

Environmental Management

Basic Environmental Policy and Environmental Targets

2-12, 2-13, 2-23, 2-24, 3-1, 3-2, 3-3

Our Basic Approach and Strategy

The products and services 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 emissions of waste. Accordingly, as we expand operations globally with a focus on Asia, our role and responsibility in reducing environmental impact continues to increase year after year.

In order to pass on a beautiful Earth to future generations, we recognize that our role as a manufacturer of consumer goods is of major importance and we will contribute to the achievement of the Sustainable Development Goals (SDGs), the Paris Agreement, and other goals through our business, in accordance with the Unicharm Group Basic Environmental Policy.

We will also promote environmentally friendly manufacturing in all our business activities and provide products and services that bring comfort, excitement, and joy to people all over the world, thereby contributing to the realization of a sustainable society that protects the global environment and brings economic prosperity.

Under Environmental Targets 2030, formulated in May 2020, we set targets to achieve by 2030, based on our vision for 2050, for our response to three environmental issues: plastic waste, climate change, and deforestation. Meanwhile, in Kyo-sei Life Vision 2030, our medium- to long-term environmental goals announced in October 2020, we established initiatives under the theme of safeguarding the well-being of our planet and are taking the measures necessary to achieve these targets.

P012 Kyo-sei Life Vision 2030

P034 Environmental Targets 2030

▶ Unicharm Group Basic Environmental Policy

In order to pass on a beautiful Earth to future generations, we recognize that we must play a significant role as a manufacturer of disposable products. 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.

Basic Environmental Policy

1. Development of Environmentally Friendly Products and Services

We design and provide consumers with products and services that reduce environmental impact (energy and resource conservation and waste reduction) to the extent possible at each stage of the supply chain, including concept planning, raw materials procurement, manufacturing and processing, distribution and sales, product use, and disposal and recycling.

2. Response to Climate Change

With the aim of realizing a zero-carbon society, we work to prevent global warming by visualizing, accurately assessing, and reducing the amount of greenhouse gases along the value chain.

3. Reduction of Waste and Use of Energy and Resources

In order to protect the global environment, we strive to develop technologies that are conducive to reducing waste and the use of energy and resources at the product development and design stages. We also make every effort to use resources and energy efficiently, reduce waste and emissions, and recycle in all of our activities along the value chain.

4. Commitment to Local Communities and to Protecting the Natural Environment

When using forest and water resources in our activities along the value chain, we pay due consideration to biodiversity, strive to protect local communities and ecosystems, actively work to prevent wastewater and other forms of pollution, and act responsibly to ensure that we do not adversely impact these communities and the natural environment. If we were to realize that our business activities are having a negative impact on the environment, we would take corrective measures right away with the utmost priority.

5. Compliance with Laws and Regulations

We will comply with relevant laws, regulations, and ordinances at all stages of the product life cycle, from the procurement of raw materials to the disposal of used products, while establishing voluntary standards of conduct and striving to protect the global environment.

6. Strengthening of Communication with Society

We will contribute to the realization of a sustainable society by continuing to develop partnerships with suppliers and our various other stakeholders and becoming a company trusted by society.

Guidelines

1. Development of Environmentally Friendly Products and Services

- We strive to procure and use raw materials that are attuned to local production for local consumption.
- We will reduce the use of petroleum-derived plastic in our raw materials.
- We will establish recycling systems for used products and introduce this system in an increasing number of countries and regions.

2. Response to Climate Change

- We will accurately assess the amount of greenhouse gas emissions along the value chain, develop a plan to reduce them, and steadily put this plan into action.
- We will make active use of renewable electricity.

3. Reduction of Waste and Use of Energy and Resources

- We will make effective use of energy and raw materials.
- We will strive to use fewer resources in our products (including packaging) and promote recycling.
- We will reduce waste from all activities along the value chain.

4. Commitment to Local Communities and to Protecting the Natural Environment

- We strive to protect biodiversity and promote the development, use, and dissemination of technologies that contribute to sustainable use.
- We contribute to the protection and sustainable use of biodiversity at all stages of the value chain.
- We strive to use certified lumber and establish traceability to ensure that we do not contribute to forest destruction.
- We strive to monitor water risk and take appropriate measures when carrying out business activities in countries and regions with high water risk.
- We address water-related issues by making efficient use of water and preventing wastewater pollution.

5. Compliance with Laws and Regulations

- We comply with environmental laws, regulations, and ordinances that pertain to the Company.
- We establish and comply with voluntary standards as necessary.
- We assess compliance with laws, regulations, ordinances, and voluntary standards regularly and take corrective action in the event that compliance is inadequate.

6. Strengthening of Communication with Society

- We will promote activities to protect the Earth's ecosystem together with suppliers, customers, local communities, external organizations, specialists, and all other stakeholders by engaging in sincere dialogue.

Environmental Targets 2030

In order to formulate Environmental Targets 2030, we coordinated with the World Wide Fund for Nature (WWF) Japan in April 2019 to hold open discussions on environmental activities with the persons in charge of the ESG and marketing departments, identified material environmental issues, and established fixed targets. Based on the suggestions received from these discussions, we deliberated on themes proposed by the ESG Committee upon which we formulated Environmental Targets 2030 in May 2020. We continue to promote internal discussions aimed at achieving our targets.

Suggestions from open discussions:

(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. Approach to plastics pollution
 - Follow the 3Rs (reduce, reuse, recycle) in 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.
 2. Approach to responding to climate change
 - Take proactive steps toward the creation of a renewable energy society by announcing initiatives aimed at achieving a zero-carbon society by 2050 and through activities such as lobbying the government and electric power providers.

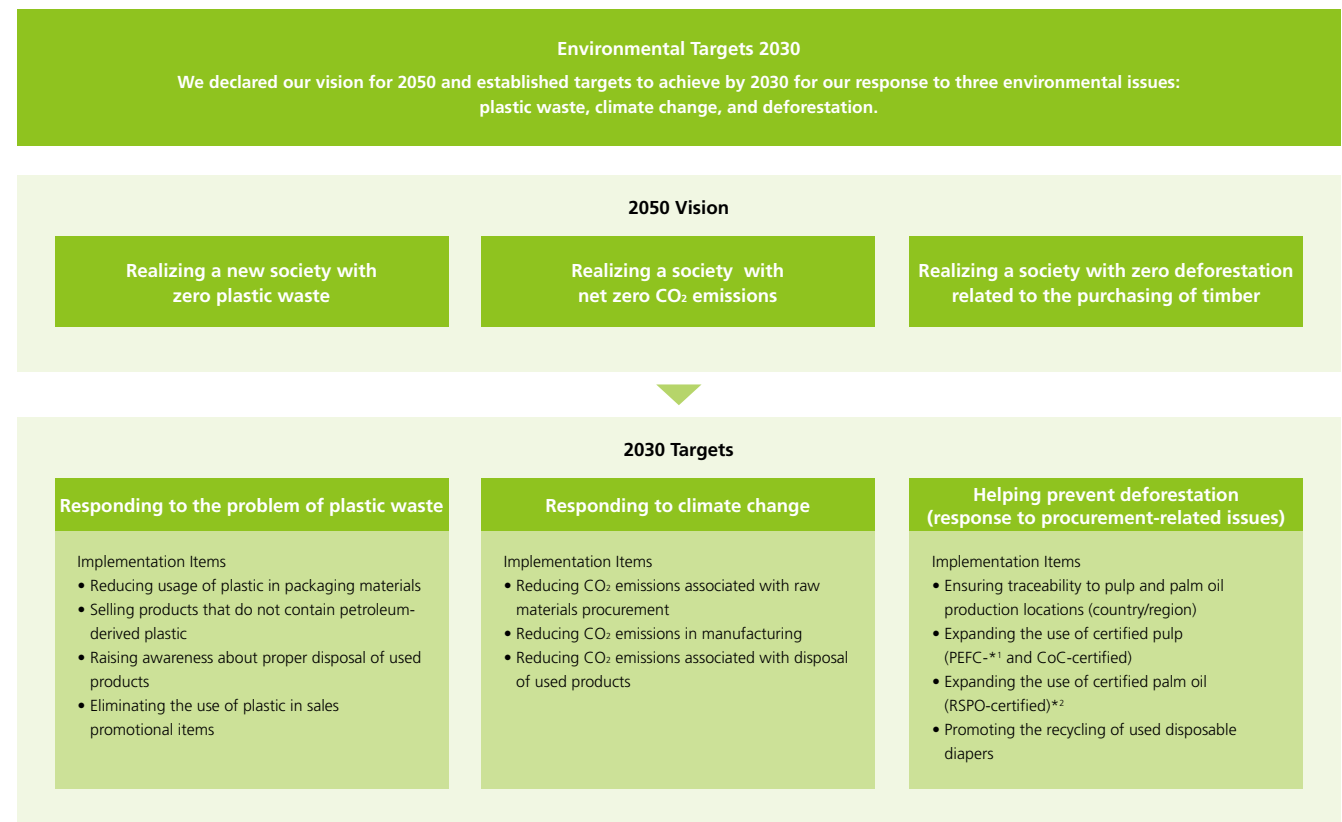
3. Approach to sustainable procurement of forest resources

- Conduct thorough surveys of production areas and share relevant information publicly as there may be problems in certain 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, promotional materials, and similar products.

Material Environmental Issues Identified by Unicharm for the Period Leading up to 2030

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

Environmental Targets 2030 (2050 Vision and 2030 Targets)



*1 Programme for the Endorsement of Forest Certification

*2 Roundtable on Sustainable Palm Oil

► Progress of Environmental Targets 2030

	Implementation Items	Base Year	2021 Results	2022 Targets	2022 Results	2023 Targets	2030 Targets	2050 Vision
Responding to the problem of plastic waste	Reducing usage of plastic in packaging materials	Per unit of sales	2019*1	-0.2%	-6.0%	-12.3%	-14.0%	-30%
	Selling products that do not contain petroleum-derived plastic	—	—	Development ongoing	Development ongoing	Development ongoing	Development ongoing	10 or more stock-keeping units (SKUs) sold
	Raising awareness about proper disposal of used products	—	—	38% (6 countries and regions)	45%	50% (8 countries and regions)	56%	Rolled out at all Group companies
	Eliminating the use of plastic in sales promotional items	—	2019	-8.9% (Japan)	-20.0%	-81.8% (Japan)	-30.0%	In principle, reduced to zero at all Group companies
Responding to climate change	Reducing CO ₂ emissions associated with raw materials procurement	Per unit of sales	2016	9.7% (Japan)	-3.4%	-12.6% (Japan)	-14.3% (Japan)	-17%
	Reducing CO ₂ emissions in manufacturing	Per unit of sales	2016	-26.9%	-28.0%	-35.2%	-38.6%	-34%
	Reducing CO ₂ emissions associated with disposal of used products	Per unit of sales	2016	23.7% (Japan)	-5.2%	-11.6% (Japan)	-14.2% (Japan)	-26%
Helping prevent deforestation (response to procurement-related issues)	Ensuring traceability to pulp and palm oil production locations (country/region)	Forest-derived raw materials*2	—	97.0%	98.0%	97.1%	98.0%	Completed
		Palm oil	—	77.2%	80.0%	72.2%	80.0%	
	Expanding the use of certified pulp (PEFC- and CoC-certified)	Percentage of certified factories*3	—	52.0%	60.0%	56.0%	64.0%	100%
		Percentage of certified materials procured	—	76.0%	75.0%	72.3%	75.0%	
	Expanding the use of certified palm oil (RSPO-certified)	—	—	77.2%	80.0%	72.2%	80.0%	100%
	Promoting the recycling of used disposable diapers	—	—	Development ongoing	Development ongoing	2 ⁴	2	Rolled out in at least 10 municipalities

*1 We have updated our base year from 2016 to 2019 following a review in 2020.

*2 Percentage of raw materials derived from forest resources for which traceability has been established to their place of origin (country and region), in addition to third-party certified materials. Forest-derived raw materials include pulp, tissue, separators, and airlaid pulp.

*3 Percentage of Unicharm factories that have acquired CoC (chain of custody) certification

*4 In 2022, we operated recycling facilities in two municipalities, Shibushi City and Osaki Town of Kagoshima Prefecture (demonstration trials on the collection of used disposable diapers conducted in Higashiyamato City in 2020 and Machida City in 2021).

2022 Results

Responding to the problem of plastic waste

- Reducing usage of plastic in packaging materials: We reduced the amount of plastic used in packaging materials by 12.3% (per unit of sales), compared with 2019 standards, by minimizing the laminated areas of packaging and using paper packaging instead.
- Selling products that do not contain petroleum-derived plastic: We continue to promote the development of products that are free of petroleum-derived plastic in the countries and regions in which we operate.
- Raising awareness about proper disposal of used products: The packaging used for Unicharm's products in eight countries and regions contains information on the proper way to dispose of used products. We also promote efforts such as conducting classes on waste separation and recycling for children, who will pave the way for the future of our planet.
- Eliminating the use of plastic in sales promotional items: We reduced the amount of plastic used in sales promotional items by 81.8%, compared with 2019 standards, by switching from plastic to paper materials for sales promotional items used in product displays, with priority placed on our business in Japan.

P.041 Plastic Waste Reduction Measures

Responding to climate change

- Reducing CO₂ emissions associated with raw materials procurement: We reduced the amount of CO₂ emissions from our procurement of raw materials by 12.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging.
- Reducing CO₂ emissions in manufacturing: We achieved our 2030 targets ahead of schedule by reducing CO₂ emissions by 35.2% compared with 2016 standards by switching to renewable power sources.
- Reducing CO₂ emissions associated with disposal of used products: We reduced the amount of CO₂ emissions from the disposal of used products by 11.6% (in Japan, per unit of sales), compared with 2016 standards, by promoting the development of lighter, slimmer products and thinner packaging, in the same manner as our raw materials procurement activities.

P.045 Zero-Carbon Society

Helping prevent deforestation (response to procurement-related issues)

- Ensuring traceability to pulp and palm oil production locations (country/region), expanding the use of certified pulp (PEFC- and CoC-certified), and expanding the use of certified palm oil (RSPO-certified): While we were unable to achieve our 2022 target for pulp, we expect to achieve the 2023 target through efforts such as the conclusion of a memorandum of understanding with the SGEC and PEFC Japan on the joint promotion of sustainable forest use and conservation. In addition, we were unable to achieve our 2022 target for palm oil due to an overall decline in the use of certified palm oil stemming from the increased use of smaller amounts of certified palm oil, which can be difficult to procure.
- Promoting the recycling of used disposable diapers: We operated recycling facilities in the two municipalities of Shibushi City and Osaki Town in Kagoshima Prefecture.

P.055 Biodiversity Conservation

Management Structure

Our environmental activities are collectively managed and overseen by the ESG Committee, which is chaired by the president & CEO and operated under the Board of Directors. The implementation of ISO 14001, which closely relates to our day-to-day operations, is pursued independently by each of our business locations and involves a Plan–Do–Check–Act (PDCA) cycle and gate control based on preset control points and key performance indicators (KPIs). The ESG Division is responsible for tasks such as understanding the environmental situation and it 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.

The key initiatives established for safeguarding the well-being of our planet under Environmental Targets 2030 and Kyo-sei Life Vision 2030, which have been positioned as our key environmental targets, are translated into targets for each individual division and involve finely tuned activities such as individual targets and weekly action plans linked to each division. The key initiatives in Kyo-sei Life Vision 2030 center on the achievement of certain targets by 2030 while Environmental Targets 2030 focuses on ensuring results year after year.

Director Remuneration System Incorporating ESG Assessments

To ensure that directors and executive officers take the lead in implementing ESG strategies and achieving ESG targets, in 2020, ESG was incorporated into the evaluation criteria for

directors (excluding those who are Audit & Supervisory Committee members) and executive officers. ESG was also incorporated into the evaluation criteria for all employees in 2023.

P.121 Evaluation Criteria for and Basic Policy on Executive Remuneration and Fiscal 2022 Remuneration Targets and Results

Environmental Management System Based on ISO 14001 Certification

Unicharm has acquired ISO 14001 certification, the international standard for environmental management, at all of its business sites in Japan and overseas and continues to promote environmental conservation activities by implementing and operating an environmental management system (EMS) based on this standard. As of December 31, 2022, 68.8% (76.9% in Japan, 63.2% overseas) of our business sites had acquired ISO 14001 certification.

P.064 The Unicharm Group's ISO Certifications

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, including target-focused audits such as: (1) regular audits in conformance with ISO 14001, (2) on-site confirmations at industrial waste processing partners, and (3) verification of compliance with laws and regulations.

Results of Environmental Regulatory Audits

307-1

It has been confirmed that, in 2022, surveys, data, and documentation for submission to governments as required by environmental laws and regulations were submitted correctly. No fines have been incurred for violations of environmental laws or regulations. Furthermore, there are no environmental matters pending.

Environmental Management Structure



P.010 ESG Promotion Structure

Initiatives and Results

Medium- to Long-Term Policy Briefing Session for Suppliers

As a manufacturer of consumer products, we use resources in various aspects of our 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 in all our business activities, from the procurement of materials to the manufacturing, transport, and disposal of products after use. In October 2022, we held our medium- to long-term policy briefing session for suppliers to raise awareness of the Basic Policy of Procurement, the Unicharm Group Sustainable Procurement Guidelines, and the Unicharm Group Policy on Human Rights, which declare our stance on issues related to human rights, labor, and the environment that can arise during procurement and on measures to ensure consistent quality. Through this briefing, we also asked for greater cooperation from suppliers on the GHG Emissions Visualization Project and Sedex as we proceed along the path to achieving Kyo-sei Life Vision 2030 and Environmental Targets 2030.

P.045 GHG Emissions Visualization Project

Environmental Education for Employees

To enhance the environmental awareness of employees, we provide environmental education through new employee training and other training programs, the Company intranet, and the sharing of information via email. Unicharm also holds workshops on a regular basis for employees to acquire the specific skills that are necessary for their respective duties.

Stakeholder Engagement

Climate change and other environmental issues cannot be resolved through the efforts of Unicharm alone. For that reason, we promote and actively take part in the various measures and initiatives undertaken by companies, organizations, and governments.

In accordance with the Japanese government's declaration to achieve carbon neutrality by 2050, Unicharm is actively promoting measures to address climate change in order to achieve its 2050 vision of realizing a zero-carbon society.

Also, we are a member of the Japan Business Federation (hereafter Keidanren) and are proactively working toward the measures it promotes, including:

- Actions by the Business Community on Long-term Global Warming Countermeasures up to 2050,
- Keidanren Carbon Neutrality Action Plan,
- Voluntary Action Plan for the Formation of a Recycling-Oriented Society,
- Japan Partnership for Circular Economy (J4CE), and
- Keidanren Declaration of Biodiversity and Action Policy.

P.135 External Partnerships

CDP

In an effort to actively disclose information to its various stakeholders around the world, Unicharm participates in and responds to questionnaires for the CDP, an international non-profit organization that conducts environmental surveys globally and discloses such information toward the realization of a sustainable society.



CDP Rating

	2020	2021	2022
Climate Change	A-	A-	A-
Forests	B-	B	B
Water Security	B-	B	B

web CDP Questionnaire: Climate Change

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/CDP_ClimateChange2022.pdf

web CDP Questionnaire: Forests

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/CDP_Forests2022.pdf

web CDP Questionnaire: Water Security

https://www.unicharm.co.jp/content/dam/sites/www_unicharm_co_jp/pdf/csr-eco/report/CDP_WaterSecurity2022.pdf

Selection as a CDP Supplier Engagement Leader

Unicharm was selected as a CDP 2022 Supplier Engagement Leader for ranking in the top eight percentile of companies assessed for supplier engagement on climate change in the Supplier Engagement Rating of the CDP Climate Change 2022 Questionnaire.

