

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

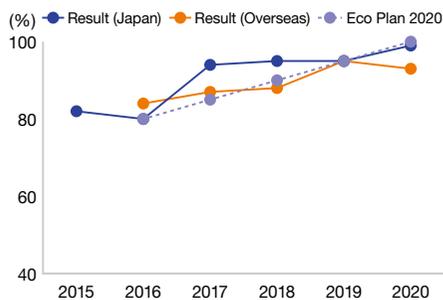
HCSF: High Carbon Stock Forests

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.

For more information, 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”