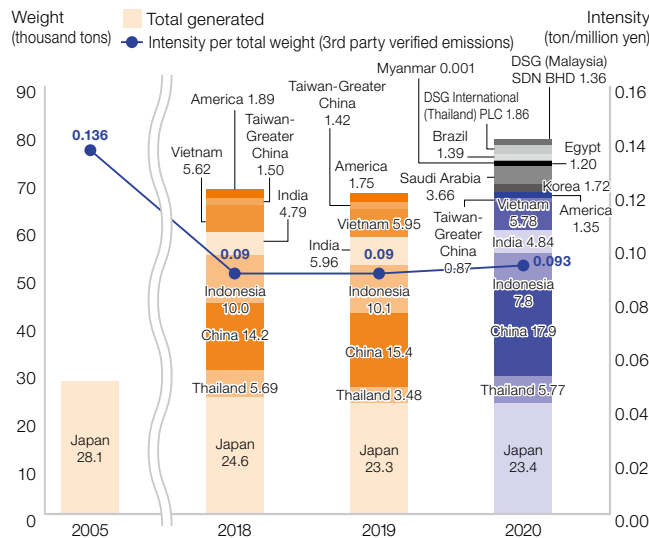
Waste disposal reduction and effective utilization of resources

We promote waste disposal reduction and effective utilization of resources through activities focused on the following initiatives:

- We are continuing to conduct the experimental-demo of used disposable diaper recycling. Example: ongoing trials in Shibushi City and Osaki Town, Kagoshima Prefecture
- We are recycling factory waste within the Unicharm Group. Example: using scraps produced in the manufacturing process of disposable diapers (both in Japan and overseas) as the raw material for cat continence care products (Paper-sand®)
- We are aiming to achieve zero emissions at our main production sites in Japan (four sites). We are contributing to CO₂ reduction by reducing landfilling of industrial waste and shifting from thermal recycling to material recycling. Example: At our Unicharm Products Shikoku Chuo Factory, paper tubes (the paper cores from rolled materials) that would previously have been thermally recycled are now returned to the suppliers for reuse, leading to reuse of approximately 10 tons per year.
- While we are making efforts to improve manufacturing quality and striving to limit waste production, certain waste products cannot be disposed of within our factories. In these cases, we look for waste processors who can minimize environmental impact from 3Rs (reduce, reuse, recycle) perspective and consign the waste to them for recycling.

* We have begun data collection for sites not included under the scope of non-financial auditing and can now provide information on waste generated for all sites.

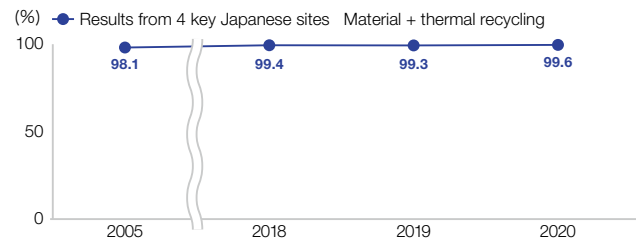
Waste disposal volume



Recycling rate

In 2020, we continued to maintain a high recycling rate of over 99%. In addition to our four principal sites within Japan, an increasing number of other plants have achieved zero emissions status by attaining a recycling rate of greater than 99%.

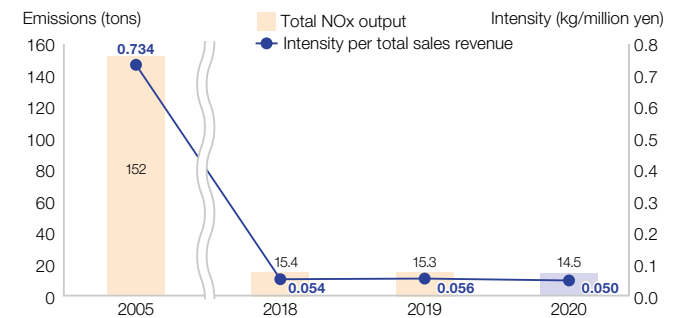
Recycling rate (Japan)



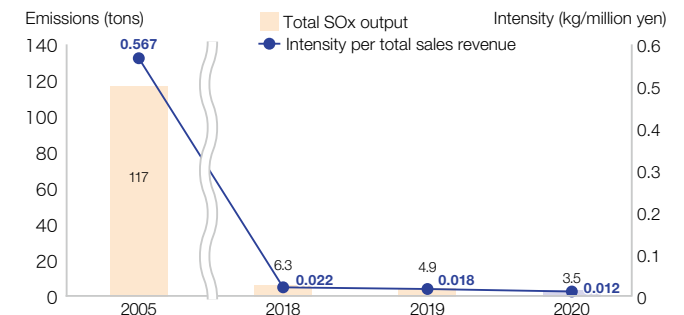
Measures against airborne pollutants

We are working to reduce NOx (nitrogen oxide) and SOx (sulfur oxide) emissions through means such as increasing operation efficiency for boilers and other equipment.

Unicharm's NOx emissions (Japan)



Unicharm's SOx emissions (Japan)



■ Protection of the ozone layer

We manage CFCs in compliance with laws and regulations and conduct regular inspections in working to protect the ozone layer.

Ozone depleting substances (Japan)

Substance	Business site	Amount possessed (tons)	Use
Halon (Class 1)	Unicharm Products Shizuoka Factory	1.6	Fire retardant
	Unicharm Products Shikoku Factories (Kagawa)	0.070	
	Unicharm (other development sites, etc. Kagawa)	0.00010	
HCFC (Class 1)	Unicharm Products Fukushima Factory	2.6	Refrigerant
	Unicharm Products Shizuoka Factory	3.6	
	Unicharm Products Kyushu Factory (Fukuoka)	2.3	
	Unicharm Products Shikoku Factories (Kagawa)	3.7	
	Unicharm Kokko Non-Woven Co., Ltd. (Ehime/Kagawa)	0.65	
	Unicharm Pet Care Co., Ltd. (Hyogo/Mie/Saitama)	0.93	
	Peparlet Co., Ltd. (Shizuoka)	0.038	
Unicharm (other development sites, etc. Kagawa)	0.86		
CFC	Unicharm (other development sites, etc. Kagawa)	0.0010	

* Reported for company properties based on the Act on Rational Use and Proper Management of Fluorocarbons

■ [Korea and Japan] Introduction of biomass plastics in response to marine plastic problems

Our local subsidiary in Korea, LG Unicharm, began an initiative in 2019 to replace petrochemical plastics with biomass plastics for some sanitary napkin products with the aim of addressing plastic problems and reducing CO₂ at disposal.

“La Verte Plante” is Unicharm Group’s first sanitary napkin to adopt the use of biomass plastic (a backsheet film containing bioresin derived from sugar cane). With organic cotton used in its topsheet, this product is made from a high proportion of plant-derived materials.

In Japan, we have adopted environmentally friendly packaging for our “Natural Moony (Tape type) Newborn(5-diaper trial pack)” widely available in baby stores. This packaging is made using recycled paper and plant-derived bioplastics and has been designed so that it can be disposed of as waste paper.



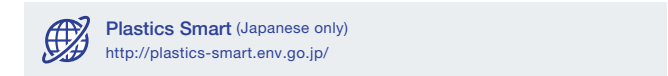
“La Verte Plante”



“Natural Moony (Tape type) Newborn (5-diaper trial pack)”

■ [Japan] Participation in “Plastics Smart” Campaign organized by Ministry of the Environment of Japan

Unicharm endorsed and participated in activities for the “Plastics Smart” campaign. The Ministry of the Environment of Japan launched the campaign in 2018 to support the implementation of initiatives through the cooperation of diverse bodies including corporations, local governments, individuals and NGOs aimed at solving the global problem of plastics pollution in the oceans.



■ [Japan] Introduction of activities to recycle plastic from factory waste

Unicharm recycles plastic from the waste generated in our factories. We turn scraps (trim) generated in manufacturing processes into pellets for recycling to promote the efficient use of plastic.



■ [Japan] Conclusion of an agreement with Ministry of the Environment of Japan as “Re-Style Partner Company” towards the building of a recycling-based society

We have participated in the Ministry of the Environment of Japan-sponsored “Re-Style FES!” and endeavor to promote consumer “3Rs (Reduce, Reuse, Recycle) activities” toward the building of a recycling-based society. Through these activities, we have signed an agreement as a “Re-Style Partner Company” and are continuing to work with the Ministry of the Environment of Japan to broaden the public’s understanding of and empathy toward “3Rs behaviors.” Going forward, we will continue to work together with the Ministry of the Environment of Japan to promote initiatives for building a recycling-based society.

■ [Japan] Prevention of water pollution, soil contamination and offensive odor

We strive to prevent pollution by control according to laws and regulations and in-house standards. For water quality, we comply with the Water Quality Pollution Control Act and the Law Concerning Special Measures for Conservation of the Environment of Seto Inland Sea. To prevent soil contamination and offensive odor, we conduct regular measurements according to in-house standards.

■ [Japan] Initiatives to reduce the use of hazardous chemical substances (waste)

Unicharm has established measures to control its use of chemical substances that are harmful not only to people but ecosystems as well. We have formulated guidelines and a dedicated department investigates toxicity and legal compliance.

Polychlorinated biphenyl (PCB) storage situation

Certain business sites store small quantities of PCB while awaiting its processing for disposal. Compliance assessments on storage conditions for stored PCB are carried out regularly and no abnormalities have been found.

Pollutant Release and Transfer Register (PRTR) substance management

With regard to toluene, we are gradually shifting to the use of toluene-free thinner.

PRTR substance management

	Toluene (t/year)	Ethylene oxide (kg/year)	Dioxin (mg-TEQ/year)
2018	28.3	4.0	0.00010
2019	27.2	4.0	0.00020
2020	16.7	13.7	0.00002

Supply Chain (Environment)

Our basic approach and strategy

The products that Unicharm provides are consumables essential to a clean and healthy lifestyle. At the same time, they are closely connected to the global environment in terms of use of resources and emission of waste. As we expand our operations globally, while retaining a focus on Asia, our role in and responsibility for reducing environmental impacts have increased with each passing year.

In addition, the paper and pulp which form the absorbent material contained in our mainstay products are produced from coniferous trees and the palm oil added in small quantities to pet food is produced in plantations in the tropics. For such forest-derived resources, we believe that it is important to use certified materials that take the needs of sustainability into account.

Risk and Opportunity in the Supply Chain (Environment)

We perceive that a risk for Unicharm is reduced supply of materials due to destruction of forests and depletion of water resources in the upstream processes of forest-derived resources (paper, pulp, palm oil, etc.). Therefore, we formulated the Forest-derived Raw Materials Procurement Guidelines in 2015 and the Sustainable Procurement Guidelines in 2017 and are striving to reduce such risks by ensuring the implementation of these guidelines by our suppliers.

On the other hand, we perceive opportunities for us in reducing environmental impact and costs through low CO₂-emission, energy-efficient resource procurement, reduction of waste and use of recycled resources and in marketing environmentally-friendly products to promote sales. Going forward, we will not only promote in-house recycling but also improvements in resource efficiency and recycling in society as a whole.

Management structure

Four times a year at the ESG Committee meeting chaired by the Representative Director, plans and progress on environmental activities, quality issues, social issues and other important governance matters are shared. Specific plans are reported using “Eco Plan 2020” as the baseline, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) announced in June 2017.

Medium-Term Activity Targets


We drafted “Eco Plan 2020” in 2016 and, as a target for 2020, implemented activities aimed at switching to certified sustainable materials for 100% of the paper and pulp we purchase in Japan and overseas and 100% of the palm oil we purchase for pet food. From 2021, we will proceed in line with “Environmental Targets 2030” and “Kyo-sei Life Vision 2030.”

Implementing environmental monitoring Evaluating new suppliers

For new suppliers, Procurement Department gives questionnaires on the environment and conducts supplier evaluations. In 2020, we evaluated one new supplier.

Evaluating existing suppliers

We carry out evaluations from five points of view (consistency of quality, stable supply, safety, environmental impact and delivery) and, once every three years, give commendations based on the scorings for each of the supplier's activities. In 2020, we held open discussions with our suppliers in order to work toward reducing CO₂ emissions related to procurement of raw materials. In 2021, we will work toward sharing specific reduction targets with our suppliers.

 Regarding the implementation of human rights and labor monitoring, see P.074 “Human Rights > Human rights impact assessment and mitigation”.

“Eco Plan 2020” sustainable material procurement targets and results (from “Eco Plan 2020”)

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Judgment
(2) Procurement of sustainable materials	■ Third party certification of paper and pulp suppliers (Japan)	82%	80%	94%	95%	95%	100%	99%	△
	■ Third party certification of paper and pulp suppliers (Overseas)	—	84%	87%	90%	95%	100%	93%	×
	■ Third party certification of palm oil suppliers (Japan)	0%	Start of investigation	Ascertained	2%	31%	100%	86%	×

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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■ Formulating the “Unicharm Group Sustainable Procurement Guidelines”

In October 2017, we formulated the “Unicharm Group Sustainable Procurement Guidelines” setting out standards for environmental conservation with the aim of achieving sustainable procurement. We make every effort to make our suppliers aware of these guidelines.

 For details, see P.107 “Unicharm Group Sustainable Procurement Guidelines”.

■ Providing suppliers with explanations of our policies

In November 2017, we held Quality Policy Briefing Session to disseminate our procurement policies and guidelines to 76 of our suppliers. In addition to distributing and explaining guideline materials, we once again asked for compliance and called for cooperation with respect to the importance of responding to climate change, sustainable procurement and water risk throughout our entire supply chain. While we planned to hold another Quality Policy Briefing Session in 2020, this was postponed due to COVID-19 and replaced by an individual discussion with each supplier.



Quality Policy Briefing Session

 See P.045 “Initiatives for reducing CO₂ through products”

■ Initiatives to promote “Forest-derived Raw Materials Procurement Guidelines”

We formulated the “Forest-derived Raw Materials Procurement Guidelines” in July 2015 and shared them with our suppliers of forest-derived raw materials. In order to pursue the aim of supplying Unicharm with third-party

certified materials, one of our tissue suppliers plans to acquire PEFC CoC certification in 2021.

Forest-derived Raw Materials Procurement Guidelines

Introduction

Recognizing the seriousness of the environmental issues that have emerged in recent years, including the impact of global warming and loss of biodiversity, etc., Unicharm aims to realize procurement of sustainable raw materials. Being fully aware that our business operations are dependent on natural resources, Unicharm supports procurement models that do not involve destruction of forests. We will also take an initiative toward the current environmental issues as for plantation of palm oil.

Strategy

With climate change related risks having risen significantly in recent years, besides striving to reduce the burden placed on the environment and to safeguard the environment, Unicharm is also making a serious effort to promote supply chain management that takes biodiversity into account, in line with the goal of building a sustainable society. Therefore, we are committed to environmental conservation through the operation of the Forest-derived Raw Materials Procurement Guidelines which make the Basic Environmental Policy*¹ and the Basic Policy of Procurement *² more specific with regards to biodiversity.

*1 Basic Environmental Policy:

As a company that engages in the manufacture and sale of disposable products, we recognize the extent of our responsibility to the environment. Through our business activities, we strive to create environmentally friendly products so that we may in the future pass on a beautiful earth to the future generations. We are committed to providing goods and services that bring comfort, excitement and joy to people throughout the world and are determined to realize the sustainable development of a society that achieves a balance between environmental conservation and economic growth.

*2 Unicharm Basic Policy of Procurement (excerpt from environmental themes):

- (1) Value suppliers which understand the importance of, and promote, environmental conservation in purchasing activities.
- (2) Emphasize environmentally friendly raw materials in purchasing activities in an effort to achieve a recycling-oriented society.

Targets

By 2020, Unicharm aims to be using raw materials that take the needs of sustainability into account and recycled materials for the paper and pulp used in our absorbent products.

When using virgin pulp (as opposed to waste paper or recycled pulp), Unicharm will collaborate with suppliers to fully verify that no damage is caused to forest resources.

Specifically, Unicharm will verify third-party certified raw materials, such as FSC and PEFC, and certificates of origin confirming that materials do not come from High Conservation Value Forests (HCVF) and High Carbon Stock Forests (HCSF).

We actively participate in the activities of trade industry and Japan Business Initiative for Biodiversity (JBIB) and are striving to promote the utilization of sustainable forest resources.

Action Guideline

1. Giving priority to the use of waste paper, recycled pulp and mill broke (paper trimmings and scrap generated during the paper manufacturing process).
2. Prioritizing the use of forest resources certified by reputable third parties such as the Forest Stewardship Council (FSC®) or the Programme for the Endorsement of Forest Certification Schemes (PEFC).
3. In the case of forest resources for which third-party certification is not available, certificates of origin, tags etc. are used to verify that the resources in question are not logged from High Conservation Value Forests (HCVF) or High Carbon Stock Forests (HCSF). Unicharm strives to promote the creation of supply chains which ensure that: In regard to environmental issues, there is a guarantee that no damage is caused to forests; In regard to social issues, the human rights of workers and indigenous residents are protected and In regard to compliance, local laws and regulations are respected and complied with.



Terms

FSC®: Forest Stewardship Council®
<https://fsc.org/en>

PEFC: Programme for the Endorsement of Forest Certification Schemes
<https://www.pefc.org/>

HCVF: High Conservation Value Forests

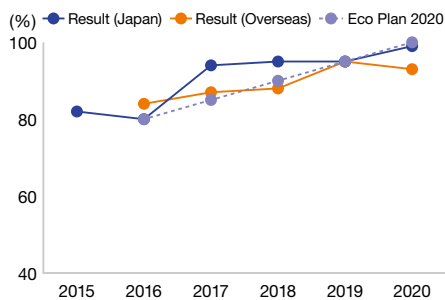
HCSF: High Carbon Stock Forests

JBIB: Japan Business Initiative for Biodiversity (Japanese only)
<http://jbib.org/>

Promoting environmentally-friendly supply chain management

In the aim of building a sustainable society, Unicharm is striving to reduce its environmental impact, conserve the environment and promote supply chain management conscious of biodiversity. As one of the targets of “Eco Plan 2020,” we aimed to switch to recycled paper or certified sustainable forest-derived products for the paper and pulp used in our absorbent products by 2020, falling just short of 100% success at 99%. From 2021, the ongoing efforts will be included in our newly set “Environmental Targets 2030.” We have also requested our suppliers not to use raw materials sourced from High Conservation Value Forests (HCVF) which have a significant impact on biodiversity and High Carbon Stock Forests (HCSF).

Percentage of Sustainable Materials Certified by Third-Parties including the PEFC



For details about goals, see P.036 “Eco Plan 2020”

Starting in 2016, we expanded the scope of activities for the procurement of sustainable materials to include the local suppliers in overseas countries outside Japan. Having also focused on current environmental issues directly related to palm oil, we became the member of Roundtable on Sustainable Palm Oil (RSPO) in 2017 for continuing to implement the collection of information and establish the traceability in the aim of sustainable procurement.



For information about 2020 initiatives related to palm oil, see P.059 “Biodiversity > Usage of third-party certified sustainable palm oil”.

Please see Unicharm’s progress from the following URL. www.rspo.org

See P.026 “Key Topic: Safeguarding the Well-being of Society > Status of activities”

Palm oil traceability

For the palm oil used in our pet foods, we use Fuji Oil Holdings Inc. (hereafter, Fuji Oil) RSPO certified palm oil. Fuji Oil is proceeding with improvements to the traceability of palm oil all the way back to their suppliers’ oil mills and farms.

See Fuji Oil Holdings Inc. > Sustainability <https://www.fujioilholdings.com/en/csr/>

Confirming the origin of paper and pulp

The absorbent parts of our products are made of pulp from conifers grown in FM (Forest Management)-certified forests in North and South America. The tissue covering these absorbent materials is made from timber felled in FM-certified forests in North America, China and Indonesia.

Vancouver declaration to promote the FSC® and SDGs

Following multiple rounds of open discussion with FSC® Japan, Unicharm stated its endorsement of the Vancouver Declaration on October 12, 2017, and we are committed to the expansion of use of FSC®-certified materials. The logos of the companies that have endorsed the Vancouver Declaration can be seen at SUPPORTERS OF THE VANCOUVER DECLARATION

SUPPORTERS OF THE VANCOUVER DECLARATION <https://fsc.org/en/businesses/the-vancouver-declaration/supporters>

CDP* “Forests Program” rating

In 2020, Unicharm received a rating of “B-” (management level) from the CDP, an international NPO. With this rating clarifying the issues we face, we will continue to carry out activities that are even more mindful of biodiversity.

	2018	2019	2020
Forests Program	A-	B	B-



* An international NGO that works to realize a sustainable society by conducting global surveys on the environment and by presenting information

See P.048 “Climate Change > CDP ‘Climate Change’ rating”

See P.061 “Water Resources > CDP ‘Water Program’ rating”

Biodiversity

Our basic approach and strategy

Unicharm products and services are essential to a clean and healthy lifestyle. At the same time, we recognize that they are intimately linked to biodiversity through a close connection to the global environment created by the use of resources and generation of waste that their provision entails. By understanding the effects of business activities on biodiversity, we strive to promote sustainable business development and resource use that leads to a “future society in harmony with nature.” Particularly for pulp and other forest resources which we use in large amounts, we procure materials from managed forests, eliminate the use of illegally logged timber and strive to protect the rights of local residents and workers to contribute to the “mainstreaming of biodiversity.”

Risk and Opportunity in Biodiversity

Our risks are (1) procurement of resources could become unstable and capacity utilization rate could decline or that procurement costs could become unstable due to negative impacts on biodiversity that occurs when procuring resources (particularly paper pulp, palm oil and agricultural products) and (2) the danger due to the impact on biodiversity that occurs during operations at our sites, costs may be incurred and operations may be suspended for the restoration of sites to their original condition and consumers may be reluctant to buy our products.

On the other hand, in terms of opportunities, we expect that (1) the proactive utilization of certified sustainable materials will lead to stable supply of materials and reduction of costs and (2) sales will expand due to the supply of products that take the needs of biodiversity into consideration in collaboration with retailers.

Management structure

Four times a year at the ESG Committee meeting chaired by the Representative Director, plans and progress on environmental activities, quality issues, social issues and other important governance matters are shared. Specific plans are reported using “Eco Plan 2020” as the baseline, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) announced in June 2017.

We identify and review biodiversity problems and materiality through open discussion with outside experts to formulate issues and set indicators for our activities. For our “forest-derived raw materials,” the ESG Division and Procurement Department are working together to promote a switch to third-party certified raw materials with progress reported to the ESG Committee and shared publicly on our corporate website.

We also verify the management of temporary industrial waste storage facilities and processors and measure emissions and wastewater in order to minimize the impact on biodiversity in the areas surrounding our manufacturing facilities.

Biodiversity initiatives

Open Discussion with Experts

In April 2019, we held a dialogue with WWF on the important medium-to-long-term social issues facing Unicharm. We heard a wide variety of opinions on climate change (energy conservation, renewable energy, carbon pricing, etc.), plastics pollution (the current situation and future development) and deforestation (the situation and future development for paper/pulp, palm oil, etc.) and formulated “Environmental Targets 2030.” With regard to deforestation in particular, we received a variety of suggestions for preventing forest loss such as expanding the scope of our policies and guidelines and on the importance of investigating the origins of certified forest materials and disclosing the results.



Dialogue with WWF Japan

“Eco Plan 2020” sustainable material procurement targets and results (from “Eco Plan 2020”)

	Implementation items	2015 results	2016 results	2017 results	2018 results	2019 results	2020 targets	2020 results	Judgment
(2) Procurement of sustainable materials	■ Third party certification of paper and pulp suppliers (Japan)	82%	80%	94%	95%	95%	100%	99%	△
	■ Third party certification of paper and pulp suppliers (Overseas)	—	84%	87%	90%	95%	100%	93%	×
	■ Third party certification of palm oil suppliers (Japan)	0%	Start of investigation	Ascertained	2%	31%	100%	86%	×

Open Discussion with other Experts

In 2018, Unicharm also held open discussions with the Forest Stewardship Council® (FSC®), an NGO, the Global Environmental Forum (GEF) and Amundi Japan, Ltd. and Nomura Asset Management Co., Ltd. in the Ministry of the Environment of Japan's Environmental Reporting Platform Development Pilot Project. As a company that uses forest resources, we will continue promoting highly transparent sustainable activities while obtaining information from NGOs and NPOs about local circumstances and forming partnership to contribute to the achievement of targets.

Initiatives of the Japan Business Initiative for Biodiversity (JBIB)

Unicharm supports the philosophy of the Japan Business Initiative for Biodiversity (JBIB) (Chair: Mitsui Sumitomo Insurance Company, Limited) and has participated as a member of the network since 2009.



JBIB: Japan Business Initiative for Biodiversity (Japanese only) <http://jbib.org/>

Acquiring CoC certification from the PEFC, an international forest certification scheme

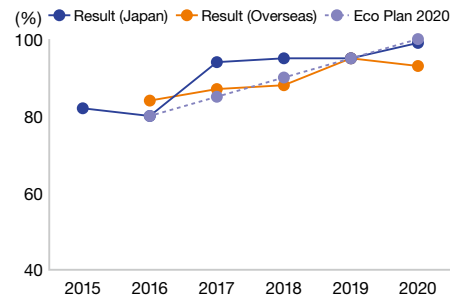
In 2020, our factories in Thailand, Indonesia and Japan acquired CoC certification (Chain of Custody, certifying management of the processing and distribution processes) from international forest certification scheme, the PEFC (Programme for the Endorsement of Forest Certification Schemes), and we launched our first PEFC trademarked products under Australian BabyLove brand. On BabyLove's social media and website, we explained forest certification schemes and the PEFC and shared the fact that all wood pulp used in BabyLove products are PEFC certified material procured through a CoC certified supply chain. We are providing consumer education around our supply chain procurement.



Promoting procurement of sustainable forest resources from the PEFC and others

The percentage of total paper and pulp used in Unicharm products that are certified sustainable by third parties such as the PEFC is as follows.

Percentage of Sustainable Materials Certified by Third-Parties including the PEFC



Percentage of office paper made from certified materials

We make environmental consciousness a policy for our office paper, too. In 2020, office paper made from certified sustainable materials accounted for 19.0% while 100% recycled paper made up 80.7%, bringing environmentally friendly products to a total of 99.7%. We are planning measures to address the remaining 0.3% and aim to achieve 100%.

FSC®-certified paper initiative

We are also using FSC®-certified products for our paper packaging and cardboard. In 2020, we switched to FSC®-certified paper for packaging of face masks, tampons and cat food.



Packaging that uses FSC®-certified paper

Initiatives to raise awareness of FSC® certification

Unicharm works with FSC® Japan, an NPO raising public awareness about the FSC® (Forest Stewardship Council®, an international forest certification scheme) and supported "All Together Now: A Campaign Supporting Next Generation Motivation and Sincerity" which ran from October 26, 2020 to January 10, 2021. By encouraging adults to support motivation and sincerity in middle and high school students with a keen interest in environmental problems and social issues including deforestation, this campaign stimulates a shared, inter-generational awareness of problems and aims to promote cooperative work toward realizing a sustainable society.



Usage of third-party certified sustainable palm oil

In 2020, Unicharm increased usage of RSPO-certified palm oil based on the mass-balance system.* Of the palm oil we procured, 85.9% was RSPO-certified, amounting to 131.6 tons. Going forward, Unicharm will continue sustainable procurement activities while confirming quality and procurement routes to switch all our palm oil purchases to RSPO-certified oil.



* Mass-balance system: A certification model in which certified oil produced at certified farms is mixed with other uncertified oil during the distribution process. Although the certified oil physically contains uncertified oil, the certified farms and the amount of certified oil purchased are guaranteed.

Providing and adding to organic products

One element of Unicharm's production of environmentally friendly products is our manufacture of products containing organic cotton. Organic cotton is cotton manufactured in a way that minimizes environmental impacts, including soils and water quality, and meets social criteria, including on-farm worker safety and child labor standards. We currently use organic cotton in "Natural Moony," "Natural MoonyMan" and "Sofy Organic Cotton Series" and will continue to add to the number of products using organic cotton going forward. We also support and work with the "ORGABITS Project," an initiative encouraging us all to do our individual "bits" to contribute to the environment through organic cotton.

Number of products using organic cotton

	Number of products
2018	9
2019	18
2020	22

Providing and adding to products using plant-derived components

In February 2020, we launched a subset of "Wave Handy Wiper (extra-long version with storage case)" products with a case manufactured using bioplastic made from an inedible agricultural by-product (rice husks). For this storage case, a biomass resource that would ordinarily be thrown away is being recycled into bio-based plastic. Unicharm is also using vegetable oil-based inks for the "Product Catalogue" and "Integrated Report"(booklet) that we issue. Going forward, we will continue developing and increasing provision of products that use plant-derived components based on a variety of approaches.



"Wave Handy Wiper (extra-long version with storage case)" with storage case using biomass plastics

Waste management

Waste emissions volume is reported in the "Preventing Pollution and Utilizing Resources" section.

[PDF](#) See P.050 "Pollution Prevention and Resource Utilization"

Water system emission monitoring results

There were no violations of laws and regulations or in-house standards.

The measurement results for COD and BOD are reported in detail in the Site Data section.

[PDF](#) See P.065 "Site Data"

Atmospheric emission monitoring results

Atmospheric emissions are reported in the "Preventing Pollution and Effectively Utilizing Resources" section.

[PDF](#) See P.050 "Pollution Prevention and Resource Utilization"

Water Resources

Our basic approach and strategy

Many Unicharm products are consumables essential to a clean and healthy lifestyle. At the same time, our business development is closely related to the global environment through the use of natural resources and the generation of waste. Based on the above, we believe our role and responsibility in reducing environmental impact are significant and continue to expand with each passing year as our business grows.

With regard to water usage, we believe that it is essential to properly understand the local situation where each of our production sites is located and utilize limited water resources as effectively as possible. We are also making efforts to reduce water usage by 1% on a yearly basis.

Risk and Opportunity in Water Resources

We perceive a risk of decline in operating uptime due to a destabilization of supply of forest-derived raw materials (paper, pulp, etc.) resulting from the depletion of water resources. We conducted a medium-to-long term water risk assessment using the WWF Water Risk Filter and the Aqueduct Overall Water Risk map (Aqueduct), a World Resources Institute (WRI) tool. We requested that our suppliers operating in particularly high-risk river basins carefully manage water resources and work to alleviate risk. On the other hand, we perceive an opportunity for our company is the fact that our products do not use water at the time of use and disposal. The strengths of our products are demonstrated in areas with droughts and disaster areas where lifeline services have not been established. We will implement activities to promote purchases by actively engaging in such settings.

Management structure

Four times a year at the ESG Committee meeting chaired by the Representative Director, plans and progress on environmental activities, quality issues, social issues and other important governance matters are shared. We reported specific plans based on “Eco Plan 2020” in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) announced in June 2017.

Identifying and Responding to Water Risk Using Aqueduct and the WWF Water Risk Filter

Unicharm’s water usage for in-house processes consists of (1) approximately 60% in the manufacturing division that produces tissue for use as an absorbent material (90% water recycling achieved in the applicable processes) and (2) approximately 25% in the pet food production division with use of cooling water at other sites (all in Japan).

A decline in operating uptime due to a shortage of water has not occurred at the manufacturing sites mentioned in (1) and (2) above in the past 20 years.

According to our Life Cycle Assessment (LCA) throughout the entire supply chain, water usage for the procurement of materials has increased.

We recognize that it is important to assess water resource usage in collaboration with local areas to continue these businesses. Going forward, we will continue to implement medium-to-long term water risk analysis using Aqueduct and the WWF Water Risk Filter from the perspectives of assessing current risk and studying future risk.

We evaluate a total of five manufacturing sites for current water risk, two Japanese sites with comparatively high water usage, two overseas sites and one major supplier’s site. The results of our assessment and future projections suggest that one site will be under high water stress in 2030 and 2040. We also conducted assessment using the WWF Water Risk Filter which revealed that the watershed of the same

site is at high risk.

The Non-woven Fabric Manufacturing Division in Indonesia (which has a high water risk) has achieved a water circulation with approximately 70% water reuse and regularly reports water discharge volume and quality (tested value) to the local government.

We share information about water-related risks with our pulp suppliers with high water usage and request that they carefully manage their water resources.

Reducing water usage

In 2020, our usage increased by approximately 3%. This was due to a strengthening of cleaning and other procedures to counteract COVID-19.

Changes in water usage

Unit: thousand tons

	2018 results	2019 results	2020 results	2021 targets
Total water intake	6,008	5,768	5,950	5,885
Domestic (Japan) water intake	5,082	4,899	5,114	5,060
All regions	5,082	4,899	5,114	5,060
Water resource intake				
Surface water (rivers, lakes, ponds)	159	151	163	160
Groundwater	1,920	1,966	1,985	1,965
Other water sources	3,003	2,782	2,966	2,935
Of these, locations that have specified facilities under the Water Pollution Prevention Act	3,413	3,201	3,411	3,375
Water resource intake				
Surface water (rivers, lakes, ponds)	7	8	5	5
Groundwater	403	411	440	435
Other water sources	3,003	2,782	2,966	2,935
Overseas* water intake	926	869	836	825
Applicable regions	926	869	836	825
Water resource intake				
Surface water (rivers, lakes, ponds)	926	869	836	825
Groundwater	0	0	0	0
Other water sources	0	0	0	0
Of these, areas with high water stress	516	454	410	405
Water resource intake				
Surface water (rivers, lakes, ponds)	516	454	410	405
Groundwater	0	0	0	0
Other water sources	0	0	0	0

* The applicable scope of "overseas" here is Thailand, Indonesia, Vietnam and the United States.

Water quality, soil contamination and offensive odor

Water quality is evaluated regularly for conformity to Unicharm's proprietary standards and the provisions of relevant laws and regulations. In 2020, there were no violations of the company's proprietary standards or relevant laws and regulations. In addition, applicable factories are providing legally required reports to the government as required. There were no accidents linked to soil contamination or offensive odor as well.

Details regarding biological oxygen demand (BOD) and chemical oxygen demand (COD) are reported in the "Site Data" section.

[PDF](#) See P.065 "Site Data"

Wastewater and water usage

Unicharm carries out tertiary treatment before discharging wastewater with the aim of improving water quality to meet government stipulated wastewater treatment standards (water quality at each site is stated in "Site Data").

We measure the volume of wastewater at some sites and overall reporting consists of water withdrawal = wastewater volume + consumption volume + product consumption (GRI 303-4 and 5). Wastewater is primarily generated in the tissue manufacturing process and the pet food manufacturing process. Water usage is due to the Paper-sand® manufacturing process and evaporation of cooling water at factories.

In 2020, the Unicharm Group generated 4.00 million tons of wastewater and steam.

CDP* "Water Program" rating

In 2020, Unicharm received a rating of "B-" (management level) from the CDP, an international NPO. With this rating clarifying the issues we face, we will continue to carry out activities that are even more mindful of water resources.

	2018	2019	2020
Water Program	C	B-	B-



* Carbon Disclosure Project: An international NGO that works to realize a sustainable society by conducting global surveys on the environment and by presenting information

[PDF](#) See P.048 "Climate Change > CDP 'Climate Change' rating"

[PDF](#) See P.056 "Supply Chain (Environment) > CDP 'Forests Program' rating"

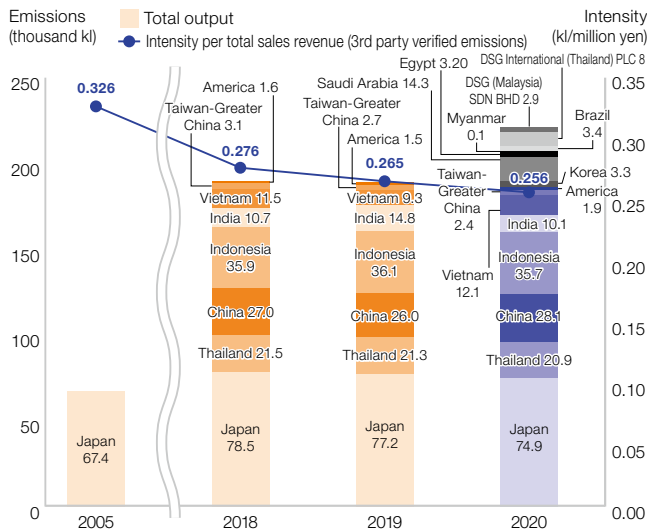
Activity Results

■ Addressing global warming and energy saving measures

Energy saving measures

In 2020, we did not add any new business sites to the data range for non-financial auditing. However, we began data collection for non-target sites and can now provide data for all sites. We will proceed with emissions reduction activities at all sites.

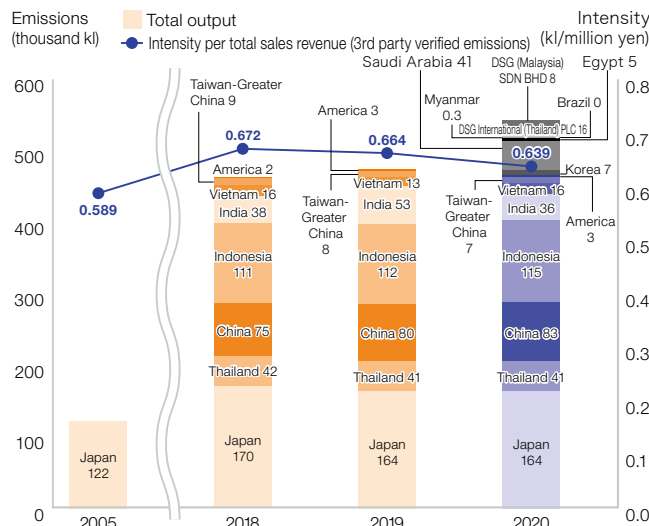
Changes in energy usage



Reducing CO₂ emissions

In 2020, we did not add any new business sites to the data range for non-financial auditing. However, we began data collection for non-target sites and can now provide data for all sites. We will proceed with emissions reduction activities at all sites.

Progress on CO₂ emissions (Scope 1 + Scope 2)

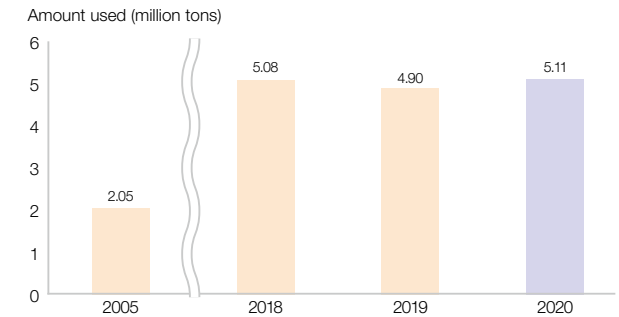


■ Promoting the effective use of resources and recycling

Reducing water usage

In 2020, our usage increased by approximately 4%. This was due to a strengthening of cleaning and other procedures to counteract COVID-19.

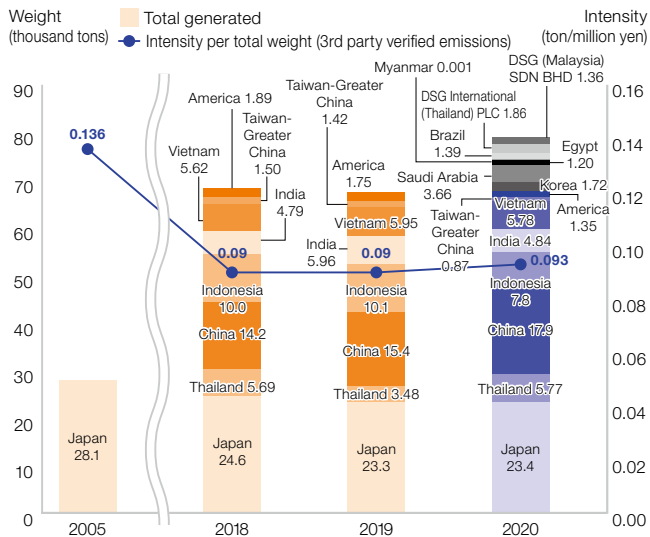
Changes in water usage (Japan)



Waste disposal volume

In 2020, we did not add any new business sites to the data range for non-financial auditing. However, we began data collection for non-target sites and can now provide data for all sites. We will proceed with emissions reduction activities at all sites.

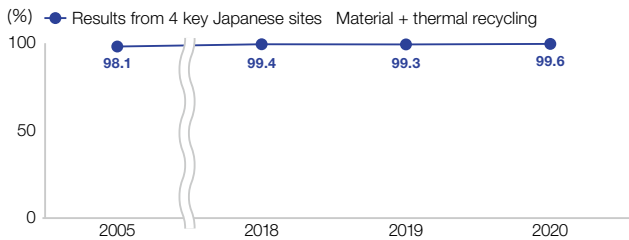
Waste disposal volume



Recycling rate

In 2020, we continued to maintain a high recycling rate of over 99%. The number of other plants that have achieved zero emissions status by attaining a recycling rate of greater than 99% is also on the rise.

Recycling rate (Japan)

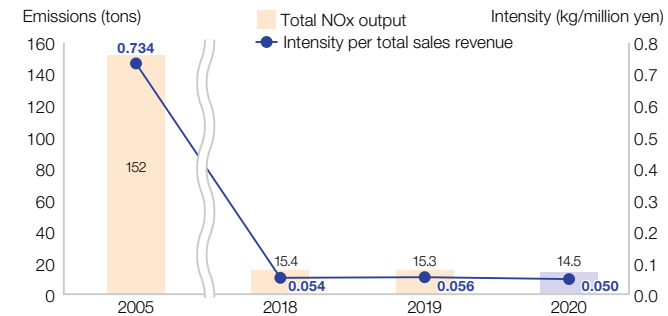


Initiatives to reduce the use of hazardous chemical substances

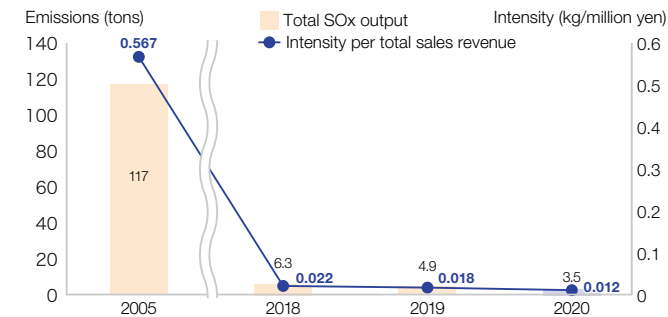
Airborne pollutants

We are working to reduce NOx (nitrogen oxide) and SOx (sulfur oxide) emissions through means such as increasing operation efficiency for boilers and other equipment.

NOx emissions (Japan)



SOx emissions (Japan)



Ozone depleting substances (Japan)

We manage CFCs in compliance with laws and regulations and conduct regular inspections in working to protect the ozone layer.

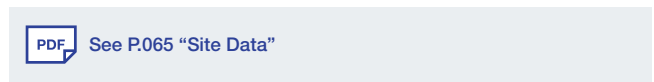
Substance	Business site	Amount possessed (tons)	Use
Halon (Class 1)	Unicharm Products Shizuoka Factory	1.6	Fire retardant
	Unicharm Products Shikoku Factories (Kagawa)	0.070	
	Unicharm (other development sites, etc. Kagawa)	0.00010	
HCFC (Class 1)	Unicharm Products Fukushima Factory	2.6	Refrigerant
	Unicharm Products Shizuoka Factory	3.6	
	Unicharm Products Kyushu Factory (Fukuoka)	2.3	
	Unicharm Products Shikoku Factories (Kagawa)	3.7	
	Unicharm Kokko Non-Woven Co., Ltd. (Ehime/Kagawa)	0.65	
	Unicharm Pet Care Co., Ltd. (Hyogo/Mie/Saitama)	0.93	
	Peparlet Co., Ltd. (Shizuoka)	0.038	
Unicharm (other development sites, etc. Kagawa)	0.86		
CFC	Unicharm (other development sites, etc. Kagawa)	0.0010	

* Reported for company properties based on the Act on Rational Use and Proper Management of Fluorocarbons

[Japan] Water quality, soil contamination and offensive odor

Water quality is evaluated regularly for conformity to proprietary standards and the provisions of relevant laws and regulations. In 2020, there were no violations of the proprietary standards or relevant laws and regulations. In addition, there were no accidents linked to soil contamination or offensive odor.

Details related to volume of BOD and COD are reported in the "Site Data" section.



Polychlorinated biphenyl (PCB) storage situation

Certain business sites store small quantities of PCB while awaiting its processing for disposal. Compliance assessments on storage conditions for stored PCB are carried out regularly and no abnormalities have been found.

Pollutant Release and Transfer Register (PRTR) substances

With regard to toluene, we are gradually shifting to the use of toluene-free thinner.

PRTR substance management

	Toluene (t/year)	Ethylene oxide (kg/year)	Dioxin (mg-TEQ/year)
2018	28.3	4.0	0.00010
2019	27.2	4.0	0.00020
2020	16.7	13.7	0.00002

Site Data

Environmental data show actual values for January – December 2020.

Unicharm Corporation

Head Office sites

●Addresses:

Sumitomo Fudosan Mita Twin Bldg., West Wing, 3-5-27 Mita, Minato-ku, Tokyo

Keikyu Second Bldg., 3-25-23 Takanawa, Minato-ku, Tokyo

●Business description:

General head office operations (product planning and management, including baby-care related products, feminine hygiene products, adult incontinence products and cosmetic puffs, etc.)

Water usage	- ton/year
Electricity usage	1,095 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	79(7) tons/year

Development site

●Address:

1531-7 Wadahama, Toyohama-cho, Kanonji City, Kagawa Prefecture

●Business description:

Research and development of paper products (diapers, sanitary napkins, liners, tampons, etc.)

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: 0.0 tons/year
	NOx emissions: 0.0 tons/year
Water quality	COD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	8,497 tons/year
Electricity usage	2,432 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	496(11) tons/year

Unicharm Pet Care Manufacturing Division Mie Factory

●Address:

1319 Higashitawara, Nabari City, Mie Prefecture

●Business description:

Manufacture of non-woven pet care products

●Date operations commenced:

1966

●Site area:

19,134 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: No applicable facilities
	NOx emissions: No applicable facilities
Water quality	BOD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	1,279 tons/year
Electricity usage	6,886 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	610(355) tons/year

Unicharm Pet Care Manufacturing Division Itami Factory

- Address: 9-67 Kita-Itami, Itami City, Hyogo Prefecture
- Business description: Research, development and manufacture of pet food
- Date operations commenced: August 1998
- Site area: 12,692 m²


Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 0.5 tons/year
Water quality	BOD 7.5 tons/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	1,239,818 tons/year
Electricity usage	8,185 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	1,013(428) tons/year

Unicharm Pet Care Manufacturing Division Saitama Factory

- Address: 1600-11 Oaza-Kami, Kamisato-machi, Kodama-gun, Saitama Prefecture
- Business description: Manufacture of pet food
- Date operations commenced: February 2011
- Site area: 3,177 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 0.7 tons/year
Water quality	BOD 10.5 tons/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	47,163 tons/year
Electricity usage	4,401 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	610(41) tons/year

As of 2020, this factory has been considered a large-scale business site under Saitama Prefecture Global Warming Strategy system and submits plans and status reports accordingly.

 **Report on Anti-Global Warming Plan/Implementation Status**
(Japanese only)
<https://www.pref.saitama.lg.jp/keikakusyo/R01/0580.pdf>

Unicharm Products Co., Ltd. Fukushima Factory

- Address: 26-1, Aza-Nakasedotsuzuki, Oaza-kanazawa-uchi, Tanagura-machi, Higashi-shirakawa-gun, Fukushima Prefecture
- Business description: Manufacture and distribution of adult and baby diapers, sanitary napkins, liners and tampons
- Date operations commenced: November 1994
- Site area: 128,127 m²

Air	Exhaust gas dioxin concentration: 0.000 ngTEQ/m ³ N
	SOx emissions: 2.2 tons/year
	NOx emissions: 5.9 tons/year
Water quality	BOD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	173,278 tons/year
Electricity usage	66,809 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	4,319(73) tons/year

Shizuoka Factory

- Address: 5-6 Shinoba, Kakegawa-city, Shizuoka Prefecture
- Business description: Manufacture and distribution of adult and baby diapers, sanitary napkins, liners and household goods
- Date operations commenced: March 1988
- Site area: 83,163 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 1.0 ton/year
Water quality	BOD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	58,726 tons/year
Electricity usage	43,994 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	3,544(0) tons/year

Shikoku Chuo Area Business Location

- Address: 1496-1 Wadahama, Toyohama-cho, Kanonji City, Kagawa Prefecture
- Business description: Manufacture and distribution of adult and baby diapers, sanitary napkins, liners, cosmetic puffs and non-woven fabric
- Date operations commenced: October 1983
- Site area: 62,799 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: No applicable facilities
	NOx emissions: No applicable facilities
Water quality	COD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	132,665 tons/year
Electricity usage	53,399 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	4,063(17) tons/year

Onohara Works

- Address: 4507 Onohara, Onohara-cho, Kanonji City, Kagawa Prefecture
- Business description: Manufacture of adult and baby diapers and liners
- Date operations commenced: October 1982
- Site area: 24,839 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: No applicable facilities
	NOx emissions: No applicable facilities
Water quality	COD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	3,815 tons/year
Electricity usage	14,782 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	1,647(5) tons/year

Toyohama Works

- Address: 1531-16 Wadahama, Toyohama-cho, Kanonji City, Kagawa Prefecture
- Business description: Manufacture of tampons
- Date operations commenced: November 2002
- Site area: 21,588 m²

Air	Exhaust gas dioxin concentration: No applicable facilities SOx emissions: No applicable facilities NOx emissions: No applicable facilities
Water quality	COD 1.0 > ton/year
Soil	Same site and data as for Unicharm Kokko Non-Woven Co., Ltd.
Water usage	5,594 tons/year
Electricity usage	4,425 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	120(1) tons/year

* Toyohama Works's wet wipe manufacturing equipment was transferred to No. 1 Manufacturing Group at Unicharm Kokko Non-Woven in 2017

Kyushu Factory

- Address: 13-3 Torigoe-cho, Kanda-machi, Miyako-gun, Fukuoka Prefecture
- Business description: Manufacture of disposable diapers for babies
- Date operations commenced: March 2019
- Site area: 160,215 m²

Air	Exhaust gas dioxin concentration: No applicable facilities SOx emissions: No applicable facilities NOx emissions: No applicable facilities
Water quality	COD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	1,053 tons/year
Electricity usage	9,275 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	346(0) tons/year

Unicharm Kokko Non-Woven Co., Ltd. No. 1 Manufacturing Group, Non-woven Manufacturing Team, Wet Wipes Manufacturing Team

- Address: 1531-15 Wadahama, Toyohama-cho, Kanonji City, Kagawa Prefecture
- Business description: Manufacture of non-woven fabric and wet wipes
- Date operations commenced: April 1993
- Site area: 19,713 m²

Air	Exhaust gas dioxin concentration: No applicable facilities SOx emissions: 0.8 tons/year NOx emissions: 1.5 tons/year
Water quality	COD 1.7 > tons/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	441,358 tons/year
Electricity usage	14,714 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	1,721(125) tons/year

No. 2 Manufacturing Group, Kawano Works Team

- Address: 4087-24 Kawano-cho, Shikokuchuo City, Ehime Prefecture
- Business description: Manufacture of non-woven fabric
- Date operations commenced: February 1979
- Site area: 8,135 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: 0.1 tons/year
	NOx emissions: 0.6 tons/year
Water quality	COD 1.0 > ton/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	1,056 tons/year
Electricity usage	5,850 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	490(1) tons/year

No. 2 Manufacturing Group, Kokko Works Team

- Address: 834 Kawano-cho, Shikokuchuo City, Ehime Prefecture
- Business description: Manufacture of sanitary materials, food packaging materials and non-woven fabric
- Date operations commenced: October 1947
- Site area: 10,225 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: 0.4 tons/year
	NOx emissions: 1.4 tons/year
Water quality	COD 17.4 tons/year
Soil	Soil contamination in excess of statutory standards was not detected.
Water usage	2,969,553 tons/year
Electricity usage	16,882 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	1,740(6) tons/year

■ Cosmotec Corporation

- Address: 910 Hirota-cho, Zentsuji City, Kagawa Prefecture
- Business description: Printing and processing for packaging
- Date operations commenced: March 1966
- Site area: 23,799 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 0.0 ton/year
Water quality	BOD 1.0 > ton/year
Water usage	5,115 tons/year
Electricity usage	5,760 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	1,750(44) tons/year

■ Peparlet Co., Ltd

- Address: 422 Shimodoma, Fujieda City, Shizuoka Prefecture and others
- Business description: Manufacture and sale of pet excretion disposal material
- Date operations commenced: April 1975
- Site area: 9,217 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 3.3 tons/year
Water quality	BOD 1.0 > ton/year
Water usage	20,783 tons/year
Electricity usage	10,935 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	464(0) tons/year

■ Kinsei Products Co., Ltd.

- Address: 2518-8 Minourakabuto, Toyohama-cho, Kanonji City, Kagawa Prefecture
- Business description: Manufacture of pet excretion disposal material
- Date operations commenced: May 2014
- Site area: 3547.17 m²

Air	Exhaust gas dioxin concentration: No applicable facilities
	SOx emissions: — ton/year
	NOx emissions: 0.4 tons/year
Water quality	COD 1.0 > ton/year
Water usage	4,279 tons/year
Electricity usage	3,049 thousand kWh/year
Waste emissions (of which waste disposed of by contractors)	423(0) tons/year

Human Rights

■ Our basic approach and strategy

Since the founding of Unicharm, we have stated “respecting humanity & dignity” in our management policy and always believed in the mind-set of respecting human rights. In fact, spirit of respecting “human rights” and a mutually respectful human perspective are clearly stated in the “Unicharm Group Charter of Actions” and in the opening of Human Resource Philosophy. Various human rights issues exist throughout the world and because special attention must be paid to protecting human rights in global business based on “international human rights standards,” we uphold the Universal Declaration of Human Rights adopted in 1948 by the United Nations General Assembly and, in 2017, we enacted the “Unicharm Group Human Rights Policy” and demonstrate our continued efforts to fulfill our responsibility to respect human rights in all of our business activities. This human rights policy is also included in the “Unicharm Group Charter of Actions” which in turn is a part of “The Unicharm Way,” a statement of corporate ideals that is well-known and applied throughout the Group.

Furthermore, Unicharm promotes management by local subsidiaries in the countries and regions in which we operate with priority given to contributing to the local economy, actively creating local employment in production and sales and manufacturing products by using locally-procured raw materials for a goal of “local production for local consumption.” In this context, the 2009 “Unicharm Group CSR Procurement Guidelines” (which was then upgraded to the “Basic Purchasing Policy” in October 2017) and the 2017 “Unicharm Group Sustainable Procurement Guidelines” were respectively formulated and implemented to maintain a fair and impartial relationship with all suppliers,

Unicharm Group Policy on Human Rights

The corporate philosophy “NOLA & DOLA” of Unicharm Group (the “Group”) contains our hope that “Unicharm aims to provide all people, from newborn infants to the elderly, with products that gently support their mind and body for freeing them from various types of burdens to fulfill their dreams.” In accordance with this philosophy, the Group supports the realization of a society where human rights are respected as a fundamental right granted to all people. Based on this assumption, the Group will make efforts to fulfill its responsibility to respect human rights.

1. Background

The Group has established the Unicharm Group Policy on Human Rights (the “Policy”) by which it will promote efforts for the respect of human rights of all stakeholders including employees based on the following international human rights principles; “International Bill of Human Rights”(Universal Declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights), “ILO(International Labour Organization) Declaration on Fundamental Principles and Rights at Work,” “Ten Principles of the UN Global Compact” and “UN Guiding Principles on Business and Human Rights.” The Policy complements the corporate philosophy and Unicharm Group Charter of Actions (The Unicharm Way) clarifying how the Group will address matters concerning human rights in the Charter of Actions.

2. Scope of Application

The Policy will apply to all executives and employees who work at the Group. The Group will also require its business partners and suppliers to uphold and comply with the Policy and work together with them to promote efforts for the respect of human rights.

3. Fulfilling Responsibility to Respect Human Rights

The Group will fulfill its responsibility of respecting human rights by ensuring that its business activities do not result in human rights violations and by responding appropriately to correct any adverse human rights impact we may have caused. Furthermore, the Group will require its business partners and suppliers to respond appropriately to correct any adverse human rights impact they may have caused even if the Group does not directly contribute to those impacts.

Compliance with Applicable Laws and Regulations

The Group will comply with the laws and regulations of each country or region where it conducts its business activities. Where there is a conflict between national or regional laws/regulations and international human rights standards, we will seek the ways to honour international human rights standards.

Human Rights Due Diligence

The Group will establish a system of human rights due diligence in accordance with procedures based on the “UN Guiding Principles on Business and Human Rights” under which it will make efforts to prevent or mitigate adverse human rights impacts.

Remedy

In the event the Group’s business activities directly or indirectly result in adverse human rights impacts, it will provide a remedy through appropriate dialogue and procedures.

Education

The Group will provide appropriate education to ensure effective implementation of the Policy by which it will be instilled inside and outside the company.

Dialogue and Consultation

The Group will engage sincerely in the meaningful consultation with people whom its business activities may have caused impacts as a part of its efforts under the Policy.

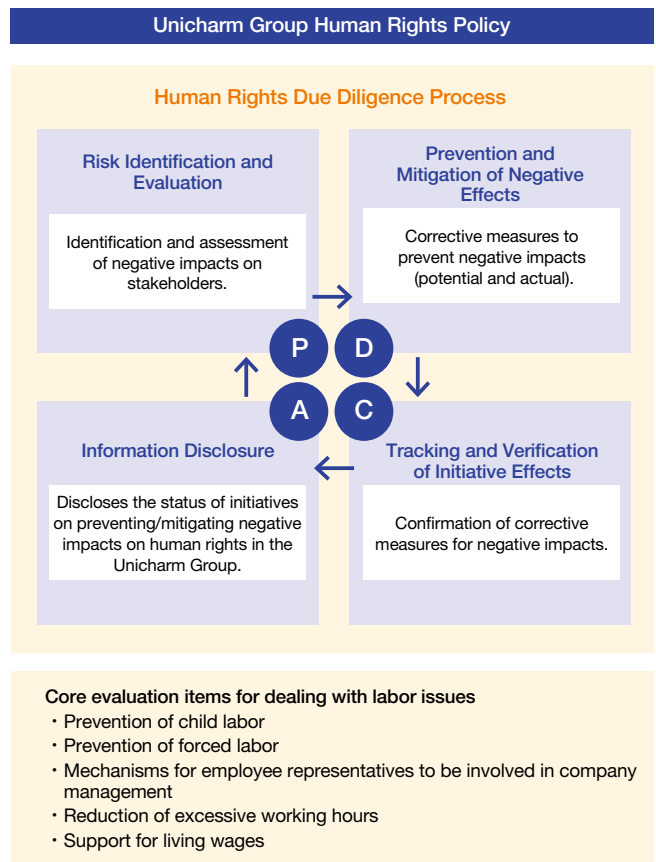
Reports

The Group reports on its efforts related to human rights through its website, etc.

Date of Establishment: October 25, 2017
 Revised: February 10, 2021
 President & CEO Takahisa Takahara
 Unicharm Corporation

We will respect children’s rights by eliminating forced and child labor and will never discriminate against people based on nationality, race, religion, gender, sexual preference, age, family background, disability or any other factors. We will also guarantee freedom of association and collective bargaining and pay attention to the reduction of excessive work hours and right to minimum wages.

Human Rights Due Diligence Process

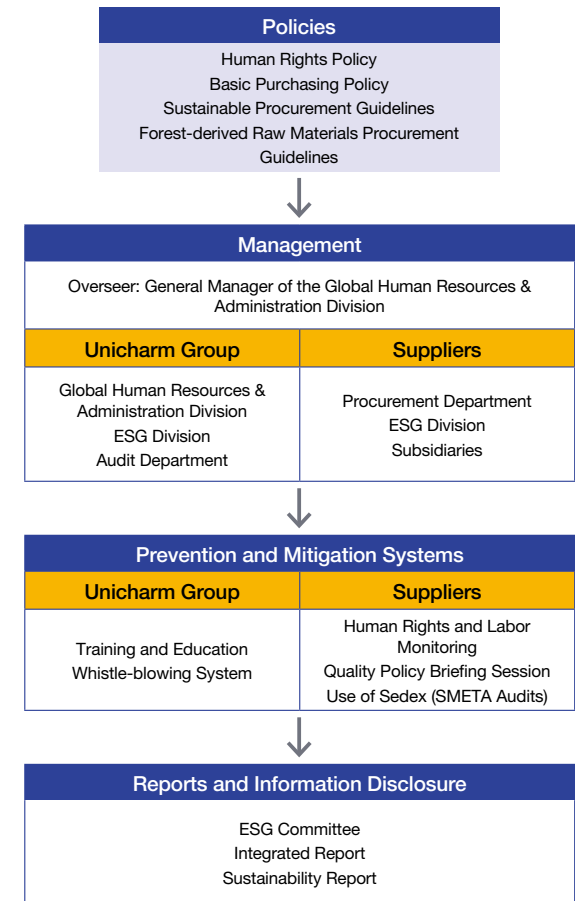


Management structure

Since it is necessary to have a variety of departments involved in human rights, the Global Human Resources & Administration Division and the ESG Division take the lead, under the direction of General Manager of Global Human Resources & Administration Division who is the executive-level officer assigned a responsibility for human rights, in collaborating with the relevant departments and group companies inside and outside Japan that handle purchasing and auditing and in reporting to the ESG Committee. Meanwhile, human rights initiatives at suppliers are headed by our Procurement Department, the contact point for suppliers, which encourages them to uphold human rights while the “Basic Purchasing Policy” and “Sustainable Purchasing Guidelines” which were enacted in 2017 are distributed and explained to our domestic suppliers. As a result of such internal and external efforts, there was no incidence of human rights abuses in 2020.

[PDF](#) For information about human rights initiatives in the supply chain, also see P.106 “Supply Chain (Society)”

Overview of Human Rights Initiatives



■ Stakeholder engagement for human rights

Since human rights issues can affect a wide range of stakeholders, Unicharm is stepping up its engagement in various ways.

	Initiatives	Results
2018	Participation in Nippon CSR Consortiums stakeholder engagement programme administered by CRT Japan.	Identification of important human rights issues by industry
2019	Held a dialogue with human rights experts at the "Global Conference on Business and Human Rights" in Tokyo administered by CRT Japan.	Advice on advancing human rights due diligence
2020	Joined Sedex as an AB member to expand the building of a sustainable supply chain. Participation in "Global Conference on Business and Human Rights" in Tokyo administered by CRT Japan involving overseas experts on business and human rights as well as business and specialists in Japan.	Use of the Sedex platform for respecting human rights and improving the work environment. Gained an understanding of global trends and urgent issues related to business and human rights. Also obtained information on preventing/ countering human rights abuses from the examples of practical efforts implemented by other companies.

Initiatives in Thailand

In October 2019, the Thai government was the first in Asia to take a cabinet decision to implement the National Action Plan on Business and Human Rights (NAP). Since Unicharm has a business presence in Thailand, we recognize there is need to determine the situation from a human rights due diligence perspective.

We therefore participated in the 2019 "Global Conference on Business and Human Rights" in Thailand for stakeholder engagement (administered by CRT Japan with support from the Embassy of Japan in Thailand) and carried out a dialogue with Thai NPOs, the Foundation for Consumers and others for addressing human rights issues such as human trafficking, illegal employment of immigrants, forced labor, etc.

We also visited the Labour Protection Network, an NPO working to solve human trafficking in Thailand, to engage in understanding the status of human rights issues in the fishery industry. Accompanying officers from Thailand's Ministry of Labor during an unannounced inspection of a Bangkok Port facility, Unicharm observers were able to gain an understanding of the situation of onsite workers such as how they offload the catches.

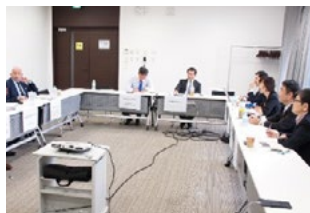
Initiatives in Australia

"The Modern Slavery Act (MSA)" was passed in Australia in 2018 and came into effect on January 1, 2019. Under this Act, all companies (domestic or international) with annual sales of more than A\$100 million in the country are required to submit an annual report on business operations and assess and mitigate risks for modern human slavery throughout the relevant supply chains based on the "UN Guiding Principles." In response to this requirement, Unicharm Australasia clarified its organizational structure, including its suppliers, and carried out ethics training for modern slavery for all primary suppliers as well as major secondary suppliers. At Group company factories, a human rights impact assessment for employees was carried out in terms of appropriate wages, appropriate working hours, workplace discrimination, forced labor and workplace health and safety as risk indicators.

No significant risk situation was found this time, but we will continue to identify potential risks and take measures as necessary to resolve them.



Dialogue with global experts



Visit to the Labour Protection Network NPO

Human rights education

For employees

Employees are provided with education and training so that each person will acquire correct knowledge about respecting human rights and preventing human rights-related risks. For example, role-based training and new leader training are used to provide specific examples of bullying and harassment and methods on preventing them and solutions of what to do when harassment actually occurs.

For suppliers

Regular quality policy briefings for suppliers are also used to explain Unicharm's "Basic Purchasing Policy," "Sustainable Procurement Guidelines," and "Human Rights Policy" as well as the corporate philosophy and ESG initiatives and share information that fosters mutual understanding of sustainable procurement and strengthens collaborative efforts. In addition, we promote collaborative improvement activities on a wide range of material-related themes through the meetings between overseas local subsidiaries and suppliers in each country.

Human rights impact assessment and mitigation

Since 2016, we have conducted human rights and labor monitoring at 15 of our own plants and associate companies on our premises in nine countries (Japan, China, Korea, Thailand, Indonesia, India, Brazil, Vietnam and Saudi Arabia). We also provide training to internal personnel to promote sustainable procurement through appropriate audits with consideration given to human rights, working environment, etc.

Unicharm Group No. of Audits and Evaluations

Year	No. of Audits	No. of Evaluations					No. of Indications
		A	B	C	D	E	
2018	17	0	14	1	2	0	61
2019	12	0	10	1	1	0	40
2020	4	0	3	0	1	0	25

Similarly, we also hold procurement seminars and the like as part of our supplier communication efforts and monitor human rights and labor at suppliers. In July 2020, we joined Sedex as an AB member and established a structure to monitor human rights and labor issues at suppliers.

 For information about human rights initiatives in the supply chain, see P.108 "Supply Chain (Society) > Management System > Global communication with suppliers, Education for internal personnel"

 For information about human rights initiatives in the supply chain, see P.110 "Supply Chain (Society) > Initiatives > Supply chain monitoring."

Responsibility to Our Customers

Communicating with Customers

■ Our basic approach and strategy

In keeping with Unicharm's corporate philosophical framework ("Beliefs and Pledges" and Corporate Code of Conduct), we have always regarded customer satisfaction as a top priority and are committed to providing products and services that transform "discomfort" to "comfort."

As part of these efforts, the Customer Communication Center (CCC) strives to sincerely respond in a prompt, fair and impartial manner to the valuable opinions we receive from our customers and have formulated the "Customer Communication Center Vision" based on the core idea of striving to enhance customer satisfaction. We have also established the "Complaint Correspondence Policy" that guides our efforts in communicating with customers as a basic principle.

Customer Communication Center Vision

We aim to have our customers shift their mind from saying "I'm glad that I inquired and consulted with the Customer Communication Center" to "I'll purchase the Unicharm product because it's trustworthy and I know I can contact the Customer Communication Center anytime I wish and need." To achieve this goal, we are committed to making sure that "listening compassionately to the true voice of customers and conveying our thoughtful message to them" becomes our second nature, drawing in matters of others to that of our own, solving their immediate problems together and sharing the deep impression with customers by giving them the "power of trying hard" for their child-raising and nursing care so that they will say they want to purchase Unicharm products again. By doing so, we would like to deepen our bonds with customers in Asia and around the world.

Complaint Correspondence Policy

- 1 Customer feedback will be centrally managed by the Customer Communication Center and addressed in a fair and impartial manner in accordance with the QMS (ISO9001) complaint correspondence process manual and ISO10002 complaint response process documentation. Information concerning the problems with our products or services will be reported to the President & CEO and steps will be taken immediately to remedy them.
- 2 In case our products or services must be redressed based on the customer feedback, all relevant departments will work together to immediately rectify the situation and prevent future reoccurrences in accordance with the QMS (ISO9001) redress and preventive measure procedure manual.
- 3 We will strive to reflect the valuable feedback from customers to the products and services. We will take customer feedback seriously and exert our best efforts so that each department works together to ensure that customers will be satisfied.

■ Management structure

Customer Communication Center led by the Chief Quality Officer (CQO) works in coordination with the relevant departments to gather customer opinions, enhance quality and safety and develop products tailored to our customers' needs.

We have compiled the specific initiatives for customer response for the entire company and, together with our "Self-Declaration of Consumer-oriented Company," are building a response system that is compliant with the ISO10002 complaint response MS.

With regard to the overseas operations, since Unicharm made its declaration of self-conformity with the ISO10002 complaint response MS in 2006, it has been laterally extending Customer Communication Center in China, Taiwan-Greater China, Thailand, Indonesia, Australia, India, Vietnam and other countries; together with the regular auditing of overseas Customer Communication Centers and information-sharing, we are implementing efforts that will boost customer satisfaction.

Self-Declaration of Consumer-oriented Company

Self-Declaration of Consumer-oriented Company

Date of Establishment: January 16, 2017

Revised: January 1, 2021

Takahisa Takahara

President & CEO

Unicharm Corporation

[Philosophy]

We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers both in Japan and abroad.

[Policy on Basic Initiatives] — Commitment of Top Management —

Unicharm hereby declares that it will always respond to customer complaints and inquiries in an honest, swift and fair manner.

I. All feedbacks received from customers are put together at Customer Communication Center (CCC) and addressed fairly and impartially by CCC based on QMS (ISO9001) complaint correspondence process manual and ISO10002 complaint correspondence process documents.

Information concerning the problems with products or services is swiftly reported to top management and necessary steps are taken to improve the situation.

II. If the situation must be remedied, all relevant departments work together following the procedures on QMS (ISO9001) rectification and prevention measures to swiftly remedy the problem and prevent future recurrences.

III. Customer feedback is seriously reviewed and efforts are made toward improvements involving all relevant departments so as to ensure customer satisfaction going forward. We strive so that precious customer feedback can be properly reflected in our improvement activities for products and services.

[Specific Initiatives]

I. Ensuring corporate governance — System for reporting customer feedback to top management without fail and delay —

We will carry out transparent corporate management and actively disclose information while working to fulfill the company's growth and development, employees' happiness and the social responsibilities.

A time slot is set aside at executive meetings for reports from CCC for discussing and disseminating a correspondence policy based on the serious review of feedback received from customers.

II. Proactive initiatives involving all employees — Fostering a corporate culture and employee mindset that are customer-oriented —

In order to improve customer satisfaction, once every year, an occasion is set where all Unicharm Group employees including those from outside Japan come together to present on products and services as well as proposals for pleasing customers in an effort to learn about best practices. This will enable all Unicharm Group employees to share a customer-oriented mindset and strive for further improvement.

III. Swift response through systematic collaboration between the relevant departments — Initiatives for swift and honest responses —

All feedbacks received from customers are put together at CCC and addressed fairly and impartially by CCC based on QMS (ISO9001) complaint correspondence process manual and ISO10002 complaint correspondence process documents.

Information concerning problems with products or services is swiftly reported to top management and necessary steps are taken to improve the situation. If the situation must be remedied, the relevant departments work together to swiftly remedy the problem and prevent future recurrences.

IV. Enhanced information provision to consumers and two-way exchanges of information — Disseminating information for safe use —

Frequently asked questions about product safety will be published on the company's website in an effort to widely disclose this information.

We will provide information to customers in various means so that they can use our products safely and effectively. These means include product packaging, user manuals and advertisements to educate customer about the correct ways to use products, as well as through our corporate website, news releases and disseminations from CCC.


V. Improvement and development based on consumer and social needs — Product creation making customer-oriented approaches and social responsibilities a reality —


The entire company will work on the improvement activities for linking the needs from customers with commercialization of products after carefully reviewing their feedbacks.


We will set rigorous environmental standards for our products and carefully select product designs and raw materials to meet the challenge of reducing waste in the production process to every extent possible.


The entire company will also work as one solid team toward mitigating environmental impacts including reducing waste in the entire business activities.

 For information about ensuring corporate governance, also see P.112 I. "Governance > Corporate Governance"

 For information about prompt responses through organic cooperation between related departments, also see P.082 III. "Quality > Management structure"

 For information about enhancing the provision of information to consumers and the two-way exchange of information, see P.083 IV. "Quality > Safety initiatives"

 For improvements and developments based on the needs of consumers and society, see P.023 V. "Key Topics > Safeguarding the Well-being of Individuals"

 For information about improvements and developments based on consumer and social needs, also see P.039 V. "Environment > Climate Change"

■ Initiatives of the Customer Communication Center

In 2020, the center received approximately 63,000 calls. The feedbacks we received were in turn shared widely with the relevant departments within the company and used to help improve our products and services.



Training sessions for factory workers by CCC staff using “feedback from customers”

We conduct employee training at the CCC to reinforce quality and customer-oriented approaches. In 2020, CCC staff carried out remote training for new employees, R&D and marketing staff in which they played recordings of customer firsthand “feedback” as part of a training session for listening skills. We will continue to enhance our customer-oriented approach on a company-wide level and supply products that truly satisfy our customers.

■ Activities of overseas Customer Communication Centers

CCCs in China, Taiwan-Greater China, Thailand, Indonesia, Australia, India and Vietnam made a self-declaration of conformity for the ISO10002 Complaint Correspondence MS. Since this declaration, the CCC in Japan has been confirming whether these overseas CCCs are working with customers to address their complaints via regular audits and information exchanges.

Main Initiatives of the CCC

Main initiatives	Contents
1. Responder training	For staff who deal firsthand with inquiries from customers by phone, etc., we organize training programs to enhance our specialist knowledge, including sessions led by external instructors and other informative workshops, in order to improve the “quality of response.”
2. Reflection in products	We share customer feedbacks with the relevant departments in a timely manner through weekly and monthly reports. This feedback is used to improve existing products and develop new products, in order to provide customers with products that are safe and comfortable.
3. Information dissemination	Customer feedbacks are shared internally on real-time using our “FAIN,” centralized customer information management system, or the SMILE system. Report meetings with business departments and product package confirmation meetings (Communication Assurance Meetings) are also held to ensure feedback is utilized to improve products from a customer standpoint.
4. Training by the CCC	The CCC organizes training sessions for the R&D, marketing and other relevant departments, new employees and others who wish to participate in order to reinforce their focus on the customer-oriented mind and quality. In FY2020, 92 employees took part in these training sessions.
5. Strengthen collaboration with overseas CCCs	The initiatives of our CCCs located around the world are being shared to help improve customer satisfaction across the entire Unicharm Group, including its overseas subsidiaries. This information is also being used to improve our response skills based on ISO10002 complaint response MS and to step up interoffice collaboration.
6. Commitment	The CCC is an independent department reporting directly to the President & CEO. At the annual Board of Directors meeting, it presents and answers questions about the customer response policy for the following fiscal year. We have built and operated a system in which all executives can monitor the progress towards goals and discuss and give approval on whether consumer-oriented management is being promoted.

Examples of customer feedback that have been reflected in products

Voice for “SOFY Hadaomoi (friendly-to-skin) Organic Cotton”

In response to the voice of a consumer that “Unicharm should extend the type of organic cotton sanitary napkin such as for night use,” we launched “SOFY Hadaomoi (friendly-to-skin) Organic Cotton Night-Use for Heavy Menstrual Flow with Wings (29 cm) and for Extra-Heavy Menstrual Flow with Wings (36 cm).”

Voice for extending the size-range of adult incontinence pant

In response to the voice of a consumer who has a solid physique that “Unicharm should add LL size,” we launched the “Lifree Long-Hours Feel-at-Ease Pant without Urinary Absorption Pad S & LL Size” for consumers to choose best-fit size depending on their body shape.

Expressions of thanks from consumers

A happy message on “Natural Moony” diaper

“My baby cries a lot in night time. I was moved one night when I was changing diaper and noticed the word ‘arigato’ (thank you) had appeared on its surface. It was almost as if my baby had thanked me!”

“Ultra-3D Mask for Kids”

“My child must wear a mask at elementary school but hated wearing it. Then I came across the ‘Ultra-3D Mask for Kids’. My child now uses this mask without complaining since it’s easier to breathe because of the extra space between mask and mouth.”

■ Communication with customers using various media

Unicharm works to provide information that contributes to solving social issues through our business to “realize a cohesive society” in which multiple generations can live in an enriched manner.

In Japan, Unicharm provides information for incontinence care, first menstruation education, child-rearing and partner animals (pets). Outside of Japan, local subsidiaries have also set up corporate websites in the local language. As you can see, we are working to strengthen web communication both in Japan and overseas markets.

Providing information on First Menstruation Education

“First Body Navi” offers young girls and their parents information on how the female body works and how to deal with menstruation as well as how to choose feminine napkin to help foster a positive first experience with menstruation. For school teachers, we have made available a downloadable PDF with information about first menstruation which can also be used as an educational resource at schools. We also began offering a Sofy official app, “Sofy Girl,” which helps young women having their first period manage their cycle and also lets mothers know when their daughters are menstruating so they can provide appropriate support.



Sofy First Body Navi



Sofy Girl official app

Launched “Navi for Adult Diapers” providing 24-hour support service

As Japan transforms into a super-aging society, we are receiving an increasing number of inquiries each year about how to do elder-care and how to properly carry out incontinence care. In 2017, Unicharm became the first business in the adult diaper industry to introduce an AI-assisted chatbot* called “Navi for Adult Diapers” which can respond to inquiries around the clock and all through the year. In 2019, the availability of this chatbot was extended into the LINE app.

* “Chatbots” are programs (or the entire systems with such programs) that conduct conversations for an inquiry in place of a human operator.



Lifree Navi for Adult Diapers
“Maki-san | Lifree” Unicharm (LINE)
* Search “Maki-san Lifree” (in Japanese) on LINE.

Lifree Navi for Adult Diapers (Japanese only)
<https://jp.lifree.com/ja/product/adult/choose/navi.html>

Childrearing support

“Baby Town” was created in collaboration with childrearing-related companies in support of parents and their babies by offering a community platform for searching information, consulting with others or discussing worries regarding pregnancy, child delivery and child care in accordance with their child’s stage of development. Our “Moony-chan and Toilet Training” app backing the toilet training and the official “Moony Instagram” provide useful child-rearing information.



Baby Town



Moony on Facebook



Moony on Instagram



Moony-chan and Toilet Training

A web magazine for living happily with partner animals (pets)

“Along with my pet, always and forever & ever!” provides useful information for owners and their Partner animals (pets) to live a long, healthy and happy life together. Available as a website or on Instagram or Facebook.



Along with my pet, always and forever & ever!



Instagram



Facebook

Introducing “Snack Exercise,” pet snack x indoor exercise

Unicharm has developed a new style of communication between pet dogs and their owners that can be practiced when it’s not possible to go outside due to the effects of COVID-19 pandemic. “Snack Exercise,” indoor exercise using the “Grand Deli” snack series, was introduced as an incentive providing both exercise and a change of pace for canine companions.

“My Style Bosai,” a hygienic information site for disaster preparation

Many natural disasters have occurred in Japan in recent years. In addition to the damage from the 2011 Great East Japan Earthquake and tsunami, there have also been torrential rains, severe snowstorms, tornadoes and other catastrophes. The “My Style Bosai” microsite was launched in February 2019 with the aim of helping people reduce the hygiene risks that they, their family members and their partner animals (pets) are exposed to in such disasters. Through narratives of people’s actual experiences, the site examines “various issues that arise during a disaster” based on the needs of different kinds of households.



My Style Bosai

Release of “With Corona Health, Hygiene & Security Information”

In December 2020, we opened “With Corona Health, Hygiene & Security Information useful for new lifestyle” as a portal of useful information for daily life within our Japanese website. Previously, each division had posted its own information in the various different areas of Unicharm site, but all these information are now available in one spot with the start of “With Corona” subdivided into the categories of “Living with Babies,” “Comfortable Living for Women,” “Living with Family,” “Living with Partner animals (pets),” and “Living in Society.” By making it easier and convenient for users to have an access to the information needed for their lifestyle “in the way they so wish,” Unicharm will help support healthy, hygienic and safe living under the current situation with Corona and also into the future.



With Corona' Health, Hygiene and Safety Information Useful for New Lifestyle

Enhancing information provision to overseas customers

As Unicharm’s popularity also grows in international markets, we are striving to enhance our customer service through the websites of our local subsidiaries by strengthening the delivery of information about our products and company. Please click on “Worldwide sites” on the Unicharm website for links to localized Unicharm sites.

Worldwide sites
<https://www.unicharm.co.jp/en/worldwidesites.html>

Research & Development

■ Creating unprecedented “new value”

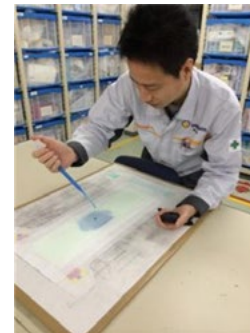
The Unicharm Group R&D activities are primarily carried out at our technical and engineering centers in Kanonji City, Kagawa Prefecture under a philosophy of “maintaining our number one position through continued and dedicated services.” Major overseas subsidiaries also have a “satellite office” with R&D capabilities which aims to meet the needs of each country/region and there is regular coordination with Japan and other satellite offices.

The R&D Division continuously develops and improves on research and processing technologies related to non-woven fabrics, special polymer absorbers and paper and pulp which are the strengths of Unicharm for its product development in order to be the number one choice of consumers in each product category. The division is also working to improve the efficiency by shortening the lead time from development to product launch.

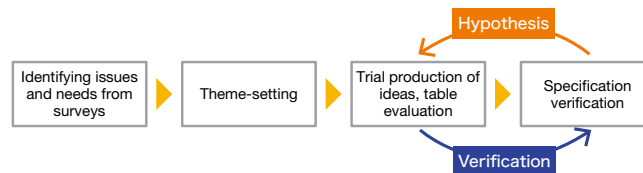
The basic development policy is to “continue creating new value through technology innovation.” Providing products and services such as diapers, sanitary napkins and partner animal (pet) food is by no means a flashy business. However, they are an indispensable part of everyday life for people of all ages from infants to the elderly and their partner animals (pets) worldwide which is why we believe it is necessary to create new “habits” and “common sense” and always provide more than what consumers expect. To this end, it is important that we thoroughly observe the actual conditions and consumption in consumers’ lives, determine the “true needs” that drive them and, not remaining content with the status quo or fearing failure, continue to take on new challenges in a swift way.

As a company that rolls out its business on a global scale, it is very important that we promote the product development

based on the characteristics of each country and region. Taking disposable diaper as an example, there are countries such as Japan where diapers are widely used, while in other countries, they are still an upscale product or simply not commonly used. Unicharm aims to create unprecedented new value by developing products tailored to each specific country and region while also achieving both quality and price that all consumers will want to reach out for.



Product development (discovering customer needs and shaping ideas)



■ R&D that contributes to a sustainable society

In 2019, Unicharm conducted baby diaper research for an improved fitness using “origami (paper craft) engineering” in collaboration with Ichiro Hagiwara, professor emeritus at Meiji University. This research resulted in the development of an absorbent material that molds to the body shape of babies.

Unicharm also worked in collaboration with Akihito Sano, a professor at Nagoya Institute of Technology, to develop diapers that are not only soft against baby skin but are also pleasant to the touch for adults.

At the April 2020 “Society for Affective Science Conference,” we gave a poster presentation entitled “The effects of mother-child interactions during diaper changes on postpartum depression and daily emotions” which noted that a mother’s use of a diaper-changing song during diaper changes created positive feelings that possibly leads to improve postpartum depression. At the “25th Congress of the European Sleep Research Society” held remotely in September 2020, we presented our findings as “Sleep solutions for infants based on sleep-wake rhythms using a smartphone application” which suggested it is important to reduce variance in the timing of sleep for infants in their first two months of life, as they have yet to establish a circadian sleep-wake rhythm.

Based on the results of these R&D activities, we are launching a series of new products and, at the same time, improving and updating the current products.

In overseas markets as well, we are working to improve both quality and functionality, expand product lines and develop the products matched to the needs of each market for its revitalization. In 2020, we developed the world’s first anti-mosquito diaper for infants*1 in Malaysia and Singapore where spread of dengue fever was a concern. The diaper tapes are embedded with “Anti-Mos Microcapsules” that help keep mosquitoes away from babies.

Approximately fifty percent of women in China suffer from menstrual cramps. Of these, some 20 percent of young women in the 15 to 22 age bracket warm their bodies to help relieve menstrual cramps.*2 We therefore launched the “Sofy Hot Dan °C,” a sanitary napkin with a lengthened front and warming function that soundly covers the lower abdomen where menstrual pain most likely occurs.

*1 A structure in which microcapsules containing fragrance are coated on the tape section, both crushed and non-crushed. Covering all disposable baby diapers offered by major global brands (Based on a February 2020 survey conducted by Unicharm)
 *2 Based on Unicharm survey results.



“SOFY Hot Dan °C”

Unicharm also engages in business activities that balance global environment protection and economic growth with the aim of contributing to a sustainable society. As part of these efforts, in 2015, we began a research project to recycle used disposable diapers. We constructed a system to separate pulp from used diapers then sterilize it by using a unique ozone treatment technology. The pulp is hygienic and can be reused for sanitary goods and, in fact, we used it successfully to manufacture prototypes such as diapers. In 2019, we established the “Recycling Business Preparatory Office” within the CSR Division (currently the ESG Division) and are strengthening the R&D activities with the aim of commercializing this project.

Additionally, we are working to develop partner animal (pet) care products according to the characteristics of each animal such as age and physique in line with our basic philosophy of “supporting the healthy and happy lives of partner animals (pets) throughout their lives.” In 2020, we developed and launched the “Deo-Toilet Home Urine Check Kit” for cats, a home urine check device that allows owners to easily manage the physical condition of a cat susceptible to urinary diseases.



“Deo-Toilet Home Urine Check Kit” for cats

- [PDF](#) See P.024 “Key Topic: Safeguarding the Well-being of Individuals > For coexistence with partner animals (pets)”
- [PDF](#) See P.028 “Key Topic: Safeguarding the Well-being of Our Planet > Initiatives aimed at promoting the recycling of disposable diapers”

Quality

■ Our basic approach and strategy

In keeping with Unicharm's corporate philosophical framework ("Beliefs and Pledges" and Corporate Code of Conduct), we always strive for continual improvement with customer-oriented mind.

Since many of our products come into direct contact with skin, we strive to provide products that consumers can use with confidence. We therefore believe it is important to not only enhance quality and safety but to also use proper labeling to convey correct information to consumers.

■ Management structure

As quality management system is aligned to the "quality policies in med-term management plan," Chief Quality Officer (CQO) who is responsible for assuring the system conformity and its effectiveness is assigned to promote internal and external audits primarily through ESG Division and Global Quality Assurance Department. While taking corrective and preventive measures, the four departments that jointly handle quality assurance (Global Quality Assurance Department, Pet Care Manufacturing Division's Quality Assurance Department, Unicharm Products Quality Control Department and Customer Communication Center) regularly conduct management reviews that are provided to CQO based on which the entire company is united in carrying out quality improvement activities on an ongoing basis.

All our business locations have obtained ISO9001 and ISO14001 certifications based on which we apply our quality management system (QMS) and environmental management system (EMS).

In 2017, the QMS and EMS were merged in hopes of strengthening the activities that encompass both quality and

environmental managements. By integrating the operation of the two management systems, we are now addressing both quality and environmental tasks via a centralized structure. Outside Japan, in order to keep current with updated regulations in the countries of import and marketing, we are

working to obtain certification in each country. We acquired ISO13485 (medical device quality management) in Indonesia and Thailand in 2014, ISO14001 (environmental management system) in Egypt in 2018 and ISO9001 (quality management systems) in Brazil in 2020.

ISO9001, ISO14001 and ISO13485 Certification at the Unicharm Group (certified unit)

Name of unit obtaining certification	Certification status		
	ISO9001	ISO14001	ISO13485
Unicharm and Unicharm Products (Japan)	○	○	○*
Unicharm Kokko Non-Woven (Japan)	○	○	
Cosmotec (Japan)	○		
United Charm (Taiwan-Greater China)	○	○	
Uni-Charm Thailand (Thailand)	○	○	○
PT.UNI-CHARM INDONESIA Factory1 (Indonesia)	○	○	○
PT.UNI-CHARM INDONESIA Factory2 (Indonesia)	○	○	○
PT.UNI-CHARM INDONESIA Factory3 (Indonesia)	○	○	○
Unicharm Consumer Products (China) (Shanghai, China)	○	○	
Unicharm Consumer Products (Jiangsu) (Jiangsu, China)	○	○	
Unicharm Consumer Products (Tianjin) (Tianjin, China)	○	○	
Unicharm Gulf Hygienic Industries (Saudi Arabia)	○	○	
LG Unicharm (Korea)	○	○	
Unicharm India (India)	○		
Unicharm Australasia (Australia)	○		
Unicharm Middle East & North Africa Hygienic Industries (Egypt)	○	○	
UNICHARM DO BRASIL INDUSTRIA E COMERCIO DE PRODUTOS DE HIGIENE LTDA. (Brazil)	○		
Diana Unicharm (Vietnam)	○		
DSG International (Thailand)	○		
Disposable Soft Goods (M) (Malaysia)	○		

* ISO13485 certification is applicable only to Unicharm Products Co., Ltd.

■ Safety initiatives

We carry out gate-checks in accordance with the “Unicharm Management System Basic Regulations” throughout the process, from materials procurement to product development, manufacturing, sales and disposal so that customers can use our products that directly contact their skin with greater peace of mind.

The Safety Assessment Committee has established a gate function in the stage of product development to conduct risk assessment based on various product uses and disposal. Products for which safety is confirmed receive Safety Assessment Confirmation Sheet.

In addition, we conduct the product usage tests with the products manufactured by using the safety-checked materials.

■ Policy on animal testing

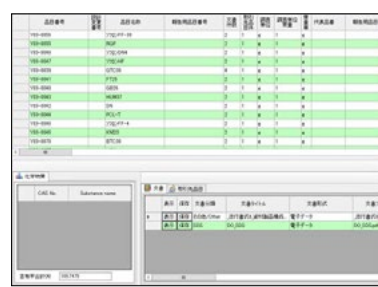
Unicharm does not conduct experiments involving animals for its safety checks, including outsourced testing, nor do we plan to in the future. (Not applicable in any cases where Unicharm was held accountable toward society on safety issues or met with demands from local administrations in certain countries.)

■ Policy on management of chemical substances

The Unicharm Group uses its “Material Safety Guidelines” to minimize any direct or indirect environmental impacts on the body from chemical substances used in our products and applies a policy for managing chemical substances that ultimately eliminates all harmful impacts found in the raw materials we use. To achieve this, we have defined harmful substances, developed a substance list of approximately 3,800 materials and determined target substances for reduction. At the same time, we receive full disclosure of all components in the supplied materials from each supplier and conduct toxicity risk assessments of the chemical substances they contain. In terms of substances targeted for reduction, we broadly gather information from the global perspective such as European Chemicals Agency (ECHA) and Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and set targets and implement reduction measures for target substances in collaboration with the suppliers. In addition, with the implementation of an information management system for chemical substances contained in products or materials since 2017, we have been able to strengthen our collaboration with material suppliers in more efficiently managing chemical substances.

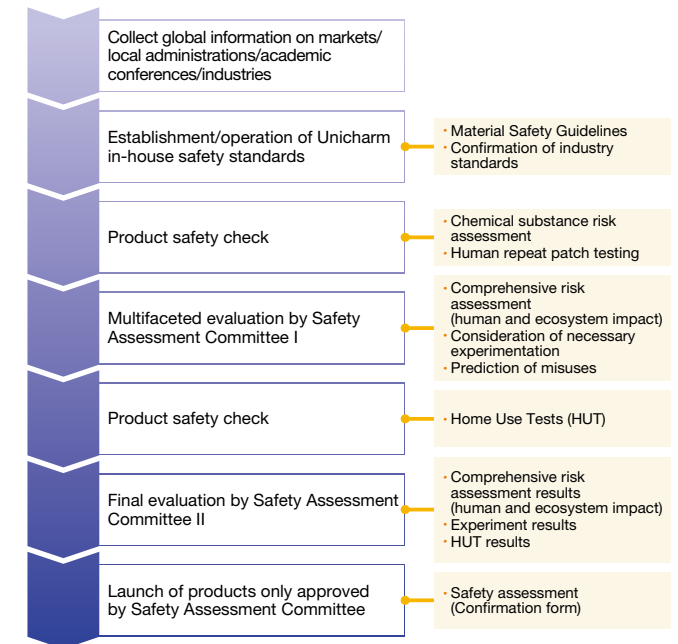
 **Example of List of Target Reduction Substances** (Japanese only)
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/quality/quality_toxicity_risk.pdf

 **Example of Toxicity Risk Evaluation**
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/quality/quality_material_list.pdf



Chemical Substances Information Management System (Image)

Safety Check Workflow



Reference Information Examples

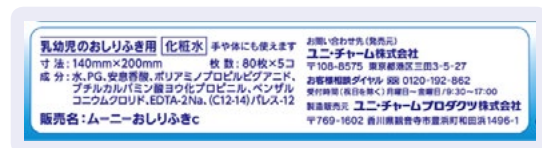
- ECHA (European Chemicals Agency)
- SVHC (Substances of Very High concern)
- RoHS (Restriction of Hazardous Substances)
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)
- STANDARD100 by OEKO-TEX®
- EU DIRECTIVE2015/1221/EC
- DIRECTIVE 2009/48/EC (safety of toys)
- POPs: Stockholm Convention on Persistent Organic Pollutants
- Dioxin Regulation Act
- Montreal Protocol

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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■ Providing chemical substance information

We have confirmed there are no safety issues based on our chemical substance management policies and standards for the chemical substances in our products, but we also disclose substances required by law and industry standards on packaging so that consumers can directly confirm them and use our products with peace of mind.

Example of information printed on packaging.



■ Global safety initiatives

Since safety initiatives are necessary in all locations where Unicharm runs business, we have been operating a global safety-check framework in each country of operation since April 2007. Currently, our local subsidiaries in China, Korea, Taiwan-Greater China, Thailand, Indonesia and Vietnam are spearheading the initiatives. We strive to share experiences and information through meetings that involve the persons in charge of safety in each country and regular individual meetings. In addition, we visit suppliers, testing partners and government institutions in each country to step up communication in order to deliver safe and reliable products to our customers.

Also, we have been rolling out the chemical management system mentioned above at our overseas locations since

2018. This rollout has been completed in six countries including Japan as of December 31, 2020. We will continue to bring in the system to our operations in other countries in 2021 so that local persons in charge of the growing volume of imports and exports are able to comply with the regulations of the country where products are marketed and swiftly conduct investigations on chemicals used in products in order to deliver even greater safety and peace of mind to consumers.

■ Quality management initiatives for manufacturing

As an initiative for quality management, Unicharm Products uses the Unicharm Total Management Strategic System (UTMSS) at all its plants together with the information from consumers relating to problems with products in order to make the continuous improvements. Working together as a whole, we work to address customer feedback on problems with products which is essential to improving product quality and safety.

UTMSS is used for “visual control” and “standardization” that allow us to provide our customers with products that are consistent and of high quality. All plants implement regular UTMSS activities (at least once per month) to continuously improve productivity and quality. As a specific example, by introducing the “workmanship management” framework, we have minimized variations in work by individuals, thereby realizing stable quality.

UTMSS members at all plants worldwide gather in Japan once per year for an all-company meeting. At this meeting, UTMSS members report on the results of their improvement activities and the seven plants that had the best results make a presentation to share/implement their efforts. With Japanese plants as a benchmark, plants outside Japan deploy these ideas in their own countries. We also promote a “mother plant system” between factories in Japan and other countries to transfer frameworks and success stories

Efforts to raise consumer awareness of chemical substances in products

Sofy Non-Bleachable Sanitary Napkin (Korea)

“Sofy Non-Bleachable Sanitary Napkin” takes into consideration the consumer anxiety about chemical components. Specifically, these napkins use internationally certified organic cotton for their upper layer sheet which comes in direct contact with skin and, moreover, non-bleachable material for the absorbency tissue.

In October 2020, these products won the Grand Prize at the “Consumers’ Choice 2020” (Korea) in the “Category of Feminine Hygiene Products.” The award was established with the aim of recognizing brands focused on maximizing their value to consumers and more widely disseminating the achievement.

Going forward, Unicharm will expand the product line of Sofy Non-Bleachable Products to panty liners and panty-type napkins to bolster Sofy’s image as a safety and trusted product.

Obtained “STANDARD100 by OEKO-TEX®,” one of the world’s best-known labels for textiles tested for harmful substances, for Disposable Baby Diapers (Japan)

In December 2019, Unicharm received “STANDARD100 by OEKO-TEX®,” a certification that is one of the world’s best-known labels for textiles tested for harmful substances, for disposable baby diaper, “Natural Moony (tape type).” It was the first time that a disposable baby diaper obtained this certification in Japan^{*1}.

“STANDARD100 by OEKO-TEX®” is an international safety certification for textile products given only to products that clear strict standards after analysis and testing for more than 350 types of harmful substances by authorized testing institutes^{**2} that belong to the international consortium called OEKO-TEX®. To use the STANDARD 100 label, a product has to clear the testing criteria for all materials and chemical solutions used in the manufacturing process. Since this standard also complies with standards for hazardous substances in European and other countries worldwide, products labeled as such are recognized as meeting the world’s highest safety standards.

In December 2020, we acquired “STANDARD100 by OEKO-TEX®” certification for “Natural Moonyman (pant type)” and “Moony AirFit (tape type)” as well and are working to expand the Moony brand overall as a safety and trusted product line.

*1 Finding by Unicharm as of January 2020

**2 This product has been certified by the Nissenken Quality Evaluation Center/OEKO-TEX® office which is the only OEKO-TEX® certification body outside Europe.



Sofy Organic Cotton Cover & Non-Bleachable Free Inner Cover with the color of nature



to overseas plants. Through such initiatives, we are promoting UTMSS improvement activities and passing on such frameworks to carry out productivity improvements and quality enhancement at plants outside Japan.



At an all-company UTMSS gathering

Initiative for appropriate product labeling

Since 2010, Unicharm has continued to maintain its track record of zero product labelling issues based on its own consumer-oriented labelling code.

In order to provide correct information to customers, our marketing communications (product packaging and advertising) are checked for compliance with applicable laws such as the Law for Ensuring the Quality, Efficacy and Safety of Pharmaceutical and Medical Devices, the Premiums and Representations Act and the Containers and Packaging Recycling Law and for compliance with industry standards set out by the Japan Hygiene Products Industry Association and our own proprietary evidence-based standards. We also confirm compliance from a customer perspective to ensure that the information provided does not invite false assumptions or mistaken use. In accordance with changes in the environment inside and outside the company including diversification of advertising medium, market changes and changes in consumer awareness, Unicharm updates its own standards and works thoroughly to ensure its application by

providing trainings to the relevant divisions. Additionally, at the product design stage, we have established a Communication Assurance Meeting as a gate-check on labelling that is based on scientific evidence. Members from the Customer Communication Center also participate in the package design to lend a customer-focused perspective so that the company as a whole provides labelling that is optimal and accurate.



Communication Assurance Meeting



Labor Standards

View Concerning Human Resources

Our basic approach and strategy

Unicharm will never discriminate based on nationality, race, religion, gender, sexual orientation, age, family background, disability or any other factors. We also will not tolerate child labor or forced labor and we support the right to solidarity, collective bargaining and other group actions by guaranteeing the right to assemble and freedom of association.

We will hire and evaluate people in a fair and equitable manner, respect the human rights of each employee, create a workplace that makes the most of each person's individuality and abilities and strive to achieve happiness for our employees and their families.

In order to ensure legal compliance Group-wide and promote its understanding, we hold discussions with persons in charge of personnel matters at Group companies on revisions to labor laws and other topics on labor standards. In addition, as part of our work-style reforms, Unicharm encourages employees to take at least five days of paid vacation each year and monitors overtime work using a new attendance management system. In this manner, we are working toward changing the way our people think about work, promoting operational reforms and improving productivity.

We will never discriminate based on nationality, race, religion, gender, sexual orientation, age, family background, disability or any other factors. We also will not tolerate child labor or forced labor and we support the right to solidarity, collective bargaining and other group actions by guaranteeing the right to assemble and freedom of association.

“Mission, Vision and Values” in the Unicharm Group’s Global Human Resources Philosophy

At Unicharm, we value the autonomy of each and every individual based on our “‘Beliefs & Pledges’ and Corporate Code of Conduct.” We endeavor to provide fair opportunities for our employees to find fulfillment in their work and to create a corporate culture that fosters the development of “confidence” and “pride.”

Unicharm Group’s Global Human Resources Philosophy

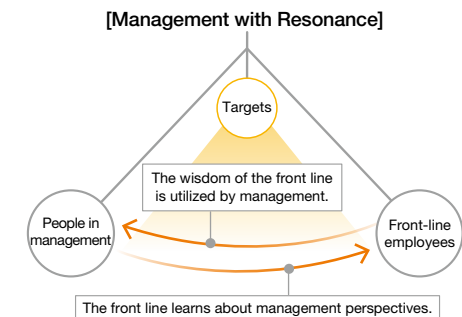
Mission Mission and purpose	We will seek to unify the growth of the company and individuals by creating resonant personnel who continually grow and strive to fulfill their life and career vision in order to support corporate management that aims to realize cohesive societies.
Vision Vision for the future	We will establish a “global common growth model” on a global basis by utilizing KYOSHIN*1 and promoting skills development using the Unicharm Way for ensuring our employees can play an active and lively role.
Value Shared values of the organization and guidelines for action	We will promote management with resonance and work with employees in a fair and sound manner centered on the philosophy that “our people are the driving force behind corporate value” and, by pursuing the “wealth in three aspects”**2 and providing a “rewarding workplace,” we will earn the trust of each and every employee.

*1: A human resource system that promotes common skills development globally which is a digital tool for skills development by utilizing data on each employee’s career, evaluation feedback and e-learning.

**2: The three aspects include (1) aspirational wealth, (2) economic wealth and (3) wealth of both mind and body.

Unicharm’s unique management method

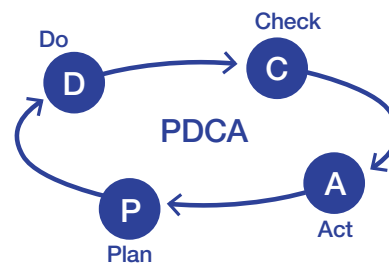
In order to realize the corporate philosophy, the industriousness of each and every employee becomes the epicenter of change, increasing the resonance of individuals who then reverberate together to effect change across the entire company and allow each employee to realize their vision. We call this business practice and creation of such corporate culture “Management with Resonance.” Through the implementation of this management method, we believe that people in the management are able to come in firsthand contact with front-line information and share viewpoints. Meanwhile, through dialogue with management people, front-line employees are able to learn “management viewpoints, standpoints and time horizons” to develop mutual understanding while still working to solving conflicts. In this way, both management and the front line people work towards a shared goal, fostering a sense of comfortable unity even under strict conditions in the company. Daily ingenuity and wisdom therefore swing resonates between the front line and management like a “pendulum.” This is indeed the “Management with Resonance” in which the wisdom of the front line is utilized by management and the front line learns about management perspectives.



■ Toward an organization that can respond to environmental changes quickly and flexibly using “OODA Loop Methodology”

Unicharm has set the medium-term targets based on underlying megatrends and translated action plans for achieving these targets into plans that employees on the frontlines of our operations can well be convinced. We then have turned PDCA cycle on a weekly basis to monitor progress of strategy. In recent years, however, a “new normal” has emerged where changes become the norm. In order to achieve sustainable growth in such circumstances, we need to establish a system that constantly reviews “approaches” and makes fundamental changes in order to catch the signs of change and to respond ad hoc to a constantly changing environment, without overly focusing on initial plans. As a result, we introduced our version of “OODA Loop methodology,” a management method that represents an evolution in our conventional “SAPS method” that focused on PDCA cycles. Our goal is to become an organization where “primary information” from the frontlines is used to understand the fundamental essence of individual situation so that each and every employee uses its own sense to harness past experiences and knowledge to determine the best course of action autonomously based on the situational awareness.

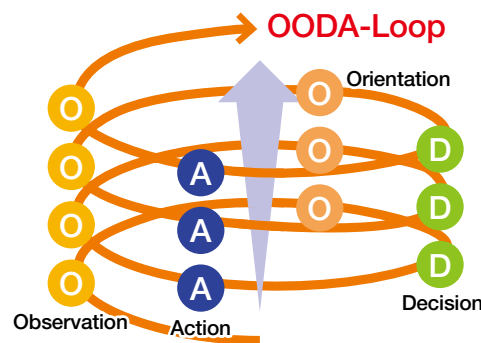
[Philosophy of SAPS method]



Possibility that we are not able to address environmental changes not foreseen initially



[Philosophy of the OODA Loop Methodology]



Establish a mechanism where we constantly review “approaches” and make fundamental changes

“New normal where changes become the norm”

- O Observation:** Observe situation using the five senses.
- O Orientation:** Determine the situation using information obtained along with past experiences and knowledge.
- D Decision:** Make the right decision from the options available.
- A Action:** Take action promptly. (Repeat loop)

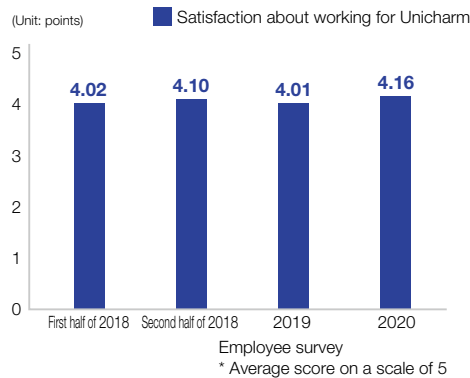
■ Building a healthy and active workplace environment

Unicharm is committed to be a company where employees can fully experience “motivation” in their work based on fulfilment in all aspects of their life including career, home life and health. Based on this commitment, we are working to reduce extra-overtime work hours and usher in work-style reforms. We are promoting an active workplace environment where employees can be both physically and mentally healthy by using remote-work, communication considerate of others such as prohibiting work calls and emails on holidays and encouraging employees to take at least five days of paid leave systematically each year. The goal of this is to ensure all employees to follow the “Working Interval Rule” taking at least eight hours off between shifts and to keep the work-life balance where employees can satisfy their childcare or family care obligations. In addition, we are designing and building a fair compensation evaluation system so that our diverse workforce with its varied employment formats is highly motivated to play an active role at the company.

Employee survey

We conduct “employee surveys” twice a year at all group companies in Japan and overseas, in order to verify employees’ satisfaction/fulfillment and attitude toward work. Ongoing surveys are of course used to invigorate employees and organizational reforms, but we also use them as a reference when considering various personnel and management initiatives.

Changes in results of employee awareness survey on “satisfaction”



Observing the appropriate salary levels

By enacting the “Unicharm Group Human Rights Policy” archived in the “Unicharm Group Charter of Actions,” we have confirmed that we comply with minimum wage laws in each country and provide an appropriate salary that exceeds the living wage based on the local cost of living.

See P.071 “Human Rights”

Personnel Utilization and Training

Improvement of education and training programs

We have a skill-enhancing program for understanding our OGISM(A) process and “OODA Loop methodology” and improving practical skills in order to develop human resources who will practice Management with Resonance.

See P.032 “Key Topic: Unicharm Principles > Developing resonant personnel”

Skills-enhancing and Career Planning Support Programs (2020)

By level	Required training			Independence/self-learning training	Leadership development program	Career design program	
	Training according to level (general employees)	Training according to role (management + instructor)	Professionalism enhancement program				
L	1		Preparatory training program for employees posted overseas	Department education program		Training for employees in their 50s	
	2	How-to-teach training					G15*
	3						
	4						
	5						CR2 training
P	1	CR3 training	Instruction guidance meeting for sharing knowledge and intelligence	One selected from: (1) Cross-industry training (2) Case-based learning for marketing (3) CCC training	Strategy Secretary to CEO	Training for employees in their 2nd year	
	2						
	3	CR4 training				Cross-industry external training	Career challenge Japan Internships Global Internship
	4					Follow-up training	
	5	Newly hired employee training	How-to-learn training				

* Shorthand for the “Global 15 Project.” Participants are chosen from executive management candidates who will develop the direction of global strategy and establish a grand design.

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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Our distinctive training programs (excerpt)

Title	Summary
Training for newly hired employees	(1) Transitioning from student life to working life (switching to an “earning” mentality). (2) Deepening understanding of the Unicharm Spirit while experiencing the company’s history. Nurturing a customer-oriented and competitive mind. (3) Organizing a group in which each individual develops its own initiative and self-reliance who mutually enlightens each other. (4) Considering the image of leadership in their 20s and developing their own 10-year career plan.
Second-year follow-up training	(1) Understanding the thoughts, actions and approaches in the second year at Unicharm. (2) Looking back on the path of entering company, undergoing training and being assigned to the specific department in the first year with Unicharm and reviewing the own issues on the actual work. (3) Getting hold of the own issues as well as their root causes and deciding on a specific action plan to overcome them.
Third-year follow-up training	(1) Looking back on the first two years of working experience at Unicharm and reviewing the current own status (stance, skills). (2) Understanding the roles, mindsets, actions and approaches required for employees in their third year and translating them into an action plan. (3) Evolving “My Career Vision & Career Plan” for linking the growth of each individual and that of the company.
Training according to the levels and roles	Training is carried out for people in keeping with their respective levels and roles. All training is based on understanding our “OODA Loop methodology” and improving practical skills, providing opportunities and occasions to enhance the ability to think and take action. Employees create a 10-year career plan based on their thoughts on the image of leaders and review on themselves. Education on harassment is also provided by showing the specific examples and discussing on prevention and solution assuming that it has really occurred.
Life & Career Redesign	(1) Looking back on yourself and understanding your own characteristics, strengths and improvements. (2) Understanding the HR system and financial plan and developing an image of mindset and way of work for decision-making after being rehired at the retirement age of 60. (3) As part of a 100-year lifespan, reconfirming the future career vision and career plan and translating them into the specific action plan.
Strategy Secretary to CEO	This program enables employees in their 10th year to work as a secretary to the CEO for two months. By closely working with and learn directly from the CEO on its thought and action as a top management, this program develops leadership skills and leads to the self-improvement.
Ten-year career vision and plan	Provides employees with the tools and a system for designing and developing the individualized 10-year career plans and for translating them into the own action plans. The tools can also be used for communication with the supervisors in order to support each employee in achieving her/his own goals.
Cooperative & selective training with other companies	A cooperative training program established by several companies for the purpose of allowing participants to enhance their own skills and improve their own issues and weaknesses. Interaction with participants from other companies is expected to provide all participants with inspiration and insights that may not be available within a single workplace.
Training program for employees posted overseas	Considering the high level of responsibility during overseas assignments, this program develops (1) an independent professionalism, (2) higher-level leadership for instructing the subordinates and (3) fostering the mindset of being a CEO of medium-to-small sized enterprise or a department head so that an expat can come up with the results immediately after its overseas assignment. The training program also thoroughly prepares the assignee in terms of compliance and governance and helps understand the cross-cultural management as well as the method of crisis management to avoid any potential trouble in the new position.
Training for new leaders	As the most important responsibility for such persons is “people development,” this training presents practical methods for developing leadership, motivating subordinates, creating a good workplace, dealing with harassment, etc.
Brothers & Sisters knowledge sharing program	Upon entering Unicharm, the first three years are considered a period for fostering a strong foundation. Senior employees take part in this instructor training program to promote fostering the new employees to develop their own knowledge and skills of Brothers & Sisters and enhance human skill while at the same time respecting their basic human rights.
In-house internship program	Employees experience work at a department of their choice to learn the necessary knowledge and skills needed for achieving their own career vision and actualizing their career plan.

Evaluations for career development

Unicharm’s personnel evaluations involve systematic implementation of the “three aspects of human resource development,” namely evaluation, training and treatment of employees.

Specifically, “evaluation” is conducted for the purpose of “training” while “treatment” is determined in line with “evaluation.” Human resource development is carried out through such integrated implementation of these three elements.

Our thinking about evaluation and training is that it is not only about “results” but also “process” that requires “practices/ behaviors that lead to results.”

To evaluate such behaviors, there is a need of practice to combine the thinking for our evaluation and training system with that for “OODA Loop methodology.” All employees create their own career vision and plan and set semiannually as well as quarterly goals to achieve the plan with their supervisors who check progress each quarter and provide support for the employees’ career development by adjusting individual trajectories so their efforts will lead to good outcomes and successful experiences.

Respect for Diversity

Our basic approach and strategy

Unicharm works to promote the active participation of diversified personnel in accordance with the principles of the “Unicharm Group Policy on Human Rights” and the “Unicharm Group Charter of Actions.” We are working to eliminate any types of discrimination based on nationality, race, religion, gender, sexual preference, age, family background, disability or any other factors and enhancing equal opportunity by advancing and expanding a workplace environment in which each employee can maximize their capabilities and exert their full potential.

Initiatives for respecting diversity Promotion of women’s empowerment

Unicharm is advancing an environment where personnel can exert their full potential regardless of gender. We are striving for a system that allows employees to continue working through various life events and have established and promote targets for the percentage of female managers and the number of female officers.

Percentage of female managers (Japan) and number of female officers

	2019 results	2020 targets	2020 results
Percentage of female managers (Japan)	13.3%	14%	14.7%
Number of female officers	Two	At least 2	Two

Hiring persons with disabilities

We aim to proactively employ personnel with disabilities who are well motivated and provide them with a workplace where they are also able to fully exercise their potential and promote their desire to grow. More than anything else, we expect proper outcomes from employees with disabilities by setting appropriate goals in accordance with their respective abilities and desires and promote a corporate cultural environment free of barriers in all respects for enjoying the feeling of accomplishment as a team. The employment rate of persons with disabilities in 2020 was 2.2 percent, short of the target 2.3 percent. We will continue to improve the work environment and promote employment in which employees with disabilities can firmly settle down in the workplace.

Rehiring system for and engagement of retirement-age employees

Unicharm has developed an environment where employees who have reached retirement age can make full use of their abilities in order to pass on their skills and know-how to the next generation. Employees who have reached the retirement age and still wish to continue working can be rehired as “senior experts.” The rehiring rate of retired employees in 2020 was 83.8 percent, short of the target rate of 93 percent (rehired rate of employees who wished to continue working was 100%). Hiring of senior experts has no impact on hiring of employees in younger generation.

Expansion of community employment

Unicharm is contributing to the expansion of community employment through its business activities. By providing employment opportunities while respecting the characteristics and culture of the country or region, we are uncovering

potential community human resources. In Saudi Arabia, we provide opportunities for women to exert their potential at our all-female plant and others.

Implementing Second Job System

The Second Job System was implemented from 2018 with the aim of promoting further growth of each employee by enabling them to acquire skills or specialization in a different environment than at the company and expand their horizon through opportunities to exert on their capabilities and broaden their network. As of the end of 2020, 34 employees have participated in the system while many reported having acquired tangible new skills.

Dialogue between labor and management

We place a great deal of value on mutual trust between labor and management and hold the regular monthly discussion between the company and labor union. Depending on the details of these discussions, we also hold an extraordinary meeting in addition to the monthly meetings. In 2020, we held talks about measures to prevent the spread of COVID-19, work-style reforms, reducing overtime work and employee benefit programs and health management measures, among other issues, and continued with efforts to foster workplaces that can motivate and fulfill employees.

Initiatives for balancing work and childcare

Aiming to create an environment that supports both childcare and work, our childcare leave program allows employees to take up to two years of childcare leave. Childcare leave taken before and after pregnancy is treated as paid vacation, while employees with accumulated paid vacation days at the start of their childcare leave can use up to 15 of these days to receive their normal pay and help reduce their burden from birth and childcare.

Moreover, “Moony Childcare Involvement Leave” was implemented in 2018 for all male employees that allows up to 5 days off to take care of their newborn babies within 8 weeks of their birth. This system is thoroughly promoted to every employee with individual information session provided for the employees and their supervisors. As a result, in 2020, the rate of employees utilizing Moony childcare involvement leave was 91.3%.

At present, the average days of leave taken is 3.5 days. Going forward, we aim to continue to promote the program to encourage leave of five days.

Voice from an employee who took parental leave

When I became a father, I wanted to have as much time as possible to spend with my child. I discussed with my wife many times and decided to take parental leave. I was worried that my boss and colleagues would be inconvenienced, but I think the benefits were greater than I had imagined as my wife and I were able to raise our child together and share both the joys and the difficulties. Even when one of us gets sick or is fully tied up, the feeling that the “partner can take care of the child” has created a sense of security and feelings of latitude about child-raising.



Yusuke Mizuno
Assistant Brand Manager
Overseas Brand Management Section
Global Wellness Care Marketing Division
Unicharm Corporation

Opening of the Agile Special Area at Mita Headquarters

In 2019, the “Agile Special Area” was opened on the 25th floor at Mita Headquarters with the aim of “providing a space that promotes deep thinking and free imagination to speed up work processes.”

There are four different areas set up on the floor that are for working independently or interacting with colleagues and those from outside the company to help generate ideas. The development of such a space for free imagination promotes the company’s ideology of “Management with Resonance” and the “OODA Loop methodology.”



Booth-style focus area: utilized to encourage deep strategic planning and “meditative thinking”



Review space: utilized as a space for meeting and communication among a large group of people

■ Programs to support diverse work styles

Unicharm has various programs in place to realize diversified ways of working. As one of our work-style reforms, from 2017, we began a working interval program and remote-work program and implemented the government-led premium Friday program. From 2018, we introduced the second job system and, from 2019, we introduced the Lifree Flexible Work Program and began allowing annual paid leave to be taken by the hour.

Programs to support diverse work styles (case study in Japan)

System	Eligible people	Summary
Moony Birth Support Leave Program	Employees who undergo fertility treatment	Leave for advanced fertility treatment (up to 1 year)
Moony Shortened Work Hours System for Childcare	For employees who have a child/children up to the third year of elementary school	Working hours can be shortened to 5 hours a day
Moony Childcare Involvement Leave	For male employees who have a child/children up to eight weeks old	Can take up to 5 days off in order to be involved in childcare activities.
Lifree Nursing-Care Leave	For employees who have family member(s) in need of continuous nursing care for more than 2 weeks as a result of injury, sicknesses or physical or mental disorders.	By application, up to 5 days leave/year is available for one family member, up to 10 days leave/year for 2 or more family members who require nursing-care.
Career Recovery System	Former Unicharm employees who worked for more than 3 years and resigned from employment for various reasons such as marriage, pregnancy, childbirth, childrearing, nursing-care or accompanying spouses on business transfers.	They are eligible for re-employment within a five-year period from time of resignation, provided that both the former employee and the company reach a certain agreement.
Civic Duties Leave System	Those selected to serve a citizen judge or on a Committee for the Inquest of Prosecution	The required number of days leave to appear in court as a citizen-judge is available by application.
Bone Marrow Donor System	Employees who wish to donate their bone marrow	Up to 7 business days leave per 1 donation of bone marrow available by application, for the procedures required for donation to a patient in the working country (except for donor registration).
Working Interval Program	All employees	Once an employee finishes his/her work day, he/she will in principle have to have a rest period of 10-hours or more, with a minimum period set at eight hours.
Remote-Work Program	All employees *Excludes positions for which remote-work is not feasible	Employees can apply for permission to remote-work up to twice a week. The remote-work can be done on full day basis from home or any other environment that allows concentration on work.
Anniversary Leave	All employees	Promotes the taking of planned annual leave for anniversaries or other days important to the individual. We are working to improve the rate of annual leave taken. (Three days per six months/six days annually)
Second Job System	For all employees	Second jobs that will foster the advancement of skills or growth of individual are permitted (provided it will not impede its primary work). This is applicable only to off-business hours and holidays.
Lifree Flexible Work Program	Full-time employees *Excluding manufacturing sites such as plants	There is no upper limit in the frequency of use of Remote-Work Program, which can also be used in conjunction with reduced working hours.

Health and Safety

■ Our basic approach and strategy

As an occupational health and safety initiative, Unicharm strives to ensure health and safety management in the workplace through the Unicharm Group's "Beliefs and Pledges" and Corporate Code of Conduct* in order to realize our "Pledge to Associates" to prevent workplace accidents and to ensure that our employees can work safely and securely.

* We pledge to sincerely conduct our business activities in order to be a trusted partner to our customers, shareholders, business partners, employees and society and have established the code of conduct.

Basic Policy for Health Management

1. Employees give priority to primary prevention and strive to improve lifestyle habits based on the idea of "protecting our health on our own."
2. The company provides a safe and comfortable environment so that employees can enjoy a fulfilling workplace and fully exercise their abilities.
3. The Human Resources Division properly uses and manages personal information such as medical examination results and promotes health management with collaborators inside and outside the company.

Being thorough with Workplace Safety and Industrial Health Management

To prevent workplace accident and ensure that employees can work safely and comfortably, we strictly implement safety and health management in the workplace toward a goal of zero accident. At the same time, we give top priority to ensuring safety at all times, not force employees into excessive labor or overtime and improve a work environment primarily by safety and health managers. Supervisors also

confirm the mental and physical health of their subordinates and promptly respond when they find an issue.

■ Management structure

"The Iki-Iki Health Promotion Office" was opened in 2017 to assist employees with physical and mental health management. We have also implemented Occupational Safety & Health Management System (OSHMS) focused on manufacturing in order to continuously maintain and improve our health and safety activities and have specified PDCA (Plan, Do, Check, Act) process to promote ongoing health and safety management on an autonomous basis that assists in preventing workplace accidents, promotes worker health, creates a comfortable work environment and improves our activities for enhancing safety and health standards. OSHMS aims to ensure the health and safety of all members in the Group (executives, employees, contingent staff and part-timers) and at associate companies (contractors and outsourced companies working on our premises).

OSHMS operations ensure that all employees at manufacturing plants have set objectives for health and safety activities with clear roles and responsibilities. Along with regular checks by the plant manager who is responsible for overall health and safety management at the plant, this system allows the identification of latent risks for occupational injuries and diseases and revision of health and safety activities.

In Japan, the Ministry of Health, Labour and Welfare sets out OSHMS guidelines.

The International Labour Organization (ILO) has also sets out OSHMS guidelines as international standards. Japan's guidelines conform to the ILO standards.

We also have third-party organizations monitor our manufacturing sites in and outside of Japan. This monitoring serves to identify issues with long working hours, occupational safety, wages and building safety so we can make improvements.

The manager responsible for overall health and safety is an executive officer appointed by the representative director who designates safety and industrial health manager at each location who then appoints safety manager, industrial health manager and fire prevention manager and sets up Health and Safety Committee in order to build a management system.

In order to create a safe and comfortable workplace, the Health and Safety Committee consisting of selected employees, labor union representatives and occupational physicians meets once per month on matters such as activities to improve the workplace environment, prevention of workplace accidents and elimination of vehicle accidents. Important actions from a PDCA perspective are reported to the directors through the Health and Safety Committee office. Actions related to safety that have been approved by the directors are implemented as activities in each department. Progress is reported to the directors in the Health and Safety Committee and periodic reports with their decisions on actions and instructions for improvements being issued to implement the PDCA cycle for safety activities.

Objectives

We are aiming for zero workplace accident and five percent year-on-year increase in the rate of paid annual leave taken. With the aim of zero workplace accident, production managers including plant managers visit their sites and take necessary measures to promote PDCA for occupational health and safety. In 2020, both the workplace accident frequency rate and severity rate were below the industry average.

Various systems at Unicharm such as remote-work and working interval program, monthly no-overtime day, premium Friday across the entire company and the elimination of core time are increasing the choice of work locations and hours to realize the creation of well-balanced ways to work. Each employee also formulates and thoroughly manages their own weekly plan to efficiently use their time based on the clear priorities. These activities help promote the reduction of working hours and create a rewarding work environment.

Issues and initiatives going forward

As “health and safety” is recognized to be the most important theme for the company, we will thoroughly improve the work environment and take the basic safety actions by strengthening safety measures through the equipment safety inspections and others in aiming at creating the safe and comfortable workplace environment. In addition, we will promote timely and appropriate safety measures such as assessment-based risk reductions and external evaluations by companies specialized in safety crisis management. Furthermore, we will promote the education for managers and employees to improve their knowledge of health management and encourage them to take more paid leaves by recommending the use of “anniversary leave” and improvement of work environment based on the results of stress checks.

 See P.097 “Human Resources Data”

Health and safety risk assessment

As a global corporation with a business presence in various countries around the world, Unicharm maintains a “Risk Management Information Website” on our in-house Intranet which is focused on potential risks to the lives of Unicharm employees working within and outside Japan. The site specifies clear guidelines and criteria for responding to natural disasters, pandemics, occupational accidents, large-scale equipment accidents (all defined as safety risks), kidnapping, intrusion into and damaging of company facilities, terrorist attacks, riots, coups d’état and civil war. Information provided by Ministry of Foreign Affairs of Japan and a risk management company contracted to provide its services is updated daily to provide information, alerts, business trip restrictions and measures for dealing with serious injuries and illnesses. We carry out risk assessment, education and dissemination and labor environment monitoring through these efforts.

In 2020, we carried out a risk assessment regarding novel coronavirus infections (COVID-19) to formulate our “Guidelines for dealing with COVID-19” so that each employee can take appropriate actions. We also implemented infectious disease prevention measures and domestic and international business trip restrictions. In terms of manufacturing facilities, we conducted the risk assessment using safety diagnoses through a third-party organization. In terms of promoting the new and ongoing businesses and projects, as appropriate, we also carry out risk assessments and monitoring covering the local laws, local physical environment, infrastructure, facilities and the like. In order to further protect against disasters, we will also systematically move forward with risk assessment, revise work methods and improve facilities to eliminate risk and thoroughly educate and train employees.

Monitoring and managing health and safety performance

	Targets	2017 results	2018 results	2019 results	2020 results	2021 targets
Percentage of paid annual leave taken (%)	Increase of 5% over the previous year	59.0	58.0	62.46	56.74	Increase of 5% over the previous year
Workplace accident frequency rate *1	Manufacturing industry average (2019)	0.33	0.23	0.24	0.45	Below the industry average
	1.2					
Workplace accident severity rate *2	Manufacturing industry average (2019)	0	0	0	0	Below the industry average
	0.1					

*1 Workplace accident frequency rate = Number of workplace accident occurrences / Total number of working hours × 1 million hours

*2 Workplace accident severity rate = Number of lost working days / Total working hours × 1,000 hours

■ Initiatives for global health issues

The in-house Intranet is used to post health promotion information called “Health Lab.” For employees posted overseas or on international business trips, “Overseas Support Information” provides information on safety/security and health issues (e.g., HIV, AIDS, tuberculosis, malaria, COVID-19). Providing such information supports employees in maintaining, improving and ensuring their health and safety.

Acknowledging the spread of COVID-19 in 2020 as a global health issue, we provided masks to the hospitals in various countries and regions such as China, Indonesia, Korea, etc. In Japan, at the request of Ministry of Health, Labour and Welfare, we sent relief supplies for Japanese returnees from Wuhan repatriated to Japan on government-chartered flights and for passengers of the Diamond Princess cruise ship docked in Yokohama through Japan Hygiene Products Industry Association.

To respond to the shortage problem of mask at retailers, we worked on the emergency measures such as shifting manufacturing to round-the-clock operations at an early stage.

In September 2020, we also introduced the world’s first anti-mosquito disposable diaper*, “MamyPoko Extra Dry Protect,” featuring Anti-Mos Capsule which keeps mosquito carrying dengue virus away from babies in Singapore and Malaysia where there has been heightened concern about dengue fever due to increased precipitation in recent years. In this way, our business activities help address global health issues.

*A structure in which microcapsules both crushed and non-crushed containing fragrance are coated on the tape section. For disposable baby diapers offered by major global brands (based on February 2020 study conducted by Unicharm)

■ Company-wide safety conference

We hold a company-wide safety conference as part of our efforts to ensure employee safety. As one example, Unicharm Products Co., Ltd., which manufactures products in Japan, held its 18th company-wide safety conference on April 14, 2020 at the Central Works, Shikoku Plant. Shinobu Seki, President & CEO, reaffirmed the company’s commitment to safety noting that “we will not have a single accident, nor a single injury.” Toward this end, he strongly declared that senior executives would take the initiative to create a “safe and comfortable workplace” based on a philosophy of “safety as an asset” and “safety taking precedence overall.”



The 18th Company-wide Safety Conference
Unicharm Products Co., Ltd.

■ Health and Safety Committee

The manager responsible for overall health and safety is an executive officer appointed by the representative director who designates safety and industrial health manager at each location who then nominates safety manager, industrial health manager and fire prevention manager and sets up Health and Safety Committee for organizing the management structure. “Health and Safety Committee” consists of industrial doctors and elected commissioners from the company and labor union. The Committee implements various activities once a month including activities related to improving the working environment and preventing work-related accidents, holding campaigns to eliminate vehicle accidents and sharing priority activities including monthly topics. We have also implemented workplace improvement activities and a promotional campaign for taking the paid “anniversary leave,” remote-work and working interval programs, monthly no-overtime day and premium Friday and eliminated core time requirements to increase the choice of places and hours of work with the aim of creating a well-balanced way to work. We have also clarified priorities, with employees thoroughly managing their actions by creating their own weekly plans for effective use of work time in order to promote reductions in working hours and the creation of a worthwhile working environment.



Health and Safety Committee

Promoting employee health

In order to make it possible for employees to be healthy both in body and mind and highly productive, we have implemented ongoing health and safety activities and improved facilities so that in 2020, there were no fatal workplace accident. Active promotion of annual health checkups also resulted in a 100 percent uptake rate at Unicharm in 2020, the twelfth consecutive year since 2009 that the uptake rate was 100 percent. In addition to paying the full cost of health check-ups for employees age 35 and older, all female employees of Unicharm, regardless of age, are required to have a breast and gynecological checkup, the costs of which are fully paid by the company, as an early prevention measure for breast and cervical cancer. With October designated as Pink Ribbon Month, pink ribbon badges are worn to provide employees, their families and people close to them with the opportunity to think about breast cancer.

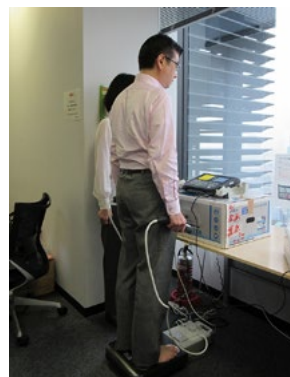
 For information about Pink Ribbon activities, see P.098 "Social Contributions through Business Activities"



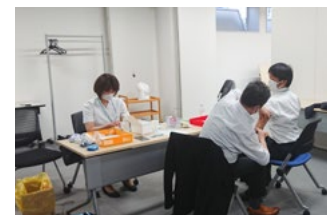
Health discussion roundtable

To shift health management practices from treatment to prevention, we began administering a stress check and group analysis in 2016 and promptly directing those with high stress for health consultations with industrial physicians and health nurses. Health nurses also publish the monthly Healthy Lab Newsletter as a health awareness-raising activity and hold body composition measurement and health-themed discussion events to provide advice for improving the everyday life of employees. Additional initiatives include introducing the company's internal consultation desk to new employees, providing health management training sessions for employees in their 30s, offering lifestyle modification training, carrying out in-house influenza vaccinations and providing information on COVID-19 infection countermeasures. With options such as an onsite public health nurse available five days a week health consultations who can be consulted at any time, these efforts are aimed at conveying the importance of improving lifestyle habits from an early stage and being more health-conscious.

Furthermore, since January 1, 2016, Unicharm "bans



Body Composition Measurement Event



In-house influenza vaccination

smoking in the workplace" and has "full-time no-smoking policy from start to the end of working hours for all employees including visitors." These efforts promote a reduction in smoking through the gradual removal of smoking areas in the buildings and on company premises.

We also provide personalized support for employees following medical treatment to ensure a successful return to work. Ongoing follow-up is done in person through regular interview by an industrial physician, etc. based on the "Back-to-Work Support Program." We have introduced an employee support program by which our employees and their families can consult with external counselors about their worries and troubles, in order to facilitate their realization of fulfilling and healthy lives without worries. In 2019, we introduced an app "Urine Check" in Mita-area for making lifestyle improvements based on changes in urine pH. We also conduct various kinds of training and education such as lifesaving training for emergencies.

Human Resources Data

Please see Human Resources Data (p.97) for health and safety performance.

Human Resources Data

Human Resources Data

	Unit	2019			2020			
		Total	Male	Female	Total	Male	Female	
①	Number of permanent employees (consolidated)	Persons	16,304	10,190	6,114	16,665	10,436	6,229
	Percentage of permanent employees (consolidated)	%	52.6	58.8	44.7	54.0	58.1	48.2
	Number of permanent employees (Japan)	Persons	3,244	2,642	602	3,307	2,690	617
	Number of permanent employees (other than Japan)	Persons	13,060	7,548	5,512	13,358	7,746	5,612
	Number of contract employees (consolidated)	Persons	14,709	7,134	7,575	14,222	7,529	6,693
	Percentage of contract employees (consolidated)	%	47.4	41.2	55.3	46.0	41.9	51.8
	Number of contract employees (Japan)	Persons	1,552	788	764	1,445	796	649
	Number of contract employees (other than Japan)	Persons	13,157	6,346	6,811	12,777	6,733	6,044
②	Employment rate of persons with disabilities (annual average)	%	1.9	-	-	2.2	-	-
③	Rehiring rate of retired employees	%	92.3	-	-	83.8	-	-
④	Employee turnover rate	%	2.9	-	-	2	-	-
⑤	Average age of employees	Age	41.7	42.6	38.6	40.3	41.1	38.3
⑥	Average length of service	Years	17.1	18.2	13.2	15.0	16.0	12.4
⑦	Number of employees who are new graduates	Persons	51	35	16	55	37	18
⑧	Turnover rate of employees with less than 3 years of service who started as new graduates	%	3.6	2.7	5.6	3.8	4.3	2.3
⑨	Number of managerial employees (Japan)	Persons	596	517	79	612	522	90
	Number of managerial employees (other than Japan)	Persons	778	587	191	972	697	275
⑩	Percentage of paid annual leave taken	%	62.46	-	-	56.74	-	-
⑪	Per-person overall working hours	Hours	1,936.25	-	-	1,970.01	-	-
⑫	Use of childcare leave system	Persons	91	31	60	118	51	67
⑬	Percentage of paid childcare leave taken	%	87.5	70.5	100	88.1	76.1	100
⑭	Number returning to work after childcare leave	Persons	91	31	60	118	51	67
⑮	Return/retention rate for pregnancy and childcare leave	%	100	100	100	100	100	100
⑯	Use of nursing-care leave system	Persons	5	3	2	3	2	1
⑰	Use of shortened work hours system for childcare	Persons	44	0	44	48	0	48
⑱	Use of flextime system for personal lifestyle support	Persons	62	12	50	44	10	34
⑲	Health check-up rate	%	100	-	-	100	-	-
⑳	Number of persons on mental health leave	Persons	2	-	-	3	-	-

		Manufacturing industry average (2019)			
		2018	2019	2020	
⑳	Workplace accident frequency rate	1.2	0.23	0.24	0.45
㉑	Workplace accident severity rate	0.1	0	0	0

		2019		2020	
		Number of union members	Percentage of employees covered by the Labor Law	Number of union members	Percentage of employees covered by the Labor Law
㉒	Number of union members	1,391	100%	1,410	100%

		Unit	2019		2020	
			Master's degree	Bachelor's degree	Master's degree	Bachelor's degree
㉓	Starting salary	Yen	226,000	210,000	226,000	210,000

① & ⑨, ⑫ - ⑰: employees on the payroll of Unicharm Corp. and Unicharm Products. Others: employees on the payroll of Unicharm Corp.
 *1 Based on numbers as of December 31.
 *2 ⑫ - ⑰: permanent and contract employees. Others: permanent employees.
 *3 ③ Rehiring rate of retired employees = Number of rehired employees / Number of retired employees (at mandatory retirement age)
 *4 ④ Employee turnover rate = Number of terminated employees (except for retirement at mandatory retirement age, death, promotion to board members or transfer within the group)/Number of employees at the end of each fiscal year
 *5 ㉑ Workplace accident frequency rate = Number of workplace accident occurrences / Total number of working hours × 1 million hours
 *6 ㉒ Workplace accident severity rate = Number of lost working days / Total working hours × 1,000 hours

Local Community

Our Attitude toward Social Contribution and Its Structures

■ Our basic approach and strategy

Unicharm believes its business activities are really the social contribution in themselves. In line with this basic idea, we are working to develop our business to bring comfort, excitement and joy to people not only in Japan but also in Asia and other parts of the world. Each employee feels joy and pride in making such a social contribution through business activities. By providing products and services suited to the unique characteristics of each country and region, Unicharm is contributing to addressing a wide range of societal issues and creating employment opportunities and is working to become a company that is welcomed and trusted by people in the places we run business.

Policy for investment in the community

We recognize that coexistence with local communities through business activities is vital. For communities where our business activities have fostered deep connections, we sincerely work to deal with the issues faced by the community and, through various investments toward the local contribution, are helping to solve the social issues and contribute to their sustainability.

■ Management structure

In Japan, each division and group company take their own initiative in running the business activities. Overseas, local subsidiaries in each country lead the community-based social contribution activities. The ESG Committee (secretariat

office: ESG Division) chaired by the representative director discusses and decides on the Group policies for regional contributions.

Social Contributions through Business Activities

■ Initiatives for supporting the under-weight newborn babies

In 2015, Unicharm launched a new type of diaper specially designed for under-weight newborn babies with a mind of staying close with them. It is vitally important for under-weight newborn babies that the environment inside an incubator resembles that of a mother's womb as much as possible so the baby is kept curled up in the fetal position when providing medical treatment or changing diapers. The special type of diaper is improved each year by taking into account the recommendations and voices of frontline people such as NICU physicians and nurses. Examples of such updates are adding side perforations to allow diaper changes without changing the baby's position and molding the diaper in a shape that fits snugly on the body of a baby in the fetal position.

Tiny Lives Support Project

The aim of the "Tiny Lives Support Project" that Unicharm has been promoting is to raise the awareness about the under-weight newborn babies and provide them in the NICU with the support they need. In 2018, 2019 and once again in 2020, customers who purchased Moony brand products and then registered their purchase to collect points on our "Babytown" website, a "moms & babies 365 days"

supporting site, could opt to show their advocacy through our donations to fostering NICU certified nurses and supplying NICU partitions. From November 2020 through February 2021, a total of 470,762 persons agreed to support the project.

■ Initiatives via Unicharm "flat-rate disposable baby diaper service"

At most Japanese daycares, parents are responsible for supplying their own child's diapers. Beginning in July 2019, Unicharm has partnered with BABY JOB Co., Ltd., a childcare worker staffing service, to offer a flat-rate disposable baby diaper service for daycares, "empty-handed kindergarten commute," in order to ease the burden on parents and daycare staff and make child-raising full of smiles.

"Empty-handed kindergarten commute" reduces the frequency of shopping and eliminates the need to carry diapers to and from the daycare as well as its cash payment for parents. The service can also reduce the risk of bringing viruses into daycare facilities making it a valuable new lifestyle for daycares. This initiative was recognized by the Kids Design Association*1 for the 14th Kids Design Awards*2 (sponsored by the Ministry of Economy, Trade and Industry, the Cabinet Office and the Consumer Affairs Agency) in the "Category of designs that encourage parents to give birth to and raise children."





*1: An NPO made up of companies and organizations in various industries that aims to create a social environment for the healthy growth and development of children in the future generations under "three missions for kids design."
 *2: An award to select and commend the excellent products, spaces, services, activities and research in support for raising children.

■ Ongoing participation in Pink Ribbon activities in Japan and overseas

Pink Ribbon activities help to raise awareness around the world about the early detection, early diagnosis and early treatment of breast cancer and Unicharm supports these activities in Japan, China and Taiwan-Greater China.

2020 was the 13th year for Unicharm to support Pink Ribbon activities in Japan. We set up "Special Site for supporting Pink Ribbon Activities" for providing information about basic breast cancer knowledge and self-check methods for early detection. In addition, a portion of sales of products marked with the specially designed Pink Ribbon Activity supporting logo were used to co-sponsor symposiums and other Pink Ribbon activities.

In addition, to enable employees to be both mentally and physically healthy and to engage in highly productive activities, we designated October as Pink Ribbon Month, wore pink ribbon badges, gave out educational books to employees and provided our employees, their families and people close to them with the opportunity to think about breast cancer. Active promotion of annual health checkups resulted in a 100% uptake rate in 2020. As an early prevention measure for female breast and cervical cancer, it is essential for all female employees, regardless of age, to receive gynecological checkups the costs of which are fully paid by the company.

Our subsidiary in Taiwan-Greater China co-sponsored the ninth "Pink Ribbon Walk Event" held by the Formosa Cancer

Foundation in September 2020 for which 64 employees and their family members participated to raise awareness about the importance of breast cancer screening.

From July to August 2020, our local subsidiary in China coordinated a campaign with the China Association of Social Activities and Tmall in which a portion of sales of eligible products were donated to local Pink Ribbon activities.

Pink Ribbon activities in each region

Japan



Products marked with a Pink Ribbon activities supporting logo

Taiwan-Greater China



Pink Ribbon Walk Event

■ Supporting "Panel for Life" in wishing for happiness of rescue dogs & cats


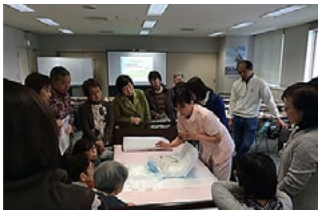

We aim to realize a society in which people and partner animals (pets) can support each other through our supportive activities to solve the social issue of finding homes for rescue dogs and cats. In 2020, we hosted a campaign, "Thank you pets! #Raise your hand & let's challenge," for donating 100 yen for each photo submitted to "Panel for Life" which is a project initiated by the NPO Christel Vie Ensemble that installs life-sized dog and cat panels in various locations to increase awareness of rescue dogs and cats and help them find their forever home.

Efforts to lengthen healthy life expectancy through seminar on “Caring for urine leakage and continence”

Unicharm continues to provide appropriate continence support and nursing know-how in cooperation with educational institutions and local communities so that we can help the elderly live in the way they so wish. Tailoring themes and programs to suit participants, we are presenting useful knowledge and skills for care workers so they can provide a high level of care and a comfortable life for the elderly.



Seminar on “Caring for urine leakage and continence” by ContinenCare Research Center

Target	Elderly population	At-home care-giver and its specialists	Caretaking and nursing students (of vocational schools)
Theme	Caretaking prevention (urinary incontinence)	ContinenCare	ContinenCare
Number of presentations in 2020	10	3	14
Contents	<p>We introduce prevention, improvement and, finally, how to best live with urine leakage under the theme, “Preventing and self-care of urine leakage,” which is important to care prevention.</p>  <p>A shot of implementation</p>	<p>We introduce how to lessen the burden of continence care which is a large issue for at-home nursing care through introducing appropriate ways of choosing and using (putting on) diapers.</p>  <p>A shot of implementation</p>	<p>We teach from the basics of the role and knowledge of the experts in the context of elderly continence care for the future experts of medicine and elderly care who will become caretakers for the elderly.</p>  <p>A shot of implementation</p>

Note: A significantly fewer number of seminars were held in 2020 due to the effects of COVID-19.

Community-based Social Contribution Activities (Japan)

■ Ongoing activities to provide support for areas affected by natural disasters

Our “Matching Fund” and “Super Cool Biz and Warm Biz” employee dress code activities were launched right after the 2011 Great East Japan Earthquake to provide “disaster relief on-going support” and to “reduce the burden on the environment through eco-friendly activities that employees can undertake themselves and through electricity conservation” which reached their tenth year in 2020. The “Matching Fund” is an employee-participation type initiative that provides a matching donation equivalent to the price paid by Unicharm employees for original Unicharm polo shirts, jumpers etc. that can be worn at work; the money is used to provide support for areas affected by natural disasters. Donations made through the “Matching Fund” have been used to provide care products to hospitals and other facilities located in areas affected by natural disasters and also for donations to the “MICHINOKU Future Fund” which aims to help children orphaned by natural disasters to realize their dream of continuing with their studies, as well as for providing support to disaster-affected areas in the form of financial assistance and emergency supplies. Since 2011, a total of 21,948 employees have participated in “Super Cool Biz & Warm Biz” efforts. In the future, we will continue to promote disaster area relief activities and activities aimed at reducing the burden on the environment in collaboration with our employees.

■ Support for disaster caused by July 2020 torrential rains

To provide support for those affected by the torrential rains primarily in Kumamoto Prefecture in July 2020, Unicharm donated emergency supplies (sanitary pads, baby diapers and adult diapers) through a trade group.

■ Sponsored program to gift disposable diapers upon birth registration in Kakegawa City

Since 2016, we have had a program of gifting disposable diapers for newborn babies upon birth registration in Kakegawa City, Shizuoka Prefecture, where our Shizuoka Factory is located, with the goal of promoting healthy growth of children, reducing financial burdens on child-raising families and contributing to the local region.



A shot of the presentation

■ Sponsored program to gift disposable diapers upon birth registration in Shibushi City and Osaki Town

Since 2018, the presentation ceremony of newborn gifts at birth registration was held in Shibushi, Kagoshima. This is an initiative to congratulate and support child-raising families through gifting of diapers for newborns in Kagoshima Prefecture’s Shibushi City and Osaki Town. These two municipalities are working with Unicharm to develop the used disposable diaper recycling technologies which are essential to the future of our children.



Presentation ceremony of newborn gifts at birth registration

[PDF](#) See P.028 “Key Topic: Safeguarding the Well-being of Our Planet > Initiatives aimed at promoting the recycling of disposable diapers”

■ Sponsored “program to provide disposable baby diapers” in Shikoku-Chuo City

Shikoku-Chuo City is considered to be one of Japan’s largest paper producing areas. Unicharm is helping to sponsor local initiatives to assist children here as part of a public-private partnership initiated by the city government. Through this initiative, families in the city raising a child below the age of one receive a childcare support voucher they can use to redeem for MamyPoko and Moony products free of charge. Unicharm actively supports the city’s efforts to promote the local production for local consumption of paper products as a means to easing the burden placed on child-raising families and encouraging the healthy development of children.



Child-raising support voucher

■ Supported the “Smiling Face of Ehime Child Raising Support Project” in Ehime Prefecture

With Ehime being home to many leading paper manufacturers in Japan, we are sponsoring the “Smiling Face of Ehime Child Raising Support Project,” a collaboration between the prefectural and local governments and disposable diaper manufacturers in the prefecture to support families with young children. This project offers support to families with two or more children by providing coupons valid for diaper purchases in order to reduce their economic burden.



At joint ceremony of sponsoring companies for Ehime Child Raising with Smiling Face Support Project

■ Donated wheelchairs to Sapporo City Council of Social Welfare

In November 2020, we donated 20 wheelchairs to the Sapporo City Council of Social Welfare in collaboration with Tsuruha Holdings, Inc. Since starting the wheelchair donations in 2000, we have donated a total of 240 wheelchairs. As a preventive measure against COVID-19, we also donated 10,080 masks along with the wheelchairs in 2020.



At the wheelchair donation ceremony

■ Products chosen as thank you gifts for making hometown tax contributions

In collaboration with local municipal governments where our manufacturing plants reside with the hopes of revitalizing the local regions, Unicharm products have been adopted as thank you gifts to taxpayers making hometown tax contributions in Kakegawa City, Shizuoka Prefecture; Kanonji City, Kagawa Prefecture; Tanagura Town, Fukushima Prefecture; Itami City, Hyogo Prefecture; Nabari City, Mie Prefecture and other municipalities.

■ Release of Top Partner Contract with FC Imabari

In January 2020, Unicharm released that it signed a contract with the Imabari Football Club to be a “Top Partner/Cohesive Society Partner.” FC Imabari’s philosophy of “For the next generation, contributing to the creation of a society that values richness of mind rather than that of things” is closely aligned with our own corporate philosophy, therefore, we will together contribute to regional revitalization through sports in the hopes of realizing both philosophies.



A shot of the release of partnership

■ Established a scholarship foundation for the development of students leading the next generation

Unicharm’s President & CEO Takahisa Takahara established the “Unicharm Resonance Fund” in 2017 for the purpose of development of university and graduate students leading the next generation, particularly those interested in manufacturing, welfare and globalism, in order to achieve cohesive societies of people and partner animals (pets). The foundation provides scholarships for students enrolled at universities and graduate schools in Japan for the purpose of supporting the development of human resources that will contribute to society.

 [Unicharm Resonance Fund website \(Japanese only\)](https://kyoshin-zaidan.or.jp/#section1)
<https://kyoshin-zaidan.or.jp/#section1>

Community-based Social Contribution Activities (Overseas)

Indonesia Educational activities for river cleanups and proper waste disposal

To solve the problem of garbage being dumped in rivers in the suburbs, our local subsidiary in Indonesia has been carrying out river cleanup activities since March 2019 in collaboration with local environmental bureaus and NGOs. In February 2020, more than 100 people from various organizations such as the East Java Province Environment Agency and the Mojokerto City Department of the Environment took part in a river cleanup activities near the East Java plant and also posted signs warning against illegal dumping of waste in trash cans and along waterways. As a manufacturer of disposable diapers, we also carry out educational activities on their proper use such as printing instructions for appropriate disposal methods on diaper packages and carrying out education in rural areas about proper disposal.



Indonesia Visit to nursing homes and orphanages

In September 2020, employees at our local subsidiary in Indonesia visited a nursing care facility and two orphanages donating incontinent adult diapers, sanitary pads and wipes. The visit has been held as a part of the annual company founding commemoration event for the local subsidiary with the goal of providing social assistance to seniors and orphaned children and promoting mutual interaction. However, due to the effects of COVID-19, in 2020, these activities were done only by a representative member.



Thailand Blood drive cooperation and charitable activities

The local subsidiary in Thailand continues to cooperate with donations of disposable baby diapers and blood contributions through the Red Cross in Chachoengsao Province. Sanitary pads were also donated to its prisons.



Vietnam Visit to a women's newspaper

In June 2020, the local subsidiary in Vietnam visited the Vietnam Women's Newspaper, an official organization of the Vietnam Women's Association, to gain mutual understanding on supporting women's growth, cooperated with a community program to support women's growth and gender equality and agreed to work together to strengthen child-rearing skills in the country. We will continue to cooperate with Vietnam Women's Newspaper to support activities aimed at women's growth, gender equality, ensuring human rights and improving women's lives.



Brazil Charitable activities

The local subsidiary in Brazil continues to donate disposable baby diapers and wipes to nearby nurseries, hospitals and other organizations to support the poor.



Malaysia Support program for women's independence

The local subsidiary in Malaysia cooperates with the local NGO "Women's Aid Organization (WAO)" established in 1982 which provides shelter from domestic violence. In September 2020, we participated in the Women Entrepreneurship Program (WEP) to support the independence of women under WAO's protection, cooperating in the training of 15 selected women in product knowledge and communication skills. For three months after training, the proceeds of SOFY products sold by the participants with these skills will be used for living and education expenses for women and children.



Taiwan-Greater China Support for flower farmers

In May 2020, the local subsidiary in Taiwan-Greater China purchased carnations on Mother's Day to support flower farmers who experienced a sharp drop in demand due to reduced events because of COVID-19 and distributed the flowers to employees.



Taiwan-Greater China Coastal cleanup activities

Since 2015, the local subsidiary in Taiwan-Greater China has designated the last Friday of November (the subsidiary's founding month) each year as its "Public Welfare Day" and carries out social contribution activities company-wide every year. In 2020, 71 employees cleaned up a beach in northeastern Taiwan, spending about two hours collecting plastic waste such as PET bottles.



India Charitable activities

The local subsidiary in India participated in charitable activities with the local NGO Dream Girl Foundation which supports children and distributed sanitary pad sets and other items to children.



India Educational activities for disposable diaper use

The local subsidiary in India conducts educational activities called "Namaste* Poko Chan Event" in a part of urban areas and agricultural villages where disposable diapers are not widely used. The purpose of this activity is to create good child-caring circumstances that are essential for a child's healthy growth and to convey the importance of keeping hygienic continence care. A truck dedicated to this activity is brought to the site to show short movies, provide a hands-on experience using disposable diapers and demonstrating absorption experiments with artificial urine, making these activities an enjoyable way to convey the importance of hygienic child-raising. In addition, we use the venue as an open community space for community-based activities such as collaborations with local public health nurses.



* "Namaste" is used in India to give greetings to others.

China Health course

In January 2020, the local subsidiary in China held a health course at a housing complex near the Shanghai office, explaining to about 20 seniors how to deal with incontinence and use adult incontinence diapers.

■ South Korea Support for single-parent families

The local subsidiary in Korea, in cooperation with the Korean Single-Parent Welfare Facility Association, donated 679,518 packs of sanitary pads and panty liners to single-parent families as part of the “SHARE PAD Campaign.”

■ South Korea Donation of partner animal (pet) goods

The local subsidiary in South Korea continues its charitable activities including donation of “Silver Spoon,” cat food and “DeoToilet” products to cat welfare organizations in the country in aiming at realizing the cohesive society of people and partner animals (pets).

■ United States Support for animal shelters

Local subsidiary in the United States carries out charitable activities with ongoing product donations to animal shelters. As an example, in celebration of National Pet Month in June 2020, “Hartz Shelter Packs” were donated to people adopting dogs for the first time in cooperation with two shelters based in Texas, Houston Pets Alive! and Dallas Pets Alive!

Supply Chain (Society)

Approach to Materials Procurement

■ Our basic approach and strategy

Unicharm has established and operated the “Unicharm Group CSR Procurement Guidelines” in 2009 for the purpose of maintaining fair and impartial relationships with all suppliers. The guidelines incorporate provisions relating to applicable laws, human rights, industrial relations, environment and product safety such as the “abolition of child labor”, “elimination of discrimination” and “promotion of measures against global warming” as stated in the U.N. Global Compact.

By working closely together through mutual communication with suppliers, we are sharing and establishing an understanding of Unicharm’s responsible procurement approach, philosophy, specific activities and requests for cooperation towards safety and the environment.

Regulations on safety and the environment at our overseas locations vary by country and region, as does local awareness. Therefore, simply rolling out best practices from Japan is not sufficiently effective. We also gather information from the local market and promote materials procurement closely in tune with local market conditions as well, aiming to build business relationships that fulfill the quality, functionality, safety, environmental and service requirements of product lines in overseas markets. In addition, we are promoting procurement activities with a particular emphasis on crisis management and, when starting new business transactions overseas, we conduct environmental and ethical risk assessments to establish a sound understanding and dissemination of Unicharm’s stance and approach

toward procurement, including compliance with laws and social imperatives, and give due consideration to human rights and labor matters.

In October 2017, we established the “Basic Policy of Procurement” upgraded from the “Unicharm Group CSR Procurement Guidelines” in response to increased expectations towards the sustainability initiatives of global companies and to prevent human rights and labor problems throughout the supply chain. At the same time, the “Unicharm Group Sustainable Procurement Guidelines” were established as a subdivision of this Basic Policy of Procurement to express our intentions towards the prevention of child labor and forced labor, the prohibition of discrimination, right to the freedom of association, the right to collective bargaining, reductions in excessive working hours, minimum wages, health and safety standards and the prevention of corruption. Additionally, in terms of working hours in proper employment, we comply with the working hours stipulated by the local laws and regulations in each country and region and reduce overwork. In terms of the minimum wage, we exceed the local minimum wage, with a basic policy of paying a salary above the living wage. The policy and guidelines cover all business partners around the world that conduct business with us and we are working to ensure awareness, primarily through the ESG Promotion Group established at our production subsidiary, Unicharm Products Co., Ltd. We will continue promoting initiatives in order to fulfill our social responsibilities throughout the supply chain.

We will work towards safe and secure procurement based on legal compliance going forward so that suppliers can understand the intent of these policy and guidelines.

Basic Policy of Procurement

Basic Policy of Procurement

The Unicharm Group will make efforts to fulfill its corporate social responsibility and implement its fair and equitable corporate activities.

1. Compliance with Laws and Regulations and Social Norms

- (1) Comply with related laws and regulations and social norms in purchasing activities.
- (2) Provide business partners with fair and equitable opportunities for competition in purchasing activities regardless of nationality, size or track record.
- (3) Require business partners to implement appropriate management of information obtained in purchasing activities.

2. Giving Due Consideration to Human Rights and Labor

- (1) Engage in purchasing activities with corporations which place importance on respect for human rights.
- (2) Engage in purchasing activities with corporations which give due consideration to the appropriateness of labor practices.
- (3) Respect the importance of engaging in purchasing activities with corporations which promote appropriate employment practices.

3. Environmental Responsibility

- (1) Value corporations which understand the importance of, and promote, environmental conservation in purchasing activities.
- (2) Emphasize environmentally friendly raw materials in purchasing activities in an effort to achieve a recycling-oriented society.

4. Procurement of Safe and Secure Products and Materials that Provide Peace of Mind

- (1) Choose products and materials for which safety has been confirmed in purchasing activities.
- (2) Choose economical and high quality materials and products in purchasing activities.
- (3) Emphasize the ability to manufacture and supply products that meet requirements in purchasing activities.

5. Development of Relationships of Mutual Trust

- (1) Cultivate a relationship and trust with business partners within the scope of social norms.
- (2) Strive to enhance business performance mutually through exchange of essential information with business partners.

Sustainable Procurement Guidelines

Unicharm Group Sustainable Procurement Guidelines

These guidelines define the ethical standards that Unicharm wants all of its suppliers to adhere to, in order to help realize sustainable procurement. We expect all of our suppliers to understand and comply with the intent of these guidelines.

1. Compliance with laws and social imperatives

1) Legal compliance

- Comply with laws and regulations (antitrust laws, personal information protection laws, subcontracting laws, etc.) as well as social imperatives related to individual country and region.

2) Fairness in transactions and prohibition of bribery

- Comply with laws related to fair trading, fair competition and antitrust.
- Prohibit all stakeholders from offering or accepting bribes (monetary or non-monetary benefits) and from abusing superior bargaining position.

3) Management and protection of information

- Comprehensively manage and protect confidential information and build a structure that prevents information leakage.
- Use suppliers' intellectual property rights only after concluding appropriate contracts and do not use them illegally.
- Properly handle personal information.

2. Giving due consideration to human rights and labor (refer to the Unicharm Group Policy on Human Rights.)

1) Respecting the International Bill of Human Rights and the International Labour Organization (ILO) declaration

- Respect the International Bill of Human Rights (the Universal Declaration of Human rights, International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights) and the ILO Declaration on Fundamental Principles and Rights at Work.

2) Respecting human rights

① Prohibition of child labor

- Do not employ children who do not meet the minimum age requirement. (A child is defined as any person younger than 16 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling in which case the higher age requirement applies.)

② Prohibition of forced labor

- Do not employ any form of forced or inhumane labor, hold a person in slavery or servitude or engage in human trafficking.
- Employ only people who voluntarily wish to be employed and do

not restrict their rights to freely leave their jobs.

③ Prohibition of discrimination

- In recruitment and employment, do not discriminate on the basis of race, national origin, ethnicity, gender, religion, physical impairment, etc.

3) Prohibition of inhumane treatment

- Respect the human rights of employees and do not subject them to inhumane treatment such as physical abuse, physical punishment, harassment, physical oppression or sexual abuse.

4) Fair employment

① Working hours

- Comply with the working hours set forth by the local laws and regulations of individual country and region (excluding crises and emergency situations).

② Proper compensation

- Pay employees in compliance with local compensation-related laws and regulations on minimum wage, overtime work, piecework pay, etc.
- For overtime work, pay a wage premium in accordance with the local laws and regulations of the individual country and region.

③ Ensuring health and safety

- Clearly identify potentially dangerous locations related to work and take preventive actions and implement workplace safety measures.
- To prepare for emergencies, take steps such as confirming the reporting requirements in the event of an emergency, establishing rules for notifying employees and installing fire detectors.

④ Respecting freedom of unionization and the right to collective bargaining

- Do not, in any way, obstruct employees' right to form a labor union using legal and peaceful means in accordance with applicable laws.

3. Responsibility to the environment

1) Environmental conservation

① Legal compliance

- Comply with the environment-related laws and regulations of the individual country and region.

- In accordance with local laws and regulations, submit the required administrative reports when necessary and retain records.

② Control of substances that are harmful to the environment

- Control discharge of harmful substances that can cause air pollution, water quality degradation, etc.

- Control discharge of harmful substances that can cause soil contamination.

- Control discharge of waste generated during manufacturing, product usage and end-of-life disposal.

③ Promotion of resource conservation and recycling

- Strive to conserve resources, manage waste and promote recycling.
- Improve usage efficiency of energy (such as electricity and fuel).
- Strive to consume sustainable resources such as alternative energy sources.

④ Promotion of global warming countermeasures

- Identify substances that contribute to global warming, assess their emissions and retain records.
- Control discharge of substances that contribute to global warming.

2) Promoting procurement of sustainable raw materials (refer to the Forest-derived Raw Materials Procurement Guidelines.)

- Prohibit use of illegally logged lumber.
- Do not consume natural-resource-derived raw materials such as lumber and water excessively but utilize resources in step with the cycling speed at which nature recovers.

4. Procurement of safe and secure products and materials (refer to the Unicharm Group Materials Safety Guidelines.)

1) Supplying safe materials

- Report component composition including the content of chemical substances deemed harmful by the Unicharm Group.

2) Supplying materials that are high in quality and for which the supplier has large supply capacity

- Submit safety data sheets (SDS) for materials.

Management Structure

Although Unicharm avoids various risks by closely communicating with business partners, we also implement procurement activities with a focus on crisis management in addition to communication in supply chains throughout the world in response to dramatic changes in regulations relating to human rights and the environment. In addition, we conduct a supplier risk assessment when starting new business transactions overseas to determine in advance whether it is an appropriate business partner in accordance with our “Basic Policy of Procurement” and “Sustainable Procurement Guidelines”. While regularly monitoring the labor environment after business transactions commence, we have a system in place to establish a sound understanding and dissemination of Unicharm’s stance and approach toward procurement including compliance with laws and social imperatives and due consideration to human rights and labor and thus call for the cooperation of the partners in environmental and ethical areas.

■ Effective use of global platform

Since 2019, we have made effective use of our global platform as a B member (Supplier) under Sedex*¹ at our factories in Japan, China, Taiwan-Greater China, Thailand, Indonesia, India and Saudi Arabia for initiatives that respect the human rights of our employees and improve the working environment. Based on these achievements, Unicharm became an AB member (Buyer/Supplier) on July 1, 2020, following deliberation and formal approval procedures at the advisory board meeting in order to strengthen its activities using the Sedex platform across the Group.

Ahead of joining Sedex, we have implemented regular SMETA audits*² at our own production sites and at some suppliers in efforts to respect the human rights of employees and improve the working environment.



*1 Sedex is a global membership organization, leading in responsible sourcing practices. Sedex provides companies with technology and insights to build a responsible business and supply chain, including the world’s largest platform for sharing supply chain data on labor standards, health and safety, the environment and business ethics. Over 60,000 business members in 180 countries use Sedex solutions to manage supply chain risk, meet compliance requirements and demonstrate measurable impact.



*2 SMETA (Sedex Members Ethical Trade Audit) is a social auditing methodology developed by Sedex. It enables businesses to assess their sites and suppliers to understand working conditions in their supply chain across the areas of labor standards, health and safety, the environment and business ethics.

■ Supplier risk assessment

New suppliers

For new suppliers, we ask that they understand the “Unicharm Group Policy on Human Rights” and “Unicharm Group Sustainable Procurement Guidelines” and conduct a risk assessment for them using our independently developed comprehensive anti-corruption risk assessment table. In high risk regions, we also carry out advance monitoring of the labor environment together with the risk assessment.

Existing suppliers

For existing suppliers, we conduct a regular supplier assessment in accordance with the annual plan. Based on the results, we commend outstanding suppliers through our Unicharm Supplier Award. Explaining the assessment items and standards at the awards ceremony also boosts the awareness of improvements among all suppliers.

■ Risk assessment of associate companies (contractors, etc.) on our plant premises

Such associate companies (contractors, etc.) are given corruption prevention briefing sessions and are monitored.

■ Global communication with suppliers

The “Sustainable Procurement Guidelines” are distributed to suppliers and their intent is explained in an aim to achieve a sustainable society throughout the supply chain.

Since 2016, we have held briefing sessions on procurement at distribution warehouses and the factories of suppliers at 53 locations in seven countries to disseminate our “Sustainable Procurement Guidelines” and share information on health and safety in the workplace.

■ Education for internal personnel

In order to promote sustainable procurement, we believe it is essential that everyone involved understands our basic procurement policy and guidelines for building a sustainable supply chain. We therefore hold briefing sessions for persons in charge at our plants to educate them about the necessity of sustainable procurement initiatives and the importance of building a sustainable supply chain.



A shot of the briefing session

■ Labor environment monitoring initiatives

Unicharm conducts monitoring of the labor environment while cooperating with our own plants and supplier factories. Through this monitoring, it is possible to identify issues related to long working hours, occupational safety, wages and building safety and encourage efforts towards improvement. Addressing an issue of long working hours at factories, if its point to note is discovered, the details are verified and appropriate measures are taken in cooperation with factories. In particular, monitoring of the labor environment is essential for achieving improvements in productivity and quality in an environment where the human rights of employees are respected and safety of employees is protected. Unicharm works towards these goals through strong partnership with suppliers. Monitoring is regularly conducted by external organizations before and after the commencement of new transactions. This monitoring program was consolidated into SMETA audits from October 2017, under which monitoring is conducted based on global standards for effective risk management.

 For details, see P.110 "Supply Chain (Society) > Initiatives."

■ Regular monitoring

External auditors visit our own plants and supplier factories that Unicharm has a direct contract with and conduct monitoring. Monitoring starts with an opening meeting and includes observation of related facilities such as the factory, cafeteria and dormitory, interviews with factory employees and the employees of associate companies on the premises, meetings with management and checks on the required documents. Lastly, a closing meeting is held and points to note identified in the monitoring are explained to management. At a later date, management will be requested to prepare an improvement report as well as their commitment to carry it out.

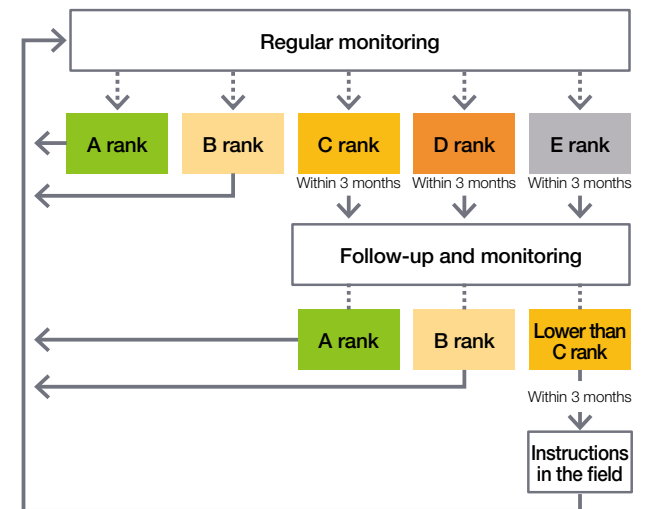
The monitoring results are scored on a 5-level ranking from A to E. If a point to note is confirmed to be rank B to E in monitoring, Unicharm will conduct an analysis on the root cause of the problem, cause to formulate an appropriate improvement plan and provide support for resolution of the problem. If improvements at the factory are not made within the prescribed deadline, a visit is made to the factory and instructions are provided so that a rank of B or above is achieved.

If a point to note is identified in the monitoring, efforts are made to improve together with the factory.



A shot of monitoring

Monitoring assessment framework



- A rank** No point to note
- B rank** Minor violation: There is a gap with requirements, but it has no clear impact on occupational safety, health and environmental performance.
- C rank** Serious violation: There is a gap with requirements of laws and regulations and it has a clear impact on occupational safety, health and environmental performance.
- D rank** Critical violation: There is a serious violation of requirements of laws and regulations and it may possibly and immediately threaten to human health and lives.
- E rank** Denial of supervision, child labour, forced labour

Initiatives

Supply chain monitoring

Unicharm regularly conducts suppliers monitoring on suppliers regarding ESG using the “Sustainable Procurement Guidelines” for the purpose of identifying risks. It assesses the status of compliance, labor environment (safety and health, fire safety, harassment and discrimination), working hours, wages and employment, child labor and environmental protection. When monitoring identifies any violations or risks, we request the supplier to correct the issue and work toward improvement.

In July 2020, Unicharm also became a Sedex AB member (Buyer/Supplier). Going forward, the entire Group will make use of the Sedex platform to monitor suppliers.

Supplier audits: Number and evaluation grade

Year	Number of audits	Number of evaluations					Incidents cited
		A	B	C	D	E	
2018	116	4	97	1	14	0	431
2019	142	1	123	3	12	3	386
2020	12	1	9	0	2	0	42

Case 1: Supplier facility (Japan)

	February 28, 2020	Rank D
Regular monitoring	Safety Data Sheets (SDS) were not stored with chemicals nor known to workers (Article 101 of the Industrial Health and Safety Act).	
	March 18, 2020	
Improvement confirmed	SDS for solvents were laminated and posted in the solvent warehouse and plant locations where the solvents are used. This improvement was confirmed by the ESG Promotion Group of Unicharm Products Co. Ltd.	

Case 2: Supplier facility (Indonesia)

	March 16, 2020	Rank D
Regular monitoring	Fire evacuation drills were not conducted every six months.	
	April 22, 2020	
Improvement confirmed	Follow-up monitoring was conducted by asking to see records of fire evacuation drills and improvement was confirmed.	

 For information about the implementation of environmental monitoring, see P.054 “Environment > Supply Chain (Environment) > Implementing environmental monitoring”

Implementation of Quality Policy Briefing Session

Quality Policy Briefing Session is regularly held for suppliers. The briefing session is held to provide explanations on Unicharm’s management philosophy, approach towards ESG efforts, materials quality and distribution, safety, environmental consideration, approach towards supply chain management, the revised Basic Policy of Procurement, Sustainable Procurement Guidelines and the newly established Policy on Human Rights and share information to foster a mutual understanding of sustainable procurement and to strengthen cooperative efforts.

Additionally, we are promoting quality improvement activities together with our local suppliers related to a broad range of themes involving materials through meetings with overseas subsidiaries and suppliers from various countries, including quality policy briefing in China.



Quality Policy Briefing Session (Japan)



Quality Policy Briefing Session (China)

Initiatives to improve quality

The Quality Policy Briefing Session has established “Unicharm Supplier Award” to raise the motivation of suppliers towards improvement under which they are evaluated from five perspectives (stable quality, stable supply, safety, environmental burden and deliveries) with excellent suppliers recognized for their outstanding contributions.

For the stability of materials quality, we narrow down priority themes and conduct intensive improvement with suppliers, resulting in acceleration of improvements. We will continue to expand these efforts going forward as we work towards even further improvements in materials quality.

In addition, we regularly conduct quality audits on suppliers. In the audits, we confirm whether suppliers are in compliance with our requirements in all processes from raw materials management to shipment. If a non-complying item is discovered, we ask for the proposal of a rectification method, confirm the contents of proposal and implementation of improvements and confirm the instilling of improvements in the next audit. We will make the ongoing quality improvements of materials by repeating this cycle from auditing to the instilling of improvements.

Shareholders and Investors

Basic Policy on Profit Returns to Our Shareholders

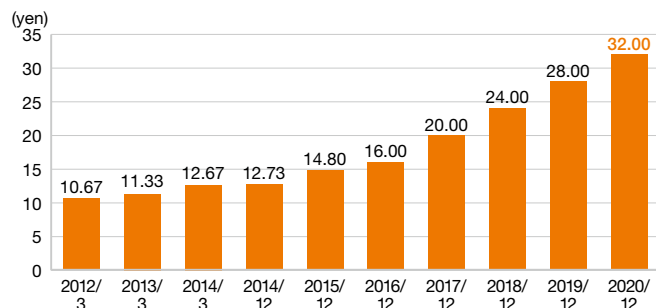
Our basic approach and strategy

The “Pledges’ and Corporate Code of Conduct” outlined in the Unicharm Group Charter of Actions constitute the pledge to our shareholders which clearly state that “We pledge to distribute industry-leading returns to shareholders.” The basic guidelines for shareholder returns based upon these principles emphasize two points; investment to support business expansion in the med-to-long term and the continuation and stability of dividend payouts. As a result, in the fiscal year ending December 2020, the company paid an annual dividend of 32.0 yen per share, continuing to increase dividends for 19 consecutive years.

Additionally, we have bought back some 1.79 million shares worth approximately 7.2 billion yen in an effort to enhance the total return of shareholders.

We will continuously view shareholder return as an important management agenda and will strive to realize the distribution of industry-leading returns with continuous improvement of our business performance.

Dividend payout amounts



Information Disclosure for Our Investors

Information disclosure for our investors

We opened investor relations pages on our websites to post disclosure information including brief notes on the settlement of accounts and financial statements. At the same time, we disclose important information for the overseas investors on our English site. Starting in 2015, Unicharm’s “integrated report” was published on this website in order to introduce useful information about the company to investors in a concise and easy-to-understand manner.

We also position result briefings and overseas IR roadshow as important venues for dialogue between company executives and the investors and strive to improve the disclosure of information in order to help investors to better understand our business activities. The President & CEO had been making annual visits to corporate investors in Europe and North America on an overseas IR roadshow, but in 2020, due to the spread of COVID-19, it was held remotely. Among the topics discussed were Unicharm’s med-to-long term global growth potential, the business environment during the COVID-19 pandemic both in Japan and overseas and our business strategies going forward.

Furthermore, we are striving to improve our communication with institutional investors and securities analysts by continuing to promote dialogue through individual remote meetings.

Status of Inclusion in ESG Indexes

Status of Inclusion in ESG Indexes

Unicharm is included in ESG indexes selected by Japan’s Government Pension Investment Fund (GPIF) for Japanese stocks (as of March 31, 2021).

For continued inclusion in major ESG indexes in the future, Unicharm will promote proper management that brings value to all stakeholders through its business activities and strive for the consistent improvement of corporate value by communicating appropriate business information.



Governance

Corporate Governance

Our basic approach and strategy

Unicharm believes that working towards sustainable growth and creation of medium-to-long term corporate value through efforts to cooperate appropriately with stakeholders and become a company supported and trusted by society lead to the “promotion of sound corporate management” through the Unicharm Ideals.

In order to achieve these targets, the basic policy towards corporate governance is to achieve transparent, fair, prompt and bold management through frank and proactive engagement that will gain the support of various stakeholders, initiatives in response to ESG issues and the further development of an environment that enables appropriate decision-making by directors without missing an opportunity.

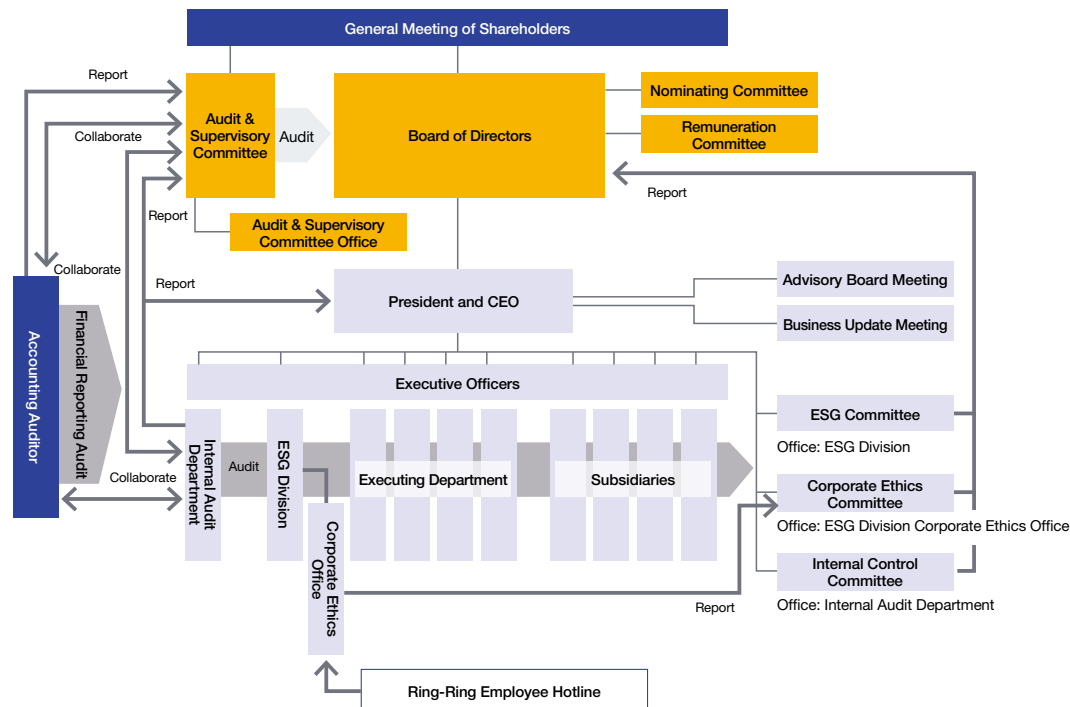
Management structure

In May 2015, we moved to a “company with audit and supervisory committee governance structure” to meet the expectations of all stakeholders in Japan and overseas from a global perspective by strengthening the oversight function of the Board of Directors toward management and bringing outside directors into the management process to increase transparency and efficiency. Members of the independent Audit and Supervisory Committee have voting rights on the

Board of Directors and the committee actively uses the internal control system to carry out audits. This has helped to create a corporate culture and spirit based on compliance, appropriate collaborative relationships with stakeholders and sound business ethics.

[PDF](#) See P.018 “Unicharm Group Sustainability > ESG promotional structure”

Corporate Governance Structure (as of March 31, 2021)



[Corporate Governance Report](https://www.unicharm.co.jp/en/company/corporate-governance.html)
<https://www.unicharm.co.jp/en/company/corporate-governance.html>

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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Board of Directors and Committees, etc.

Board of Directors	The board of directors is comprised of one representative director, three non-executive directors other than outside directors and two outside directors. As for the concurrent posting of directors as executive officers, only the representative director serves in a concurrent post as President & CEO. The board of directors has the authority to determine basic management policies and decide on the establishment of the internal control system and the execution of other important duties. It also fulfills a supervisory role in monitoring the formulation and execution of the medium-to-long term direction which ensures a system is in place for the management to make appropriate decisions without missing opportunities.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of one non-executive director other than an outside director and two outside directors. The one non-executive director is the full-time member of the Audit and Supervisory Committee. The full-time member is selected for this role to increase the effectiveness of audits performed by the Audit & Supervisory Committee based on information obtained by a person highly familiar with the Company's internal situation gained during the course of attendance at important meetings other than the board of directors and close collaboration with the internal auditing departments.
Nominating Committee	The discretionary Nominating Committee was established with the purpose of nominating candidates for director and ensuring the transparency and objectivity of the selection of executive officers. The Nominating Committee has the authority to (1) propose ideas on the appointment and dismissal of directors to submit to the general shareholders' meeting, (2) select and dismiss the representative director and (3) submit proposals on the selection and dismissal of executive officers as well as the executive officers in office to the board of directors.
Remuneration Committee	Unicharm has established a discretionary Remuneration Committee with the purpose of securing the transparency and objectivity regarding the remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and executive officers. The Remuneration Committee has the authority to (1) provide to the board of directors proposals concerning remuneration of directors, etc., to be submitted to the general meeting of shareholders, (2) provide proposals to the board of directors on remuneration, etc., of individual director (excluding directors who are Audit and Supervisory Committee members) and (3) determine the details of remuneration of individual executive officers.
Advisory Board Meetings	The Advisory Board Meeting is chaired by representative director, President & CEO, and attended by all executive officers, leaders of relevant business units and the full-time Audit and Supervisory Committee member. Outside directors also attend the meeting upon necessity. The meetings deliberate on how to achieve the strategies in the Medium-Term Management Plan as well as the business plans and strategies of Group companies.
Business Update Meeting	The Business Update Meeting is attended by all executive officers and the leaders of relevant business units among others. The President & CEO chairs this meeting. In principle, the meeting is held monthly where reports are provided on the execution of operations and discussions are held on material issues in terms of business execution selected by the chair for prompt resolution.
ESG Committee	The ESG Committee is chaired by the President & CEO with a vice president serving as deputy chair. The ESG Division serves as the committee's secretariat. The ESG Committee discusses and determines the major themes of the Medium-Term Management Plan, progress of activities related to mid-to-long term ESG objectives and countermeasures for the issues.
Corporate Ethics Committee	The Corporate Ethics Committee is chaired by the President & CEO with the executive officer in charge of the Corporate Ethics Office serving as deputy chair. All Audit and Supervisory Committee members serve as permanent members of this committee which promotes a system for ethics and legal compliance.
Internal Control Committee	The Internal Control Committee is chaired by the President & CEO with the executive officer in charge of the Internal Audit Department serving as deputy chair. The Internal Audit Department serves as the committee's secretariat. The committee promotes matters concerning the evaluation and auditing of the internal control system related to financial reporting.
Accounting Auditor	The Audit and Supervisory Committee approves the accounting auditor based on its auditing system, independence and expertise.

Composition of the Board of Directors and Audit and Supervisory Committee

◎ denotes chair/chairperson and ○ denotes members

		Board of Directors	Audit and Supervisory Committee	Nominating Committee	Remuneration Committee
President & CEO	Takahisa Takahara	◎		○	○
Director & Vice President General Manager of Production/Research & Development	Eiji Ishikawa	○			
Director & Vice President General Manager of Sales	Shinji Mori	○			
Director and Audit and Supervisory Committee Member (Outside Director) Outside & Independent	Hiroko Wada	○	◎	◎	◎
Director and Audit and Supervisory Committee Member (Outside Director) Outside & Independent	Hiroaki Sugita	○	○	○	○
Director and Audit and Supervisory Committee Member	Shigeru Asada	○	○	○	○

Policies and procedures for the nomination of director candidates as well as the appointment and dismissal of executive officers

Policies

Candidates for both internal and outside directors are nominated among those possessing outstanding characteristics and comprehensive management knowledge with an emphasis on their capacity of appropriately fulfilling due care of a prudent manager and duty of loyalty and contributing to the company's sustained growth and increased corporate value. Internal directors are appointed based on the periodic assessment on the cultivation of successors and implementation of supervision by the directors, Nomination Committee and the board of directors. Executive officers are appointed from those with outstanding characteristics who are familiar with the Company's

businesses and practice the “Five Great Pillars’ and Associate Code of Conduct” established as the Company’s charter of actions for both executives and employees with an emphasis on the ability to appropriately execute the businesses. To ensure objectivity and transparency, the evaluation criteria for directors and executive officers are clearly defined per role and disclosed. If and when receiving an evaluation below the standard for two consecutive years, the director or executive officer will be subject to review by the Nomination Committee and dismissed (or not reappointed) by the Board of Directors following a comprehensive determination based on the advice and recommendations from the Committee. Please refer to “Director Remuneration” for specific evaluation criteria.

Procedures

The nomination of candidates for directors and appointment of executive officers are determined by the board of directors based on the opinion solicited from the “Nomination Committee”, chaired by an independent outside director and consisting of the President & CEO, two independent outside directors and one non-executive director, in order to secure transparency and objectivity. The Nomination Committee deliberates on the policy concerning the nomination of candidates for directors and appointment of executive officers as necessary. Decision on candidates for directors who are Audit and Supervisory Committee members is made by the board of directors based on a draft formulated following deliberation by the Nomination Committee in accordance with the policy of the Auditor and Supervisory Committee, with prior consent from the same Committee.

Resolution requirements for the appointment of directors

The Articles of Incorporation stipulate that resolution on the appointment of a director is reached when more than one third of shareholders with exercisable voting rights are in attendance and pass the proposal with a majority vote, with directors separated by those who are members of the Audit and Supervisory Committee and those who are not. In addition, the Articles of Incorporation stipulate that the resolution on the appointment of directors shall not use cumulative voting.

Avoiding conflicts of interest

The Company obtains prior approval of the board of directors when conducting either direct or indirect business with its directors (Audit and Supervisory Committee members included) or their relatives.

With regard to transactions between Group companies, a legal check is conducted in advance to verify the validity of transactional conditions and their method of determination, as well as a careful deliberation will be conducted by the board of directors including multiple independent outside directors, when conducting important transactions.

■ **Selection Standards for Independent Directors**

The selection standards for Independent Directors are presented below.

 **Selection Standards for Independent Directors (Japanese only)**
https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/company/about/dokuritsutorisimariyakusennin.pdf

Reasons for appointment of outside directors

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary explanation on appropriateness	Reasons for appointment
Hiroko Wada	○	○	Ms. Wada is qualified as an independent director in accordance with the independence standards provided in the “Guidelines concerning Listed Company Compliance, etc.” of the Tokyo Stock Exchange and the “Standards for Appointment of Independent Directors” of the Company. Therefore, the Company judges that she is unlikely to have a conflict of interest with general shareholders and has designated Ms. Wada as an independent director.	Ms. Wada served as Vice President of US Procter & Gamble and the president of other foreign companies in Japan. She has diverse management experience and extensive knowledge with global perspectives in various areas, including marketing, gained through her career. The Company believes that she will provide appropriate advice on management strategy, finance, governance and marketing as the Company further expands its business globally.
Hiroaki Sugita	○	○	Mr. Sugita currently serves as the Managing Director & Senior Partner of Boston Consulting Group, Inc. and is not involved in the Company’s consulting business. Moreover, the ratio of expense payment for consulting from Mr. Sugita comprises less than 0.1% of both group’s consolidated net sales for the most recent three fiscal years. Therefore, he is qualified as an independent director in accordance with the independence standards provided in the “Guidelines concerning Listed Company Compliance, etc.” of the Tokyo Stock Exchange and the “Standards for Appointment of Independent Directors of the Company” and the Company has determined it unlikely that he will have a conflict of interest with general shareholders.	With the background as the Japanese representative of major foreign capital consulting firm, Boston Consulting Group, Mr. Sugita possesses high levels of insight and is highly experienced in finance and accounting, as well as management strategies within business management, particularly in globalization strategy, corporate governance, group management, digitalization and transformation. The Company determined that he is qualified in further developing its global expansion and providing appropriate advice on both governance and management strategies.

Views on the balance of knowledge, experience and capabilities, diversity and size of the board of directors

The Board of Directors consists of members who are appointed to ensure an overall good balance of knowledge, experience and capabilities, as well as comprised of diversity and appropriate size in order to effectively fulfill the board's roles and responsibilities. Audit and Supervisory Committee members are selected for their appropriate experience, ability and the essential expertise in finance, accounting and legal matters, plus one or more members with high level of expertise in finance and accounting are selected.

In terms of gender diversity, there is one female out of six directors.

Audit status

(1) Audit status of the Audit and Supervisory Committee

I. Organization and personnel

The Audit and Supervisory Committee consists of three members, including one full-time member who is a non-executive director and two members who are outside directors.

Outside director and chair of the committee, Ms. Hiroko Wada, has considerable financial and accounting knowledge and extensive experience through her roles, such as executive officer of Procter & Gamble, a major foreign company, and the president of a Japanese subsidiary of a foreign company.

Outside director and member of the Committee, Mr. Hiroaki Sugita, has considerable knowledge of finance and accounting and experience utilizing his knowledge of corporate finance and accounting through his roles as the Japanese representative for Boston Consulting Group, a major foreign consulting company.

Full-time member of the Audit and Supervisory Committee, Mr. Shigeru Asada, has considerable knowledge of finance and accounting with the experience serving as the executive

director and general manager of the Accounting Control and Finance Division of the Company.

The Audit and Supervisory Committee conducts systematic audits based on reports from departments including the Internal Audit Department and other internal control system and may require further reports and sharing of opinions as needed.

II Activity status of the Audit and Supervisory Committee

1. Meeting frequency

Meetings of the Audit and Supervisory Committee are generally held once a month and from time to time as needed.

2. Main meeting agenda

The following resolutions and reports were made in fiscal 2020.

Resolutions: Audit plan and sharing of duties of the Audit and Supervisory Committee, evaluation, reappointment and non-reappointment of accounting auditor, agreement on the remuneration of the accounting auditor, audit and supervisory report proposals, etc.

Reports: prior confirmation of board of directors' agenda items, report on audit plan, internal control and audit report on the Internal Audit Department, reports on special cases such as scandals, financial status report on domestic and overseas subsidiaries, etc.

3. Attendance of Audit and Supervisory Committee members
See "Implementation Status of Meetings of the Board of Directors and Committees" for attendance of the Audit and Supervisory Committee for meetings held in fiscal 2020.

The average meeting time of Audit and Supervisory Committee was approximately 60 minutes.

4. Activities of the full-time Audit and Supervisory Committee member

The full-time Audit and Supervisory Committee member shares information with part-time outside directors who are

Audit and Supervisory Committee members while auditing the appropriateness of the operational status of the internal control system through 1) collecting information internally, 2) monitoring information dissemination from the company management, 3) attending business update meetings held regularly and advisory meetings that deliberate on the company master plan and management plan of each subsidiary company in Japan and overseas, 4) auditing business report, financial documents, consolidated financial statements and supplemental schedules, 5) perusing important approval documents and contracts, 6) receiving reports from the Internal Audit Department in a timely manner and 7) verifying the appropriateness of methods and results of the accounting auditor and confirming if an internal control system is in place through regular meetings with the accounting auditor.

(2) Status of internal audit

The Company has established the Internal Audit Department (5 members) as an internal auditing section that is under the direct control of the President & CEO. The Internal Audit Department conducts internal audits on executive departments and compiles internal audit reports which include points of critique and improvement recommendations. The reports are then shared with President & CEO as well as the Audit and Supervisory Committee and submitted to the department undergoing the audit. In case any deficiency is noted, the audited department will develop and implement an improvement plan while the Internal Audit Department will monitor the improvement results.

Regular meetings are held between the Internal Audit Department, Audit and Supervisory Committee and accounting auditor for sharing of information and opinions. Moreover, audits done by this assembly include the establishment and operational status of an internal control system developed by the internal control sections.

(3) Policy and reason for selection of audit firm

The selection of an accounting auditor is made upon considering the audit system, independence and expertise of the accounting auditor by the Company's Audit and Supervisory Committee. Following this policy, the Company has determined it is appropriate to reappoint PricewaterhouseCoopers Arata LLC as its accounting auditor.

If an accounting auditor is found to fit the description of any item under Article 340, Paragraph 1 of the Companies Act, the accounting auditor will be terminated by the Audit and Supervisory Committee, given the agreement of all members of the Committee. The decision of reappointing an accounting auditor is determined every term with consideration of the accounting auditor's suitability, independence and job performance. If the decision is made such that non-reappointment is appropriate, then the Audit and Supervisory Committee will determine the detail of the proposal of non-reappointment of the accounting auditor to be proposed at the General Meeting of Shareholders.

■ Development of internal control system

The Company formulated its "Basic Policy for Establishing an Internal Control System" in accordance with the Companies Act and established an "Internal Control Committee" in compliance with the "Internal Control and Reporting System (J-SOX)" of the Financial Instruments and Exchange Act.

The Internal Control Committee conducts an annual reassessment of risks for each Group company, reviews target countries and regions for J-SOX assessment and revises the scope of business processes requiring evaluation. At the same time, the committee works to improve the reliability of financial report by promoting the establishment and operation of an internal control system and effective assessments.

The Company is making ongoing improvements to this internal control system from a global perspective by taking into account regulatory developments in countries overseas where the Group operates.

■ Director's remuneration

Policy on the amount and decisions on the calculation methods for remuneration of directors

Basic policy

Remuneration for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers of the Company and related policies are determined comprehensively considering the motivation for improvement of performance and corporate value and securing excellent human resources and according to a level appropriate to their roles and responsibilities. Basic policies on their remuneration to promote growth-oriented management and to accomplish management strategy and fulfill management plan are as follows.

Basic policy on remuneration of directors

- (1) Contributes to the sustainable growth and medium-to-long-term increase of corporate value
- (2) Remuneration structure that is linked closely with performance and motivates the fulfillment of management plans and the achievement of results
- (3) Remuneration level which attracts and retains "human resources" valuable for the management
- (4) Highly transparent and objective process for determining remuneration

Considerations for level of remuneration of directors

- (1) The remuneration is set to match the director remuneration level of the same industry within Japan and overseas and companies of the same scale in other industries in order to promptly cope with the changes of the external environment and market condition.
- (2) The target value of monetary compensation is set at top 25% and that of combined stock option compensation from a medium-to-long-term perspective is set at top 10%.

Remuneration for directors, decision making process of remuneration policy and activity status of 2020

To ensure transparency and objectivity of the decision-making process, remuneration for directors is deliberated on by the "Remuneration Committee" which consists of the President & CEO (1 person), non-executive director (1 person) and independent outside directors (2 persons) with independent outside directors comprising half of the seats on the committees and the committee chaired by an independent outside director. The results are determined in consultation with the board of directors based on the deliberation.

In 2020, the "Remuneration Committee Meeting" was held on February 21, 2020 to deliberate on the detailed design of share-based remuneration and other matters.

The "Remuneration Committee Meeting" was held on February 22, 2021 to deliberate the following matters: (1) Fixed remuneration, performance-linked remuneration, share-based remuneration calculation method, (2) Percentage of the above items, (3) Timing of each remuneration and (4) Decision delegator and content. After discussions on the matters that should be resolved by the "board of directors", decisions were made according to the resolutions of the "board of directors' meeting" held on the same day.

In order to properly assess individual remuneration amount based on the contribution performance of each director, the evaluation results based on each key performance indicator are reported to and deliberated by the Remuneration Committee with a decision made by the representative director entrusted in a resolution of the Board of Directors' meeting.

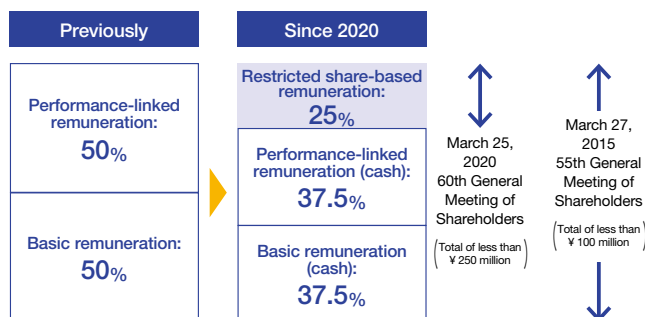
Composition of remuneration for directors and key performance indicators

Remuneration for directors (excluding directors who are Audit and Supervisory Committee members) and executive directors consists of basic remuneration (cash) and performance-linked remuneration. Performance-linked remuneration consists of monetary compensation as a short-term incentive and restricted share-based remuneration as a medium-to-long-term incentive. In addition, the basic remuneration is determined for each position based on the extent of job responsibility.

Independent outside directors, coming from a stance independent of business executives, and directors who are Audit and Supervisory Committee members receive only fixed remuneration, given their roles to provide supervision and advice on the Company's management from an objective perspective.

The amount of annual remuneration (total) was approved to be within 1 billion yen for directors (excluding those who are Audit and Supervisory Committee members) and within 100 million yen for directors who are Audit and Supervisory Committee members at the 55th General Meeting of Shareholders held on March 27, 2015. The annual amount of restricted share-based remuneration was approved to be within 250 million yen (which shall be within the above-mentioned 1 billion yen limit) at the 60th General Meeting of Shareholders held on March 25, 2020.

Composition of Remuneration



- Basic remuneration (cash): Basic remuneration is fixed remuneration, which is determined for each position in line with extent of responsibilities, paid monthly.
- Performance-linked remuneration (cash): As a short-term incentive, performance-linked remuneration are set in the range of 0% to 200% of the basic remuneration amount depending on performance results for one year. Performance-linked remuneration is paid out from the following April to the next March based on the results of the fiscal year being evaluated (preceding January to December).
- Restricted share-based remuneration: As an incentive to increase corporate value over the medium to long term, the Company allocates in April of the following year restricted shares equivalent to 33% to 100% of the basic remuneration amount according to the performance results of the year being evaluated (January to December). Restricted share-based remuneration has a transfer restriction period set at three years.

Evaluation indicators and view to directors remuneration as well as targets and results

Key performance indicators for determining the performance-linked remuneration (cash) and restricted share-based remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and executive officers as well as the targets and results for 2020 are presented below.

Furthermore, weightings for performance indicators are assigned to each position in line with the extent of responsibilities. For example, performance weightings for representative director are set at 50% for group performance and 50% for group key strategy. For executive officers responsible for line function departments, the weightings are 30% each for group and department performance and 20% each for group and department key strategy.

In addition, ESG assessment which was added as a new key performance indicator from 2020 is assigned to each individual director and executive officer. Indicators such as "inclusion in the FTSE Blossom Japan Index" or "improvement of ESG score" are used in an effort to conduct quantitative assessments to every extent possible.

Weighting linked to the key initiative themes of "Kyo-sei Life Vision 2030", our mid-to-long term ESG objectives revealed in October 2020, is also assigned to each director and executive officer with the results and progress of such taken into account.

No.	Assessment indicator	Accountability	Assessment weighting	Target	Result	Assessment
1	Group performance (business plan)	1-1 Consolidated net sales	20-50%	¥760,000 million (106.4% YoY)	¥727,475 million (101.9% YoY)	95.7%
		1-2 Consolidated core operating income		¥100,000 million (111.4% YoY)	¥114,744 million (127.8% YoY)	114.7%
		1-3 Profit attributable to owners of parent		¥63,000 million (136.6% YoY)	¥52,344 million (113.5% YoY)	83.1%
2	Department performance	2-1 Sales in applicable business division	0-40%	(Each dept.)	(Each dept.)	—
		2-2 Profits in applicable business division		(Each dept.)	(Each dept.)	—
3	Group key strategy	3-1 Priority strategies for each role	20-50%	(Each director)	(Each director)	—
		3-2 ESG assessment (specialist rating agency evaluation, etc.)		(Each director)	(Each director)	—
4	Department key strategy	4 Priority strategy in applicable business division	0-40%	(Each dept.)	(Each dept.)	—

* View on key assessment indicators
 1. Performance-based indicators for company efforts
 2. Performance-based indicators for individual director and executive officer efforts
 3. Performance indicators for company priority strategies (including qualitative evaluation)
 4. Performance indicators for individual director and executive officer priority strategies (including qualitative assessment)

Conditions in the Agreement on the Allotment of Restricted Share-based Remuneration

Restricted-share based remuneration is that eligible directors and executive officers receive monetary claims as their remuneration; next, eligible directors and executive officers contribute all of the monetary claims to the Company; and then, the Company disposes of treasury shares in exchange for the contribution. The Company and each of eligible directors and executive officers conclude an agreement on the allotment of restricted shares.

1	Restriction Period	The eligible directors and executive officers are prohibited from assigning, pledging as collateral or disposing ("Transfer Restriction, etc.") of these shares ("Allotted Shares") for three years from the date of the allotment ("Restriction Period").
2	Handling of Retirement	If an eligible director or executive officer resigns or retires from the position of director, executive officer or another position stipulated in advance by the board of directors before the Restriction Period ends, the Company shall automatically acquire the Allotted Shares without contribution unless there are justifiable reasons for the retirement from office, such as expiration of the term of office or death.
3	Removal of Transfer Restriction	The Company will remove the Transfer Restriction for all of the allotted shares when the Restriction Period ends on the condition that the eligible directors and executive officers serve in the position of director, executive officer or another position stipulated in advance by the board of directors continuously during the Restriction Period. However, if an eligible director or executive officer resigns or retires from the position of director, executive officer or another position stipulated in advance by the board of directors before the end of the Restriction Period due to justifiable reasons for the retirement from office, such as expiration of the term of office or death as outlined in (2) above, the Company will reasonably adjust as needed the number of Allocated Shares for removal of the Transfer Restriction and the timing of when to remove the Transfer Restriction. Also, the Company will automatically acquire without contribution the Allotted Shares for which the Transfer Restriction has yet to be removed as of the point in time immediately after the removal of the Transfer Restriction Period following the above rules.
4	Clawback Provision	The eligible directors and executive officers shall return all or part of the accumulated Allotted Shares without contribution in the event of material accounting fraud or substantial losses, to take responsibility for such occurrences.
5	Other Matters	Other matters concerning the agreement on the allotment of restricted shares shall be determined by the board of directors.

Total remuneration for each director and executive officer, total for each type of remuneration and number of eligible directors and executive officers

Role	Total compensation (millions of yen)	Totals for each type of compensation (millions of yen)			Number of directors receiving compensation
		Basic pay	Performance-linked remuneration	Restricted share-based remuneration	
Directors (excluding audit committee members and outside directors)	431	194	132	106	3
Directors (audit committee members) (excluding outside directors)	26	26	—	—	1
Outside directors	21	21	—	—	2

(Notes) Following the enforcement of the Companies Act, the Company's shareholders approved a resolution to abolish the retirement benefit system for directors and executive officers at the 47th Annual General Meeting of Shareholders on June 26, 2007. Directors and executive officers now only receive annual compensation.

Implementation status of the Board of Directors and Committees

Number of board of directors and committee meetings, attendance and its rate (2020)

		Board of Directors	Audit and Supervisory Committee	Nomination Committee	Compensation Committee
President & CEO	Takahisa Takahara	100% (10/10 times)	—	100% (1/1 time)	100% (1/1 time)
Director and Vice President General Manager of Production and Research & Development	Eiji Ishikawa	100% (10/10 times)	—	—	—
Director and Vice President General Manager of Japan Sales	Shinji Mori	100% (10/10 times)	—	—	—
Director and Audit and Supervisory Committee Member (Outside Director)	Takashi Mitachi	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)
Director and Audit and Supervisory Committee Member (Outside Director)	Hiroko Wada	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)
Director and Audit and Supervisory Committee Member	Gumpei Futagami	100% (10/10 times)	100% (12/12 times)	100% (1/1 time)	100% (1/1 time)

Support System for Outside Directors

The secretary responsible supports outside directors while the board of directors' secretariat coordinates between outside directors and the board of directors and hands out meeting documents in advance. Documents for board meetings are in principle handed out four business days prior to the meeting in an effort to ensure time for reviewing proposals in advance. Support is also provided to ensure that outside directors can make a correct judgement by providing information on the Company's important strategies, even if there is no direct correlation to the matters of the resolution.

In addition, support staff of the Audit and Supervisory Committee Office provide assistance to the two outside directors who are Audit and Supervisory Committee

members. The Full-time Audit and Supervisory Committee members also support outside directors by providing preliminary explanations of agenda items for the board of directors and setting up meetings with relevant departments as necessary.

Analysis and Evaluation of Board Effectiveness

The Company conducts a questionnaire of all directors every year and also hosts a discussion on the results of this survey with all directors in attendance. Through this discussion, the Company seeks to improve board effectiveness by analyzing and evaluating the results of the overall effectiveness of the board of directors.

A summary of the analysis and evaluation results for 2021 is presented below.

1. At the Company's meetings of the board of directors, various opinions are expressed by the directors and agenda items are duly deliberated through active discussions. In addition, in the analysis and evaluation for 2020, specific steps have been made to improve the following points found to require further efforts. Accordingly, the Company can evaluate that the board of directors meeting functions effectively.
 - (1) Opportunities to discuss each theme of group-wide strategy within the Medium-Term Management Plan were made available on a regular basis and in-depth discussions were held on matters requiring attention with regard to the execution of this strategy.
 - (2) The board of directors has incorporated a system that shortens the explanation time or adopts bulk approval of agenda items where it is deemed possible to understand the points from referencing documents distributed in advance. As such, more time than before is dedicated to discussing important topics.
 - (3) Opportunities for discussion with executive officers and outside directors are now provided consciously, including discussions on group-strategy within the Medium-Term Management Plan. The effectiveness of developing and evaluating successor candidates has increased through the involvement of outside directors who are Nomination Committee members. In addition, a restricted share-based remuneration plan has been introduced which provides further incentive to eligible directors to strive toward the continual improvement of the corporate value and encourage the further sharing of value with shareholders.
2. In order to further improve the effectiveness of the board of directors, the Company will consider promotion of the following initiatives:
 - (1) Further increase the board of directors' involvement in the Medium-Term Management Plan, including selection of topics to discuss from an early stage of its formulation process and reviews after the plan is being implement.
 - (2) Improve approaches to the board of directors' involvement in using DX to grow customer value, including entrusting what needs to be entrusted to executing departments and increasing the board of directors' involvement where needed.
 - (3) Further deepen discussions on the roles of the board of directors aimed at strengthening defensive governance such as strengthening audit functions or preventing misconduct.

Evaluating Audit and Supervisory Committee Effectiveness

The Company's Audit and Supervisory Committee in principle meets monthly. During these meetings, the Audit and Supervisory Committee conducts preliminary confirmation of agenda items for board meetings and develops an understanding of issues through reviewing the audit plan summary and report from the accounting auditor, the audit report from Internal Audit Department (including internal control), performance projections and issue reports from Accounting Control & Finance Division and activity reports from each department (as needed). In addition to the above, outside Audit and Supervisory Committee members receive reports on various issues obtained from audit reports prepared by the full-time Audit and Supervisory Committee member, exchange opinions and information, attend

important meetings other than the board and carry out close coordination with the internal auditing sections. Through these activities, the Company seeks to improve the effectiveness of audits performed by the Audit and Supervisory Committee.

Compliance

Basic approach and strategy

Attitude towards compliance

Our management policy is expressed in the Unicharm Ideals which state “we strive to pursue proper management principles which combine corporate growth, associate well-being and the fulfillment of our social responsibilities”. Unicharm has created a booklet called The Unicharm Way which includes the Group’s Charter of Actions and other important compliance documents. Having been approved by the Board of Directors, The Unicharm Way has been distributed to and shared with everyone working at Unicharm Group companies. It forms the basis of our compliance system and is designed to remind all directors and employees to hold themselves to the highest ethical standards and comply with all rules and regulations and the Articles of Incorporation. In addition, Unicharm works holistically to prevent acts that would lead to corruption including bribery, excessive entertainment and gifts through corporate activities, improper political contributions and insider trading and to ensure compliance with labor standards. The President & CEO and executives continue to communicate the spirit set forth in The Unicharm Way to employees around the world in an effort to improve and instill an awareness of corporate ethics and ensure that all corporate activities are based on compliance.

Management structure

The “CSR Committee”, established by Unicharm in 2005 for the purpose of monitoring all activities related to social responsibility centered around a framework of quality, safety and the environment, has been restructured and renamed the “ESG Committee” as of January 2020.

The “ESG Committee” ensures the legality, fairness and soundness of corporate activities. The “Compliance Hotline” has been established as a consultation and whistleblowing contact point for violations of laws and regulations, internal regulations and major corporate ethics while the “Ring-Ring Employee Hotline” has been established for problems in the workplace such as internal harassment acts and human relationship issues as part of efforts to develop and enhance the compliance structure. Corporate Ethics Office has been established within the ESG Division as the contact point for the management of these bodies and, when a serious problem occurs, the Representative Director who serves as the chairman convenes a “Corporate Ethics Committee” with the standing members of the deputy chairman (Director & Vice President) and members of the Audit and Supervisory Committee to resolve the issue. “Corporate Ethics Committee” reports annually to the Board of Directors on the action that it has taken and the Committee’s effectiveness is periodically assessed. In addition, in order to conduct audits on whether business execution in each division is being conducted appropriately in accordance with laws, regulations, etc. and to provide advice as necessary, an Internal Audit Department that is independent from each business execution division and directly supervised by the President & CEO has been established and it conducts internal audits on all Group companies.

Compliance Promotion Structure



Anti-corruption Policies

The Board of Directors has established policies to prevent all forms of corruption including demands and bribery and such efforts are also being conducted at related departments. In addition, the “Sustainable Procurement Guidelines” that aim to maintain fair relationships and prevent acts of corruption in transactions with suppliers clearly indicate the necessity of compliance with laws, regulations and social norms and fair trade as well as the prohibition of bribery and kickbacks and promote the comprehensive prevention of corruption in transactions.

■ Whistle-blowing System

The “Compliance Hotline” has been established for Group employees, both within and outside Japan, including contract employees, as a consultation and whistle-blowing contact point in anonymity for violation of laws and regulations, violation of internal regulations and acts of corruption such as the taking and receiving of bribes etc. or major corporate ethics violations. The “Ring-Ring Employee Hotline” has been established for problems in the workplace such as internal harassment and human relationship issues. Unicharm has also put in place a system that makes it easy for employees and their families to consult with external organizations. The privacy of employees who use this system is respected and every effort possible is made to ensure that whistle-blowers are protected from harm. In addition, if it becomes necessary to involve a third party, the whistle-blower’s consent to this will be sought.

Number of consults (Japan)


Cases

		2018	2019	2020
Number of consults (Japan)	Total	49	51	41
	Number of compliance violations	0	0	0
	Number of labor standards violations	0	0	0
	Number of human rights violations	0	0	0

The same hotlines are established and operated overseas in the local subsidiaries of China, Thailand and Indonesia.

■ Initiatives to Raise Compliance Awareness

“The Unicharm Group Charter of Actions” in “The Unicharm Way” which is utilized by all Group employees states the behaviors that should be kept in their mind in order to achieve our pledge to each stakeholder and aims to improve awareness of compliance in relation to issues such as corruption prevention. In addition, monitoring is conducted every year through an employee survey. Audits are also carried out by the Internal Audit Department which is independent from the departments being audited. Furthermore, an ESG executive responsible for legal affairs will be specified as an insider information management administrator in the Insider Trading Prevention Regulations in an effort to prevent illegal acts. Transactions with a high level of risk that are similar to insider trading are prohibited as a general rule. In addition, it is obligatory to submit a trade notice for Unicharm’s shares, etc. every time treasury shares are sold and cautionary information is released as appropriate that sets specific limits on trades of Unicharm's shares in consideration of circumstances including the positions and departments of executives and employees.

 See P.088 “Labor Standards > Mindset Regarding Human Resources > Employee survey”

■ Regular Reviews of the Effectiveness of the Code of Conduct

The Company regularly reviews its code of conduct on compliance. It confirms the effectiveness of this code through monitoring using the employee survey and internal audits both conducted annually. Recently, the Company reviewed the “Unicharm Group Action Guidelines” and renamed it the “Unicharm Group Charter of Actions” on February 10, 2021.

■ Compliance Training and Education

In order to raise the awareness of executives and employees towards compliance with laws and regulations and prevent the occurrence of compliance problems, compliance themes are incorporated into the learning curriculum in training for new employees and employees posted overseas and the Legal Department and Accounting Control & Finance Division hold compliance study session for directors and executive officers several times a year. Amidst this, efforts are made to thoroughly instill awareness of legal compliance and all corruption prevention matters such as prohibitions on bribery and facilitating payments and the importance of compliance with antitrust laws. Additionally, efforts are made to increase awareness of legal compliance and anti-corruption through compliance related questions on the “employee survey” targeting all employees. Compliance-related courses are incorporated into e-learning and the status of participation in these courses is monitored in an effort to ensure participation and instill understanding. Furthermore, quizzes related to legal knowledge are regularly posted on the internal intranet in an effort to spread awareness to ensure that employees do not unintentionally violate the law by introducing cases that can lead to misunderstandings.

Risk Management

Basic approach and strategy

The Unicharm Ideals state “We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home in Japan and abroad”. With this in mind, the Company’s basic policy is to engage in business activities aiming to fulfill its social responsibilities and always striving toward new value creation for its stakeholders including customers, shareholders, business partners, employees and society. Gaining an appropriate understanding of the various risks that could affect the execution of business activities and realization of these objectives and preventing and minimizing the impact of such risks when they occur are positioned as important management issues. The Company has established a risk management system for the entire group that is implemented while continuously reviewing and improving business risk management.

At the same time as overseeing the code of conduct and code of ethics, the Board of Directors analyzes and evaluates major risks that are reported from each unit leader in order to deliberate and decide on improvement measures. Audit and Supervisory Committee members fulfill their roles by implementing various audits during their statutory term of office.

In addition, the ESG Committee has defined 12 major business risks that could impact the Company and is now discussing these risks and carrying out appropriate responses. Urgent risks that do not fall under these 12 major business risks are discussed and addressed by the ESG Committee promptly.

The following 12 major risks represent important matters that could impact the Company’s financial standing and management results. Thanks to the effects of various

response measures, at present, none of these risks have emerged to a level where they will have serious impacts on management. In addition, the timing and extent to which these risks could emerge in the future are unknown. Furthermore, other risks can be found outside of the major risks mentioned above. Risks that could impact the Company in the future are not necessarily restricted to those matters appearing here.

Basic policy

- Clarify roles and responsibilities related to risk management.
- Give due consideration to possible risks during the decision making process.
- Establish a system for implementing group-wide countermeasures against important risks facing management.
- Develop organizations, systems and plans related to crisis response.
- Conduct audits of the risk management process.

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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Business Risks

Risks	Details of risks and impacts on the Company	The Company's main response
Risks related to the sales environment in conditions of intense competition	<p>Competition for the Company's main products could become even more severe in domestic and overseas markets in terms of price and product line depending on the economic and market environments. Given their consumer-oriented purpose, the Company's main products are always exposed to severe price competition and competitors are also releasing new products one after another. The selling environment is also influenced by changes in the consumption behavior of customers and the response of competitors regardless of the Company's efforts to lower manufacturing costs, cut overhead or enhance marketing. If the Company could not respond appropriately in response to such selling environment, its sales and profits could be adversely impacted.</p>	<p>The Company strives to thoroughly research the living conditions and consumption situation of individual country and region, develop products tailored to local culture and living environment and provide products that are not susceptible to economic impacts. The Company seeks to increase earnings in a stable manner by utilizing this research and market analysis methodology to expand its coverage area and countries. In addition, in terms of production, the Company is curtailing costs by lowering procurement costs and improving production efficiency while, in terms of sales and marketing, it strives to expand buyers of its products including through the online channel. The Company endeavors to maintain and improve competitiveness and reinforce its marketing capabilities by proposing to retailers ways of purchasing and selling products with a customer-oriented perspective utilizing digital technology. Furthermore, the Company is working to decentralize authority to its overseas subsidiaries and create a system where it can respond swiftly to changes in the consumption behavior of customers.</p>
Risks related to the changes in population structure	<p>In Japan, the number of births will continue to decline over a long period of time and the population of infants and menstruating women will decline, too. In addition, a similar trend is seen in some countries overseas where the Company engages in business. Through these changes in population dynamics, there is a possibility that demand for baby care and feminine hygiene related products, the core business of the Company, in these countries could decline. In addition, the Company believes it must strive to secure and develop talented human resources required for the execution of business. Meanwhile, the difficulty of securing human resources is rising due to the advancement of a declining birthrate and aging population. If it cannot secure or develop human resources as planned, the Company's business activities could be impacted.</p>	<p>Under its mission of contributing to the realization of "cohesive society", affluent society where all people live equally and freely, respect one another's humanity and are kind to one another and emotionally connected, the Company aims for business activities that are less susceptible to the impacts of population dynamics. It achieves this by using well-balanced business development of its products and services in every region and country of the world contributing to the satisfaction found in the joy of life and where all consumers, from infants to seniors, and partner animals (pets) are liberated from various burdens and can live independently and as they see fit through mutual aid. Additionally, the Company uses product strategy based on market growth stage in an effort to maintain and increase demand even with a declining target population by diversifying its lineup and appealing the value of products. As one way to counter the declining working population, the Company is promoting the creation of workplace environments where diverse human resources, regardless of nationality, gender, age or presence of disability, can utilize their strengths to achieve a sense of purpose by playing an active role. Specifically, the Company provides opportunities for growth by creating a development plan based on individual career vision and career plans, allocating the right people to the right position and conducting quarterly evaluations and offering rank-based training, with the aim of producing human resources who can identify and resolve challenges on their own. To encourage employees to determine their own work styles and sense of purpose, the Company has introduced working from home, eliminated core time and increased the option to select where and when to work to achieve flexible work styles that elevate creativity and productivity. Furthermore, the Company is actively working to utilize senior citizen workers and to promote the empowerment of women.</p>
Overseas business risk	<p>The Company manufactures products in China, Indonesia, Thailand, India, the Middle East and Brazil, among other countries. Business development overseas could involve considerable impacts on raw materials prices and equipment costs caused by fluctuations in exchange rates. There is also a possibility that major changes in markets could impact the Company's business activities or the value of its assets depending on the regulations, economic environment and social and political conditions of each country. In addition, the balance sheets of overseas consolidated subsidiaries denominated in the local currency are converted to Japanese yen when preparing the consolidated financial statements. As a result, strength in yen will have a negative impact on the Company's financial situation and management results.</p>	<p>In terms of international trading, the Company is working to secure a stable export & import transactions and earnings by changing shipment locations depending on the situation from the perspective of utilization of manufacturing bases and profitability due to exchange rates. In response to fluctuations in exchange rates, the Company strives to minimize risks by using hedging based on a comprehensive review of foreign currency denominated transactions including raw material procurement along with the outstanding credits and liabilities. Also, to contribute to stable shareholder returns and the flow of internal funds, the Company actively implements dividends from overseas consolidated subsidiaries that have cash in excess of planned investments and is building a mechanism to curtail negative impacts on overseas assets in case of yen strength.</p>
Raw materials price volatility risks	<p>As a manufacturer, the Company directly faces the risks of fluctuations in prices of raw materials. Currently, the Company purchases raw materials across borders from many different suppliers. In particular, raw materials such as pulp are procured from overseas suppliers using transactions that are typically denominated in US dollars. Depending on the volatility of exchange rates, the cost of raw materials could increase by a large amount. Also, fluctuations in market prices for commodities such as oil, naphtha, pulp among others could impact the prices of raw materials.</p>	<p>The Company analyzes trends in prices of major raw materials and forecasts future prices and uses adjustment of purchasing and regular revisions to its cost projections to manage earnings. It also strives to purchase raw materials in a stable manner using a comprehensive perspective by continuously engaging suppliers locally and in countries with preferential tariffs to prepare for unforeseen situations that block imports and for curtailing the risk of fluctuations in import prices attributed to exchange rates. In addition, the Company prepares for large increases in raw materials expenses due to exchange rates using forex hedging mentioned in matters for overseas business risks. It also conducts research to reduce the amount of used raw materials and increase their functionality.</p>
Risks related to environmental problems	<p>Environmental issues are growing on a worldwide scale including concerns over the depletion of resources, marine pollution caused by marine plastics and destruction of ecosystems. As a result, initiatives to conserve the environment and reduce environmental impacts are underway around the world. For the Company, which manufactures disposable products such as disposable diapers and feminine hygiene products, manufacturing that is considerate of the environment is a critical issue that cannot be neglected. In addition, the Company strives to comply with environmental laws and regulations in Japan and overseas, but if management of wastes is inappropriate and violates laws and regulations, it could receive legal punishment such as production restrictions and its social trust could be impacted.</p>	<p>As part of its recycling-oriented business model, the Company has implemented recycling projects for used disposable diapers since 2015. It has also successfully recycled pulp and super absorbent polymers (SAP) as well as created prototypes of disposable diapers made from recycled pulp. Furthermore, it has established "Environmental Targets 2030" to replace "Eco Plan 2020" ended in 2020 and set numerical targets for environmental issues in "Kyo-sei Life Vision 2030" revealed in October 2020. The Company is now formulating and implementing specific initiatives for achieving these targets. In addition, it is stepping up efforts toward environmental activities having established the "Basic Environmental Policy" and "Environmental Action Guidelines". The Company is now working to foster compliance with environmental laws and regulations by increasing employees' awareness toward the environment.</p>
Risks related to climate change	<p>The severity of impacts caused by climate change continues to increase with each passing year. The Paris Agreement represents an agreement to rein in increases in the worldwide average temperature. The Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Services Board (FSB) has issued recommendations encouraging companies to disclose climate-related financial information. If mitigation and adaptive measures against climate change such as reining in worldwide average temperature increases are not taken, it could cause soaring prices of forest-derived raw materials used as a main raw material for the Company's products, major fluctuations in energy prices and impact Asia the most, as pointed out by researchers where the Company is focusing its business operations. In addition, if the Company's initiatives to reduce CO₂ resulting in the curbing of temperature increases and relevant disclosures are inadequate, its social trust could decline as a result.</p>	<p>To contribute to the Paris Agreement's 2 degrees Celsius scenario, in June 2018, the Company received certification for its reduction plan up to 2045 from the Science-Based Targets (SBT) initiative. Also, it has stated its endorsement of the TCFD's recommendations and is now reporting information following this framework. Aimed at realization of a "zero carbon society in 2050", the President & CEO is taking the lead in target setting and progress management and the Company aims to achieve 100% of electricity use from renewable sources used to power its operations as indicated in "Kyo-sei Life Vision 2030" through the efforts of all employees. It is actively encouraging all stakeholders involved in the supply chain to ensure that emissions are reined in across the entire product lifecycle.</p>

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Risks	Details of risks and impacts on the Company	The Company's main response
Risks related to the reliability of products	As a manufacturer and seller of consumer products, the Company has not experienced the payment of large sums of compensation impacting management related to product quality or safety since it was founded. Nevertheless, if a serious problem involving quality or safety were to occur that could not be foreseen during the manufacture or sale of the products, the reliability of its products could decline greatly.	Many of the Company's products come into direct contact with the skin, so it strives toward proper labeling for conveying correct information and improving quality and safety so as to provide peace of mind to consumers. Also, the Company checks safety during all processes, from procurement of raw materials to development, manufacturing, sales and disposal, based not only on compliance with relevant laws and regulations but also its own in-house strict standards. If a complaint is made regarding one of the products, it has a system in place to swiftly identify and address the complaint to prevent a decline in the product's reliability, regardless of how big or small the complaint may be.
Risks related to legal compliance violations	If the Company or its employees violate laws or regulations overseas or in Japan, such as the Anti-monopoly Act, the Unfair Competition Prevention Act and tax laws and, for example, they receive public penalties for making unreasonable demands during a transaction or engage in bribery to facilitate public procedures, its performance or social trust could be impacted.	"The Unicharm Group Charter of Actions" contains the laws and regulations that should be taken into consideration by employees to fulfill the Company's pledge to all stakeholders as a way to improve awareness of compliance including anti-corruption matters. The Company conducts monitoring every year using an employee survey. In addition, compliance themes are covered in training for new employees and for employees assigned to work overseas with the purpose of raising awareness about legal compliance and preventing the occurrence of compliance violations. Furthermore, it organizes seminars on compliance as part of e-learning provided to all employees. In this manner, the Company thoroughly promotes compliance with laws and regulations.
Risks related to intellectual property including patents and trademarks	If the Company's intellectual property rights are infringed upon in some way or another by a third party, the Company could incur large damages such as a loss of expected earnings. In contrast, if the Company unknowingly infringes upon the intellectual property rights of a third party, it may be forced to pay a large sum of damages or have its business activities restricted.	The Company takes a resolute stance including litigation in response to infringement of its intellectual property rights by third parties or unfair exercising of these rights. It will use close collaboration internally and coordination with the government of each country to stop products that violate its intellectual property rights and counterfeits. At the same time, it combines off the job training, on the job training and e-learning in internal compliance training on patents, trademarks and the Premiums and Misleading Representations Act to ensure the safeguarding and protection of intellectual properties of the Company and others.
Risks related to disasters and accidents	In order to minimize losses due to interruptions to manufacturing or sales caused by a major earthquake, large-scale natural disaster, fire or accident, the Company has established a system enables collaboration between manufacturing and distribution points and the swift restoration of IT systems and management functions pursuant to the business continuity plan (BCP). Following a fire at its plant in India in June 2020, the BCP functioned to swiftly establish a supply system not only from other plants inside India but also plants in other countries, making it possible to minimize any downturn in sales due to the fire. However, the Company could experience problems in sustaining manufacturing, securing raw materials and providing a stable supply of products due to the occurrence of a disaster or accident that exceeds its predictions.	The BCP comprises the following: (1) basic requirements (2) ensuring and confirming the safety of employees and their families (3) specific measures for sustaining operations (4) important matters to address together with business continuity and (5) measures required to implement the BCP. Training exercises for (5) include evacuation drill using the example of an emergency situation based on scenarios is conducted continuously. In addition, in Japan, the Kyushu plant was constructed and put into operation in 2019 to disperse risk and to be used as a substitute base.
Risks related to acquisition, partnership, business consolidation, etc.	The Company strives to pursue the maximization of corporate value believing that it must always administer management resources efficiently. In the future, within this process, it could be considering acquisitions of other businesses, investments in or partnerships with other companies, merger and elimination of businesses and streamlining and spin offs. After execution, however, market changes could occur or results of these measures could fall below expectations, causing the possibility of losses due to falling prices of risk assets from goodwill, etc.	When considering acquisitions, partnerships and business integrations, the Company decides through the board of directors after fully confirming at relevant departments even the smallest possibility of goodwill of assets booked or impairment of other fixed assets based on gathering of sufficient information and careful planning of future investment recovery plans. After execution, for target companies that fall short of the plan after confirming risks of impairment after judging impairment outlook in a timely manner, it analyzes these factors and reviews the business plan as needed, in an effort to ensure the recoverability of planned profits.
Information leak risks	The Company retains large amounts of information including personal information obtained pursuant to agreements with business partners including customers or confidentiality agreements, not just information generated internally. If some form of information leak were to occur, the Company could be held legally responsible for information management or its trust could decline.	The Company has established Information Security Policy and Information Management Security Regulations. Personal information that it obtains is managed rigorously according to the Personal Information Protection Regulations and Specified Personal Information Handling Regulations and efforts are made to prevent leakage. To ensure the rigorous implementation of regulations, the Company has established the Information Management Security Committee which continuously implements employee training and monitoring along with information management security measures covering the entire group. As physical countermeasures to prevent information leak associated with the loss or theft of devices, the Company uses computers that cannot store data and a complete cloud environment where data and systems can only be used via a server. As countermeasures against external cyberattacks on our websites, we work closely with the external experts to implement various security measures, including building the most appropriate servers, preventing phishing and viruses, ensuring proper password and ID management, as well as using and monitoring with security devices. In addition, we have included information in the group-wide crisis communication manual to ensure that we respond promptly to identify the situation and minimize impacts during an incident, such as information leak.

For the management of these risks, Unicharm uses the ISO framework that also incorporates quality and environmental risks as important business risks as a manufacturer. In addition, individual management is conducted for risks including business continuity at the time of disasters.

Primary reference frameworks

- COSO · ISO9001 · ISO14001 · ISO10002 · ISO13485
- ISO14971

■ Management structure

Chaired by Representative Director and Director & Vice President acting as deputy chair, “ESG Committee” is a cross-functional organization which considers sharing risk management issues and measures to be one of the important themes that need to be addressed. The themes deliberated by ESG Committee and their results are reported to Board of Directors by the head of ESG Division, while supervision of risk management is implemented by directors and members of Audit and Supervisory Committee.

In addition, the Unicharm Group Charter of Actions has been established as the guidelines for actions by employees in recognition of major risks including the prohibition of insider trading, compliance with antitrust laws, the elimination of child labor and forced labor and the protection of personal information. In order to respond comprehensively to risks of corruption that have a high probability of occurring in society including insider trading and bribery, efforts are made to prevent corruption that include the provision of cautionary information to employees on insider trading using the internal intranet, training for employees posted overseas and the provision of cautionary information through e-learning as strengthened compliance training for employees engaged in operations in regional business activities are conducted, as well as the implementation of internal audits. Following an audit, the results are reported to the President & CEO and full-time Audit and Supervisory Committee members as well as regular reports are made to the Audit and Supervisory Committee to verify the effectiveness.

Response to the occurrence of business risks

If a major crisis occurs, Crisis Management Response Committee will be established and endeavor to respond quickly and appropriately and achieve a prompt recovery based on the Crisis Communication Manual established as a regulation related to crisis management.

An emergency in which the above business risks are realized is considered a crisis and Unicharm identifies the 12 items below as serious crises. When such a crisis occurs, Unicharm fulfills its social responsibility by assessing the situation swiftly and accurately in accordance with the Crisis Communication Manual, working to prevent the expansion of damage and communicating appropriately with stakeholders. A handy manual has been distributed to every employee for the purpose of responding promptly when an ESG risk has emerged and a crisis has occurred.

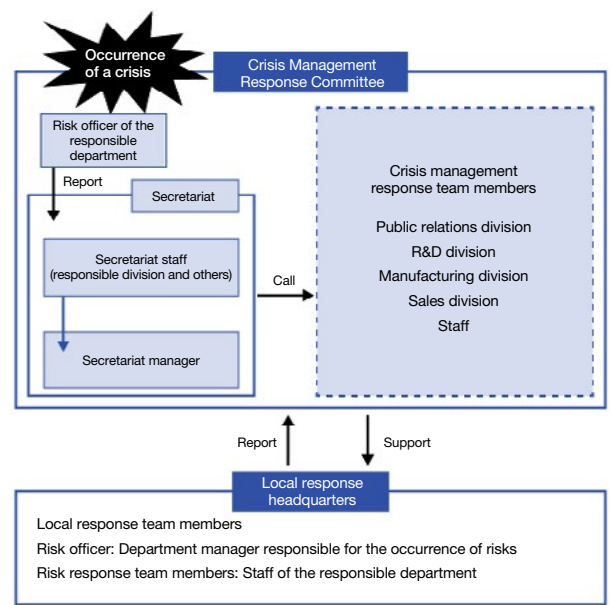
Serious crises

1. Quality	7. Top management/executives related
2. Environment	8. Disaster
3. Representations	9. Information accidents
4. Occupational safety	10. Reputational damage
5. Human rights	11. Pandemics
6. Supplier/vendor related	12. Disputes/political changes

■ Rigorous information security

To ensure rigorous information security, Unicharm has set out information security principles and procedures such as Information Security Policy and Information Management Security Rules. We also have Personal Information Protection Rules and Specific Personal Information Handling Rules in place to safeguard personal information provided by our customers and we strictly manage this information and take precautions to prevent information leaks. To ensure these rules are strictly observed and to prevent information leaks, Unicharm has established Information Management Security Committee which develops group-wide information management security initiatives and carries out employee education and ongoing monitoring. One day every month has been earmarked as an information management day when we highlight a different security topic each month to remind employees about the risk of specific information leaks. Meanwhile, as a physical measure to prevent information leaks in Japan through the loss or theft of devices, we completed the adoption of PCs that cannot store data, development of a cloud environment in which data and systems can only be used on a server and creation of an environment in which systems can be used anywhere, at any time, without needing to take office PCs out of company premises thereby making it possible to impose restrictions on taking office PCs out of the office.

Diagram of structure in response to occurrence of a crisis



See P.018 “Unicharm Group Sustainability > ESG promotional structure”

■ Protecting intellectual property

Intellectual Property Division centralizes the management of the Unicharm Group's intellectual property assets and formulates and executes intellectual property strategies linked to its business and development strategies in an aim to put in practice an IP landscape in which intellectual property is useful for management decision making. Specifically, the Group focuses on the development of products, technology and services useful to realize the philosophy of NOLA & DOLA. Therefore, it strives to ensure its continued superiority in business through steadily applying and acquiring IP rights with collaboration between the development and marketing departments on IP based on these development activities.

As a patent application strategy, we intend to protect and utilize business and development results, along with reinforcing overseas patent applications and strengthening our patent portfolio in line with the global development of business. As a result, we have captured a top-class share in the industry with the application rate for global patents at 84.4% (2017) and registration rate for Japanese patents at 91.5% (2019) (data taken from the "Patent Administration's Annual Report 2020").

Meanwhile, Unicharm has applied for and secured trademarks that protect its brands in more than 160 countries around the world and we are also protecting our rights to proprietary packaging.

As part of our efforts to build and strengthen our intellectual property portfolio in Japan and overseas, we actively use the Japan Patent Office's "Patent Prosecution Highway Program" in order to raise the quality of our intellectual property rights as well as work on acquiring rights such as sound trademarks in Japan and overseas and promote acquisition of rights with accelerated review application. Unicharm also takes a firm stance on protecting its intellectual property rights including filing lawsuits against their infringements or unauthorized use.

Its IP division closely cooperates with business and product development divisions as well as overseas subsidiaries and works with local governments to eliminate unauthorized and counterfeit products in Japan and overseas such as Asia, the Middle East and Africa and online in e-commerce.

Unicharm is committed to cultivating a corporate culture that promotes the respect and protection of intellectual property rights of Unicharm and other companies as articulated in the Unicharm Action Guidelines by conducting employee training through a combination of on-the-job training, off-the job training and e-learning to ensure that employees in Japan and overseas are fully aware of compliance issues related to such things as patents, trademarks, misleading representations, etc.

As part of our public activities, we seek to provide advice on and influence international policy with respect to intellectual property by actively exchanging opinions with the patent offices in Japan and Asia.

■ Business Continuity Plan (BCP)*

Unicharm has been strengthening risk management since 2005. We have formulated a business continuity plan (BCP) to help us prepare for a major emergency that could occur in Japan such as an earthquake directly underneath Tokyo or a large-scale interconnected earthquake involving the Tokai, Tonankai and Nankai plates. As a specific example, we have assumed the scenario of an earthquake (intensity of approximately upper 6) with an epicenter under the Tokyo metropolitan area in an area that includes the head office, adjacent plants and sales offices and prepared impact assessments and damage assumptions, etc., considered alternative measures and established organizational and backup structures to ensure the safety of employees and their families for business continuity if an actual emergency occurs and conducted ongoing evacuation drills assuming the occurrence of such an emergency based on this scenario.

Our BCP Manual describes steps to ensure the delivery of Unicharm products that are necessities for daily living to people in disaster-affected areas as well as to those who require them as soon as possible and recover important operations of Unicharm, particularly head office functions.

* BCP: Plan for the continued operation and rapid recovery of core business activities after an emergency

Main overview of the business continuity plan (BCP)

- (1) **Basic requirements**
 - Basic policy
 - Assumed risks
 - Impact assessment
 - Assumed damage
 - Main elements
- (2) **Confirmation of safety and well-being of employees and their family members**
 - Ensuring and saving lives
- (3) **Specific measures for business continuity**
 - Organizational and command structures
 - Securing important bases
 - External information dissemination and information sharing
 - Backup
 - Provision of products and services
- (4) **Important items that should be responded along with business continuity**
 - Cooperation with and contributing to the community
- (5) **Measures necessary for implementing the business continuity plan (BCP)**
 - Education and training
 - Inspections, corrective action and reviews

We are working to further enhance workplace safety through various initiatives. Specifically, we conduct e-learning sessions for all employees to raise awareness and encourage proactive responses and we distribute a disaster response pocket manual for immediate reference during an emergency to all employees. We have put systems in place that allow us

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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to contact employees using smartphones, which they must carry at all times, to help us confirm their safety and maintain business continuity during emergencies. In addition, we conduct disaster training drills at each business site, hold basic survival courses and provide training that is tailored to the function of each division and we carry out first response drills with an emphasis on confirming employee safety and the capabilities of disaster response headquarters including checking the safety of all Unicharm employees in Japan. We are conducting ongoing training and drills assuming the nighttime evacuation of production bases since 2017 and nighttime managers drill assembly since 2020. In February 2020, we launched the Crisis Management Team in response to the spread of COVID19, as well as compiled and implemented the “COVID19 Response Guideline” to ensure each employee will take appropriate measures. Going forward, we will develop systems for responding to all incidents that can be assumed by strengthening risk countermeasures on a global level that incorporate risks such as uprisings or terrorism overseas.



Crisis response training drills assuming the nighttime evacuation (Shizuoka Plant)



Survival course at the head office

Smart factory in Kyushu that aims to effectively integrate people, knowhow and equipment

In March 2019, the Group's first smart factory, Kyushu Plant, began its operation.

The plant, designed to integrate “people, knowhow and equipment”, adopts Internet of Things (IoT) technology that

permits communication of factory on-site data in a timely manner which is capable of enhanced levels of safety and productivity. In terms of environmental protection, the new plant features over 70 energy-saving machines that help to reduce carbon dioxide emissions. With regard to reducing water consumption, by switching over from water-cooled to air-cooled equipment for the plant's ancillary equipment, the plant has succeeded in reducing the amount of waste water discharged to zero. In addition, by adopting driverless transporter vehicles and robots, we have “autonomated”^{*} the movement of heavy items within the plant and related materials supply operations, thereby reducing the amount of work that workers need to exert and enhancing efficiency. We have secured a supply system capable of functioning as an emergency location in addressing associated risks of operational shut down due to large scale disasters from a business continuity perspective as Unicharm's main production facilities in Japan are located in Fukushima, Shizuoka and Shikoku, which means that they are at risk of being damaged in the event of a major earthquake occurring in the Nankai Trough (it is anticipated that an earthquake of this type could cause serious damage in Western Honshu and in the Chubu region). In the future, we will roll out the adoption of smart technologies to our existing plants and realize effective business continuity plan (BCP) through our new production system which effectively diversifies risks.

^{*} “Autonomation” is a form of automation that aims to integrate the expert skills and knowhow that human workers possess with digital technology.



Kyushu Plant

Risk management information website

In 2017, we added “Risk Management Information Website” to our corporate Intranet, focused on potential risks to the lives of Unicharm employees working within and outside Japan. The Unicharm Group Charter of Actions specifies clear guidelines and criteria for responding to natural disasters, pandemics, occupational accidents, large-scale equipment-related accidents (all of the above are defined as safety risks), kidnapping, intrusion into and damaging of company facilities, terrorist attacks, riots, coups d'état and civil war. Information provided by Ministry of Foreign Affairs of Japan and a risk management company that we have contracted is updated on a daily basis and, in 2018, we compiled “Overseas Risk Management Manual” with handling procedures condensed into proper nouns and time for each event. In 2019, we compiled “Domestic Natural Disaster Response Manual” and “Headquarters Special Organized Crime Response Manual” and added pages to the various manuals included in our corporate Intranet. In 2020, we made a new announcement section on the top page for current travel restriction information in response to the Covid-19 pandemic as we continue to strive to keep up with current environmental changes and information concerning safety.



Risk Management Information Site

[Message from the President & CEO](#)
[Unicharm Group's COVID-19 Initiatives](#)
[Kyo-sei Life Vision 2030](#)
[Unicharm Group Sustainability](#)
[Key Topics](#)
[Environment](#)
[Human Rights](#)
[Responsibility to Our Customers](#)
[Quality](#)
[Labor Standards](#)
[Health and Safety](#)
[Human Resources Data](#)
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[Supply Chain \(Society\)](#)
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[Governance](#)
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Tax Compliance

Basic approach and policy

The Unicharm Group recognizes the appropriate payment of taxes in compliance with the tax laws of each country and region around the world as its basic policy. Based on this policy, the Group has established the “Unicharm Group Tax Regulations” which aims to establish a balanced, group-wide tax management system as well as maintain and enhance tax compliance with the following initiatives in place.

Compliance with tax laws

The Unicharm Group complies with applicable laws, files tax returns and pays taxes appropriately in the countries and regions where we conduct business. To ensure the appropriateness of subsequent tax management, decisions on important transactions inside and outside of Japan are made based on approval after consultation with the director in charge of accounting and finance following confirmation of treatment in tax law. Moreover, the Group has established, developed and appropriately implemented an internal control system that can ensure appropriate accounting treatment and financial reports. The effectiveness of this system is evaluated through audits by the accounting auditor and Audit and Supervisory Committee.

In addition, we use expert third-party tax advisors effectively and efficiently to maintain tax compliance. As well, regular employee training on taxation matters is conducted with the aim to raise awareness of tax compliance within the Company. During tax inquiries, the director in charge of accounting reports progress and results to President & CEO along with Audit & Supervisory Committee as needed, in an effort to enhance the entire Group's tax compliance.

Relationships with tax authorities

Tax information, etc. is provided in an appropriate and timely manner to tax authorities and efforts are made to improve transparency through advance queries on tax processing as necessary, create sincere and positive trust relationships with tax authorities and reduce tax risk. We also aim to provide top priority cooperation when it comes to tax inquiries through open and honest correspondence with inspectors in facilitating the process.

Support for the BEPS project


Recognizing the purpose of the Base Erosion and Profit Shifting (BEPS) Project by the Organization for Economic Cooperation and Development (OECD), the Unicharm Group pays special attention to ensure transactions are conducted for legitimate business purpose and real business activities and that appropriate taxes are paid in the appropriate region in order to prevent the transfer of tax sources to so-called tax havens (countries or regions with no or lower taxes) for the purpose of excess tax savings.

In addition, “transfer pricing regulations” have been established for the Unicharm Group in order to comply with the tax laws of each country and OECD Guidelines on transactions between the Group companies and, based on Arm's Length Principle, we work to achieve an appropriate allocation of global income in accordance with the contribution of each Group company while taking into consideration arm's length prices. Moreover, we apply, as necessary, for qualification for bilateral Advance Pricing Agreements in order to prevent dual taxation as a result of the transfer pricing regulation.

Third Party Assurance Report

We obtained third party assurance of Unicharm's "Sustainability Report 2021." The details are shown in the right.

This English language report is a translation of the original Independent Practitioner's Limited Assurance Report in Japanese for reader's convenience.



Independent Practitioner's Limited Assurance Report on Unicharm Group's Sustainability Report

March 30, 2021

**To: Mr. Takahisa Takahara, President and CEO
Unicharm Corporation**

PricewaterhouseCoopers Sustainability LLC
Otemachi Park Building,
1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

We have undertaken a limited assurance engagement of the information marked (□) (hereafter the "Selected Information") in the Unicharm Group's Sustainability Report 2021 (hereafter the "Report") for the year ended December 31, 2020.

We have not performed any procedures with respect to other information in the Report and, therefore, no conclusion is expressed on such information.

Management's responsibilities

Unicharm Corporation (hereafter the "Company") is responsible for the preparation of the Selected Information in accordance with the Company's policies and standards (hereafter "Reporting Criteria"), which is applied as explained in the footnotes of the Report. The Company's responsibility includes the design, implementation and maintenance of internal control, relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with the International Standard on Quality Control, we maintain a comprehensive system of quality control including documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Understanding reporting and measurement methodologies

The absence of a significant body of established practice on which to base the evaluation and measurement of non-financial information allows for different, but acceptable, measurement techniques. The nature of non-financial information, and the techniques and precision used to determine and evaluate it, can result in different measurements. This may affect comparability between different entities and periods of time. The Selected Information, therefore, should be read and understood together with the Reporting Criteria. The Reporting Criteria used is applicable as at December 31, 2020.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Selected Information based on the procedures we have performed and the evidence we have obtained. Depending on the type of information, we conducted our limited assurance engagement in accordance with:

- International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") for CO2 emission information.
- International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits and Reviews of Historical Financial Information ("ISAE 3000" revised December 2013) for other information in the Selected Information.

These standards require that we plan and perform this engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling information with underlying records. The details are as follows:

- inquiry with relevant the Company's management;
- evaluating the suitability of the Reporting Criteria as the basis for preparing the Selected Information;
- evaluating the overall presentation of the Selected Information;
- understanding the design of the key processes and controls for managing, recording and reporting the Selected Information. This included virtual visits to the three manufacturing sites listed below and one corporate office selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data and to obtain supporting information; and

Unicharm Products Co., Ltd. (Shikoku Factory, Kyushu Factory), Uni-Charm (Thailand) Co., Ltd. (Bangkok Factory)

- performing limited testing on a selective basis of the Selected Information at the corporate office and in relation to twenty-six manufacturing sites to check that data had been appropriately measured, recorded, collated and reported.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Selected Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information in this report for the year ended December 31, 2020 is not prepared, in all material respects, in accordance with the Reporting Criteria.

The maintenance and integrity of the Company's website is the responsibility of the Company's management. Our engagement did not consider matters relating to the maintenance and integrity of the Company's website. Accordingly, we accept no responsibility for any errors or changes to Selected Information or Reporting Criteria when presented on the website.

Message from the President & CEO	Unicharm Group's COVID-19 Initiatives	Kyo-sei Life Vision 2030	Unicharm Group Sustainability	Key Topics	Environment	Human Rights	Responsibility to Our Customers	Quality	Labor Standards	Health and Safety	Human Resources Data	Local Community	Supply Chain (Society)	Shareholders and Investors	Governance	Third Party Assurance Report	List of Awards and Commendations Received in Fiscal 2020
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List of Awards and Commendations Received in Fiscal 2020

A list of recognition from third parties we received in 2020:

Month and year	Name and description	Implementing organization	Recipient
February 2020	Best Japan Brands 2020: 31st Place	Interbrand	Unicharm Corporation
February	Toyo Keizai's "14th CSR Company Rankings" 45th in overall rankings	Toyo Keizai Inc	Unicharm Corporation
July	"Supply Chain Innovation Award 2020" Joint 1st Place	Distribution System Research Institute (Secretariat: Ministry of Economy, Trade and Industry)	PALTAC CORPORATION and YAKUODO Co., Ltd., Unicharm Corporation
July	Received the "Japan Child Care Support Grand Prize" *1	JCFS	Unicharm Corporation
August	Received the "Corporate Public Relations Grand Prize" at the 36th Corporate Public Relations Awards	Keizai Koho Center, Japan Institute for Social and Economic Affairs	Unicharm Corporation
August	"Natural Moony" (Newborn baby birth - 3000g, Newborn baby birth - 5000g, S Size) received recognition in the "Category of design for facilitating child birth & care" of Kids Design Award Contest and we received the 14th Kids Design Award	Kids Design Association NPO *2	Unicharm Corporation
August	Our "Hands-free Commute" received recognition in the "Category of design for facilitating child birth & care" of Kids Design Award Contest and we received the 14th Kids Design Award	Kids Design Association NPO *2	BABY JOB, Unicharm Corporation
September	"Natural Moony" won the "Kids Design Association Chairman's Award" at the 14th Kids Design Award Contest	Kids Design Association NPO *2	Unicharm Corporation
September	"18th Nikkei Brand Strategy Survey 2020" 88th Place	Nikkei Research	Unicharm Corporation
October	Received the "2020 Good Design Award" with our "Wave Floor Wiper"	Japan Institute of Design Promotion	Unicharm Corporation
October	"Sofy Non-Bleachable Sanitary Napkins" won the Grand Prize in the women's hygiene category of the "2020 Consumers Choice Awards"	Chuo SUNDAY	LG Unicharm Co., Ltd. (Korea)
October	At the 2020 60th ACC TOKYO CREATIVITY AWARDS, the "#NoBagForMe" project won the "ACC Silver Prize" in the Marketing Effectiveness Category and the "ACC Bronze Prize" in the Branded Communication Division C Category (PR).	ACC	Unicharm Corporation
October	"1st ESG Brand Survey" 44th Place	Nikkei BP Marketing	Unicharm Corporation
November	The "#NoBagForMe" project won "UNSTEREOTYPE Advertising Award" in the Nikkei Woman Empowerment Advertising Award Contest	Nihon Keizai Shimbun, Nikkei BP	Unicharm Corporation
November	"4th Nikkei Smart Work Management" Survey 2020: Earned overall evaluation of 4.5★	Nihon Keizai Shimbun	Unicharm Corporation
November	Nikkei "SDGs Management" Survey 2020: Earned overall evaluation of 4★	Nihon Keizai Shimbun	Unicharm Corporation
December	In partnership with BABYJOB Co., Ltd., "Hands-free Commute" won the Grand Prize at the "Japan Subscription Business Awards 2020"	Japan Subscription Business Association	BABYJOB Co., Unicharm Corporation
December	Received the "Minister of Land, Infrastructure, Transport and Tourism Award" at the "2020 Green Logistics Partnership Round-Table Excellent Business Awards" *3	Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry	Unicharm Products Co., Ltd., Home Logistics, Trancom Co., Ltd.
December	Received a certificate of appreciation for being among the companies and organizations that contributed significantly to the stability of people's lives by urgently increasing the production of sanitary products such as masks and wet wipes during the COVID-19 pandemic in Japan.	Ministry of Economy, Trade and Industry	Unicharm Corporation

*1 "Japan Child Care Support Grand Prize" is an award that highlights both things and activities that actually "helped" parents who are raising children as well as their grandparents.

*2 An NPO in which various companies and organizations across the various industries gather to create a social environment that leads to the healthy growth and development of children who will lead the next generation based on the "Three Design Missions for Kids Design."

*3 Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry and others commend businesses that have made outstanding achievements in building a sustainable logistics system by, such as, reducing the burden on the environment in the logistics field and improving logistics productivity.



See P.111 "Status of Inclusion in ESG Indexes"