

# 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"> <li>Use of water resources</li> <li>Treatment and management of drainage</li> <li>Reduction of packaging materials, recycling</li> </ul>	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>CO<sub>2</sub> reduction targets with suppliers</li> <li>Correlation with SDGs</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of environmental targets</li> <li>Increased waste, recycling response</li> <li>Procurement of sustainable materials</li> </ul>
		<ul style="list-style-type: none"> <li>Proper management of hazardous substances</li> <li>Emissions of VOC gases</li> <li>Labeling of carbon footprint</li> </ul>	<ul style="list-style-type: none"> <li>Legally compliant processing of waste</li> <li>Ratio of environmentally-friendly products</li> <li>Scenarios for science-based targets</li> </ul>	<ul style="list-style-type: none"> <li>Supplier selection and assessment results</li> <li>Collaboration with suppliers</li> <li>Promotion system and governance</li> </ul>
		<ul style="list-style-type: none"> <li>Environmental impact studies of plant sites</li> <li>Protection and restoration of IUCN red list species</li> </ul>	<ul style="list-style-type: none"> <li>Emissions of NOx and SOx</li> <li>Compliance with environmental laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Accuracy of non-financial data</li> <li>Percentage of third party certification</li> <li>Targets for renewable energy</li> </ul>
		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 <sub>2</sub> emissions base unit during manufacturing compared to 2015 (Japan)	Base year	-2.4%	-4%	-6%	-8%	-10%	-10%	○
	CO <sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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"> <li>• Effective utilization of water resources</li> </ul>	<ul style="list-style-type: none"> <li>• Effective utilization of forest resources</li> <li>• Promotion of environmentally-friendly products</li> </ul>	<ul style="list-style-type: none"> <li>• Tackling the problem of plastic waste polluting the oceans</li> <li>• Responding to climate change</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>• Responding to environmental air pollution (NOx/SOx)</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting measures to safeguard marine resources</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting a recycling society</li> <li>• Enhancing the quality of information disclosure</li> </ul>
	Low	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting efficient production activities</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate management of chemical substances</li> </ul>
		Impact on Unicharm <span style="float: right;">High</span>		

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 <sub>2</sub> emissions associated with raw materials procurement	2016	Per unit of sales -17%	Realizing a society with net zero CO <sub>2</sub> emissions
	Reducing CO <sub>2</sub> emissions in manufacturing	2016	Per unit of sales -34%	
	Reducing CO <sub>2</sub> 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.

### 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 CO<sub>2</sub>), 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)

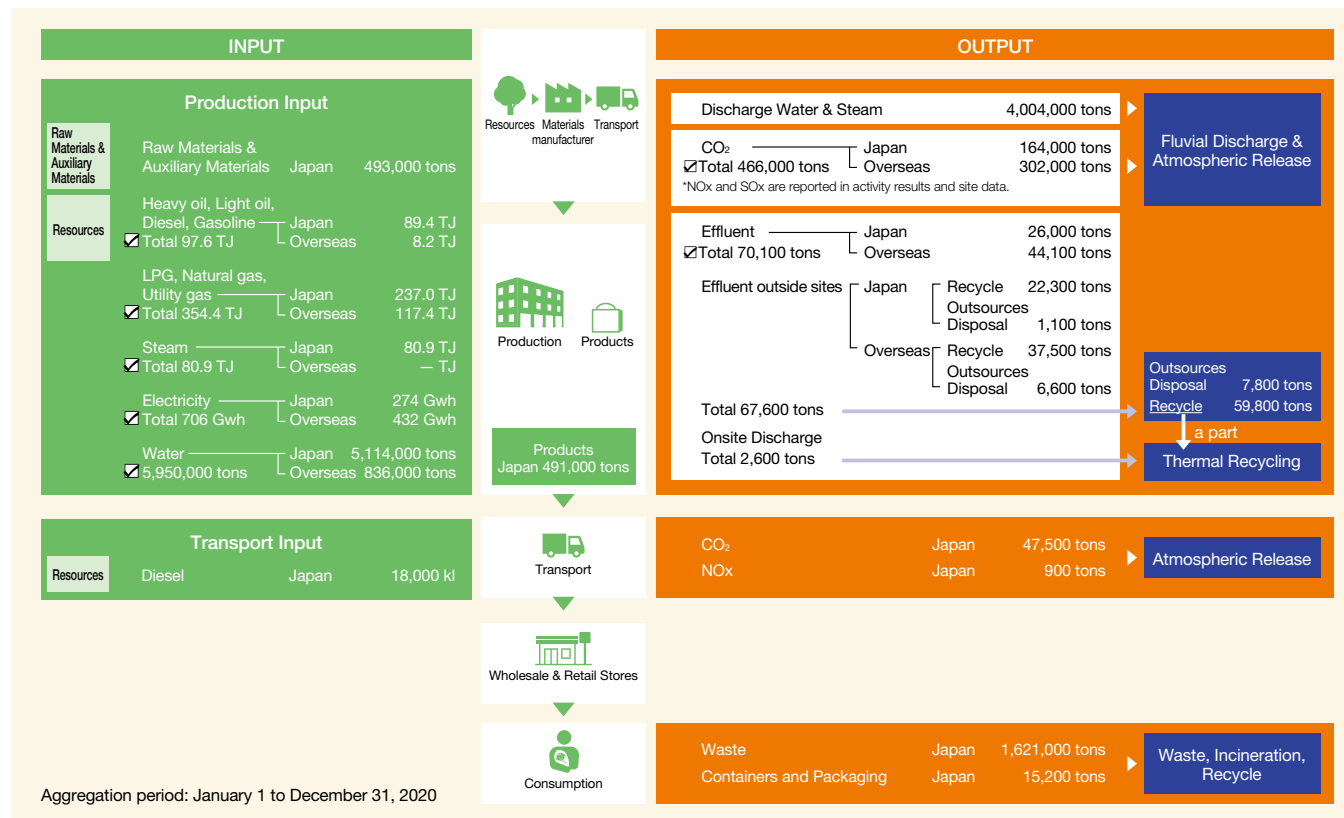
USA: The Hartz Mountain Corporation (Pleasant Plain manufacturing facility)

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:

- CO<sub>2</sub> 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.

### Energy/material flow from a lifecycle perspective



PDF See P.129 "Third Party Assurance"