

Biodiversity

Biodiversity Conservation

304-2

Our Basic Approach and Strategy

Unicharm promotes the use of resources in a sustainable manner based on the belief that damage to biodiversity caused by our business activities would result in tremendous damage to the entire value chain. With regard to pulp and paper in particular, which we use extensively as raw materials, we established the Forest-Derived Raw Materials Procurement Guidelines, procure materials only from properly managed forests, and contribute to the mainstreaming of biodiversity by eliminating illegally logged timber and protecting the rights of local residents and forestry-related workers.

Under the theme of “helping prevent deforestation (response to procurement-related issues),” part of our Environmental Targets 2030 announced in May 2020, we declared our 2050 Vision of “realizing a society with zero deforestation related to the purchasing of timber” to contribute to the preservation of biodiversity. To realize this vision, we set targets for 2030 that include ensuring traceability, completing confirmation of origin, and switching to 100% certified pulp and palm oil, as well as promoting the recycling of used disposable diapers.

▶ Forest-Derived Raw Materials Procurement Guidelines

Introduction

Unicharm recognizes the seriousness of environmental issues that have emerged in recent years, including the impact of global warming and loss of biodiversity, and 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 initiative toward the current environmental issues regarding plantations 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 further specify and enhance the Basic Environmental Policy and the Basic Policy of Procurement more specific regard to biodiversity.

Goals

By 2030, Unicharm aims to only procure raw materials that are sustainably sourced and recycled and achieve 100% supply chain traceability for the pulp and paper used in the absorbent materials of its products and the small quantities of palm oil used in its pet foods

When using virgin pulp other than wastepaper or recycled pulp,

we work with suppliers to fully ensure that it does not contribute to deforestation. More specifically, we confirm whether the pulp and paper used in our products have obtained third-party certification, including the Programme for the Endorsement of Forest Certification (PEFC), and certificates of origin other than high conservation value forests (HCVFs) or high carbon stock forests (HCSFs). As for palm oil, we are switching to the use of Roundtable on Sustainable Palm Oil (RSPO)-certified oil.

In addition, we will readily participate in the activities of industry organizations and strive to use sustainably sourced forest resources in our products.

Action Guidelines

- (1) Prioritize the use of waste paper, recycled pulp, and mill broke (paper trimmings and scrap generated during the paper manufacturing process)
- (2) Prioritize the use of forest resources certified by reputable third parties such as the PEFC
- (3) In the case of forest resources for which third-party certification is not available, promote the establishment of supply chains that are verified for the following:
 - certificates of origin and tags, etc., to ensure that the resources in question are not logged from HCVFs or HCSFs
 - a guarantee that no damage is caused to forests
 - respect for the human rights of workers and indigenous residents and prohibition of forced and child labor
 - compliance with local laws and regulations

P.022 Unicharm Group Basic Environmental Policy

P.103 Basic Policy of Procurement

Risks and Opportunities

Risks

Pulp raw materials come from North American slash pine that has been systematically planted and logged. However, if the cultivation of slash pine becomes difficult due to drought caused by global warming or forest fires caused by excessive dryness, there is a risk that the balance of supply and demand for raw materials will collapse, making stable procurement difficult, which could lead to higher purchase prices. There is also a risk that procurement costs for palm oil will increase due to higher demand for certified oil from the Roundtable on Sustainable Palm Oil (RSPO) and other organizations in consideration of sustainability, while in the absence of such consideration, there is a risk that wholesalers, retailers, and other distributors will stop handling palm oil and consumers will refrain from purchase.

Furthermore, there is a risk of incurring substantial costs to restore sites to their original state in the event of adverse impacts on biodiversity.

Opportunities

Proactive use of certified materials contributing to sustainability is expected to lead to the stable procurement of raw materials and control costs. Additionally, through collaboration with wholesalers and retailers to offer products that focus on the importance of biodiversity, we expect to gain consumer understanding and expand sales. Furthermore, by utilizing pulp made from hardwoods, which grow quickly and can be planted and logged systematically in Southeast Asia, we can expect to secure stable supplies of raw materials and reduce transportation costs in Asia, where we are expanding business. We believe these efforts will also lead to the revitalization of local economies through local production for local consumption.

Management Structure

Plans and progress on important biodiversity-related issues are shared and reported at ESG Committee meetings held four times a year and chaired by the president & CEO. Specific plans are organized in line with the Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) frameworks and reported in accordance with Environmental Targets 2030 and Kyo-sei Life Vision 2030.

We identify and review biodiversity problems and material issues through open discussions with outside experts to 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 sustainability assurance.

P.009 Sustainability Promotion System

Indicators and Targets

▶ Helping Prevent Deforestation (Response to Procurement-Related Issues) Under Environmental Targets 2030

Implementation Items		Fiscal 2021 Results	Fiscal 2022 Results	Fiscal 2023 Targets	Fiscal 2023 Results	Fiscal 2024 Targets	2030 Targets	2050 Vision
Ensuring traceability to pulp and palm oil production locations (country/region)	Forest-derived raw materials*1	97.0%	97.1%	98.0%	99.2%	100%	Completed	Realizing a society with zero deforestation related to the purchasing of timber
	Palm oil	77.2%	72.2%	80.0%	68.0%	95%		
Expanding the use of certified pulp (PEFC- and CoC-certified)	Percentage of certified factories*2	52.0%	56.0%	64.0%	64.0%	72%	100%	
	Percentage of certified materials procured*3	76.0%	72.3%	75.0%	72.6%	73%		
Expanding the use of certified palm oil (RSPO-certified)*4	—	77.2%	72.2%	80.0%	68.0%	95%	100%	
Promoting the recycling of disposable diapers	—	Development ongoing	2*5	2	2	2	Rolled out in at least 10 municipalities	

*1 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

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

*3 In fiscal 2023, the calculation method was changed from a shipping weight basis to a purchase weight basis using the formula "purchase weight of 100% PEFC-certified pulp ÷ overall pulp purchase weight" and figures for fiscal 2022 and earlier have been retroactively recalculated.

*4 Certified palm oil is RSPO-certified oil based on the mass balance system.

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

▶ Kyo-sei Life Vision 2030: Safeguarding the Well-Being of Our Planet

Indicators	Fiscal 2021 Results	Fiscal 2022 Targets	Fiscal 2023 Results	2030 Targets
No. of products and services that implement the "3Rs + 2Rs" based on Unicharm's unique approach	Development ongoing	2	2	10 or more
No. of disposable paper diaper recycling facilities introduced	Development ongoing	1	1	10 or more

Initiatives and Results

Forest-Derived Raw Materials

Procuring Sustainable Forest-Derived Raw Materials

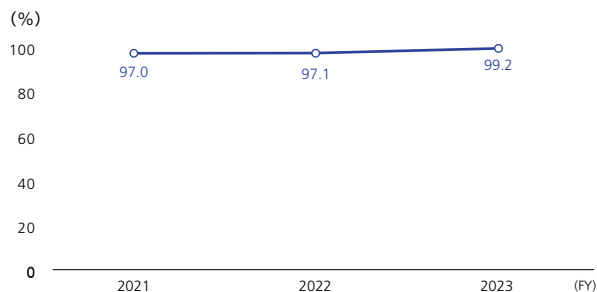
Unicharm is promoting the procurement of sustainable forest-derived raw materials. Much of the pulp used in product absorbent materials is made from Forest Management (FM)-certified softwood forests native to North and South America. We also request that suppliers not use raw materials harvested from high conservation value forests (HCVFs) and high carbon stock forests (HCSFs), which have a significant impact on biodiversity. Since fiscal 2016, we have expanded the scope of this policy to include local suppliers overseas in an effort to promote sustainable raw material procurement.

The percentage of forest-derived raw material (pulp) traceable to its origin was 99.2% for the Group overall.

Environmental Targets 2030: Ensuring the traceability of forest-derived raw materials to their origin

FY2023 Results
Percentage of forest-derived raw materials traceable to their origin
99.2%

Percentage of Forest-Derived Raw Materials Traceable to Their Origin



Expanding the Use of Certified Pulp (PEFC- and CoC-Certified)

We are working on a Groupwide basis to acquire CoC certification under the Programme for the Endorsement of Forest Certification (PEFC), and in fiscal 2023, acquired certification for Factory #1 and Factory #2 at DSG International (Thailand), and for the Jaguariúna Factory in Brazil. As of December 31, 2023, 16 of 25 eligible factories have acquired certification, bringing the percentage of PEFC- and CoC-certified factories to 64.0%, while 72.6% of the pulp we procured was PEFC-certified.*1

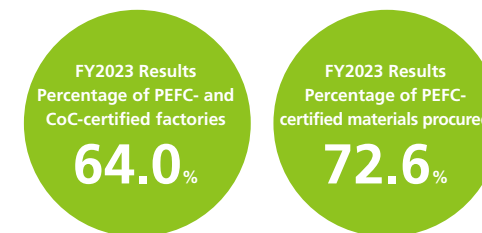
PEFC- and CoC-certified labels have been included on the packaging of *Moony Natural*, *Moonyman Natural*, *Moony*, *Moonyman*,*2 *Moony Oyasumi-Man* (Japan),*2 *MamyPoko* (South Korea), *MamyPoko Pants* and *PETPET Pants* (Malaysia), and other disposable baby diaper products produced at our CoC-certified factories around the world. Moreover, we endeavor to promote awareness of Unicharm's initiatives among consumers by posting information on our products containing pulp and paper made from appropriately managed forest-derived raw materials on social media and our corporate website.

*1 PEFC 100% certified pulp
*2 Excluding super big size

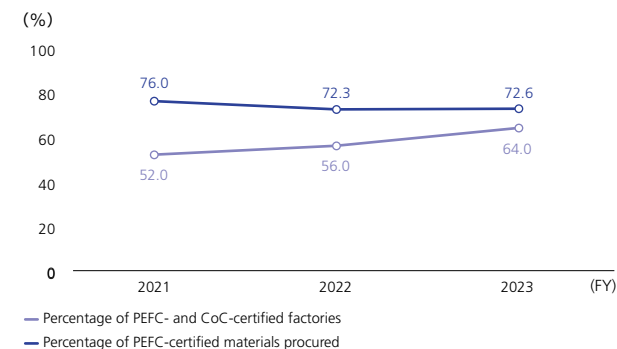


Products with the PEFC certification label (from left: Japan, South Korea, and Malaysia)

Environmental Targets 2030: Expanding the use of certified pulp (PEFC- and CoC-certified)



Percentage of PEFC- and CoC-Certified Factories and Percentage of PEFC-Certified Materials Procured



List of PEFC- and CoC-Certified Factories

Fiscal Year of Certification	Factory
2020	Karawang Factory No. 1 and No. 2, East Java Factory (Indonesia)
	Wellgrow Factory (Thailand)
	Fukushima Factory, Shizuoka Factory, Shikoku Chuo Factory, Kyushu Factory (Japan)
2021	Gumi Factory (South Korea)
	DSG Malaysia Factory (Malaysia)
	Hartz Pleasant Plain Factory (United States) Junan Factory (Taiwan–Greater China)
2022	Mie Factory (Japan)
2023	DSG Factory No. 1 and No. 2 (Thailand)
	Jaguariúna Factory (Brazil)

Concluding a Memorandum of Understanding Related to Forest Certification Joint Promotion

Unicharm, the Sustainable Green Ecosystem Council (SGEC), and PEFC Japan concluded a memorandum of understanding (MoU) in November 2022 to jointly promote the following six areas of sustainable forest use and protection. Furthermore, in an effort in an effort to “3. Conduct activities that contribute to the conservation of forest resources” as stated in the MoU, we participated in tree-planting activities conducted by SGEC and PEFC Japan in October 2023.



Forest Certification Joint Promotion Ceremony

P.049 Participation in the 5th Low-Pollen Cedar Tree Planting Festival (Japan)

MOU Related to Forest Certification Joint Promotion

1. Increase use and exposure of PEFC labels
2. Promote sustainable forest use along the supply chain
3. Conduct activities that contribute to the conservation of forest resources
4. Enhance awareness of the benefits of using PEFC-certified materials
5. Give full consideration to the use of PEFC-certified paper for paper other than that used for Unicharm products
6. Introduce PEFC-certified products through our corporate website, newsletters, and social media, and the intranet used by PEFC member companies

Expanding Use of Certified Materials in Paper Packaging

From fiscal 2019, we switched to the use of certified materials for paper packaging and cardboard for masks, tampons, cosmetic cotton, cat food, and other products sold in Japan.



Paper packaging made from certified materials

Percentage of Office Paper Made from Certified Materials

We also value the importance of environmental awareness regarding paper used in our offices, and in fiscal 2023, 99.6% of office paper used was made from environmentally friendly materials (with 83.5% of office paper made from 100% recycled paper and 16.1% made from certified materials). The Unicharm Head Office is also gradually transitioning to office paper made with PEFC-certified paper.

Use of Hardwood Pulp

As hardwoods grow quickly and can be systematically harvested in Southeast Asia, we are promoting the development of products utilizing hardwood pulp as a raw material. For Unicharm, which is extensively engaged in business throughout Asia, the use of hardwood pulp diversifies raw material procurement sources and reduces transportation costs, while also leading to the development of local economies through the promotion of local production for local consumption.

Compared to the conventional softwood pulp we mainly use, hardwood pulp fibers are thinner and softer, which presents a challenge molding. In response, we developed a technology that uses a 3D fiber process to join the fibers, making them difficult to tear. This process creates an absorbent material that keeps its shape even with vigorous movement and perspiration. In fiscal 2020, we launched *Sofy SPORTS* sanitary pads that make the most of these features. In September 2023, we launched *Sofy Synchro Fit Daytime Use for Especially Heavy Menstrual Flow Thick Type*, a sanitary product leveraging the thin and soft characteristics of hardwood pulp featuring high-density absorbent materials that conform to the body and prevent leakage even when physically active, providing approximately 1.2 times greater absorbency than standard products.



Providing and Expanding Our Line of Products Using Plant-Derived Components

Unicharm is enhancing its development and supply of products using plant-derived components.

P.031 Utilizing Plant-Derived Plastics

Providing and Expanding Our Line of Organic Products

Unicharm is expanding its product lineup to include products made using organic cotton, which minimizes environmental impacts on soil and water quality.

Initiatives in Japan

In Japan, along with expanding our lineup of *Moony Natural* and *Moonyman Natural* disposable baby diapers and *Sofy Organic Cotton* sanitary pads, we released *Lifree Sawayaka Pad Organic Cotton* for urinary incontinence care, *Sofy Center-in Compact 1/2 Organic Savon Scent*, and other products using organic cotton in fiscal 2023.

Number of Products Using Organic Cotton (Japan)

Fiscal Year	No. of Products
2021	23
2022	33
2023	53



Initiatives in Indonesia

During fiscal 2022 in Indonesia, Unicharm released *MamyPoko Royal Soft Organic Cotton*, a disposable baby diaper that uses organic cotton as part of the top sheet which comes into contact with infant skin. This product uses only organic cotton certified with Organic Content Standard (OCS) 100 of Control Union Certifications B.V., which certifies that the cotton is grown naturally without the use of pesticides. It has been highly praised and selected by the Indonesian World Record Museum (MURI) in October 2023 in recognition of the product's responsiveness to consumer feedback.

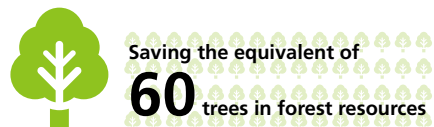


Recycling of Used Disposable Diapers

Since 2015, Unicharm has conducted demonstration trials involving the recycling of disposable diapers. In June 2022, select nursing care facilities in Kagoshima Prefecture began using disposable adult diapers that use recycled materials for a portion of their absorbent paper, realizing the horizontal recycling of used disposable diapers. In our recycling system, collected diapers are washed and separated, then undergo a unique ozone treatment process to sterilize and recycle the extracted pulp, making it equivalent to unused raw materials in terms of hygiene, safety, and use.

As of fiscal 2023, Unicharm operates used disposable diaper recycling facilities in the two municipalities of Shibushi City and Osaki Town, Kagoshima Prefecture.

Furthermore, although the production of virgin pulp for paper pants requires wood, we learned that 100 used adult disposable diapers recycled over a one-year period could save the equivalent of 60 trees in forest resources.*1



*1 Based on Unicharm research, March 2024

Environmental Targets 2030: Promoting the recycling of used disposable diapers



P.025 Reff Project Targeting the Realization of a Recycling-Based Society

Forest Conservation Activities

Participation in the 5th Low-Pollen Cedar Tree Planting Festival (Japan)

Unicharm has participated in tree-planting festivals held by SGEC and PEFC Japan since fiscal 2022. In fiscal 2023, we participated in the 5th Low-Pollen Cedar Tree Planting Festival held in October, donating approximately 200 cedar trees through the Matching Fund.*2



*2 Created to provide support for disaster-affected areas. Original polo shirts, jumpers, and other goods are sold within the company and worn by employees, with the company donating an amount equivalent to the purchase price of the goods to charity.

P.111 Matching Fund (Support for Disaster-Affected Areas)

Mangrove Planting (Malaysia)

In June 2023, Unicharm's local subsidiary in Malaysia collaborated with an NGO to plant mangroves in support of the "Greening Malaysia—Our Trees, Our Life" campaign launched by the Ministry of Natural Resources, Environment and Climate Change of Malaysia. Thirty employees participated in this event, planting 50 mangrove saplings.



Employee Awareness-Building (Brazil)

In June 2023, at Unicharm's local subsidiary in Brazil, a total of 400 tree and plant saplings were distributed to increase employee awareness of forest conservation.



Initiatives Aligned with Environment Day (India)

In June 2023, employees at Unicharm's local subsidiary in India conducted cleanup activities and planted trees around their respective plants in conjunction with World Environment Day.

Acacia Mangium Planting (Vietnam)

In November 2023, Unicharm's local subsidiary in Vietnam planted approximately 1,300 acacia mangium saplings in the vicinity of the Bắc Ninh Factory.



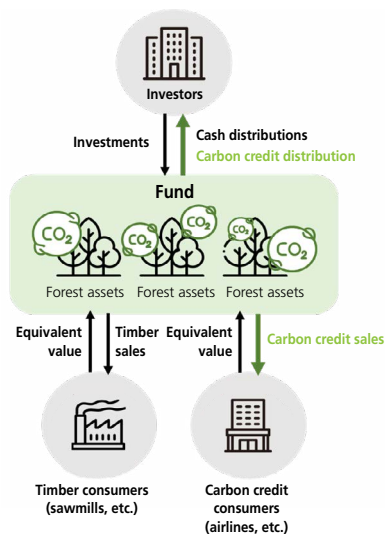
Participation in Green Campaign (Indonesia)

In December 2023, Unicharm's local subsidiary in Indonesia participated in the Green Campaign held in Karawang International Industrial City where our factory is located, planting a total of 1,150 mango and laurel saplings and vegetable seedlings in cooperation with 36 companies in the industrial park.



Participation in "Eastwood Climate Smart Forestry Fund I"

Unicharm is a participant in the "Eastwood Climate Smart Forestry Fund I" launched in June 2023 and managed by the Sumitomo Forestry Group. This fund consists of investments from 10 Japanese companies, including Unicharm, that aim to implement sustainable forest management, which contributes to combating climate change, in addition to conventional forest management for timber production. The investor companies receive profits from timber sales and carbon credits generated from the forests through appropriate forest management with the aim of contributing to carbon offsetting for society as a whole.



Participation in Forest Carbon Credit Project (Thailand)

In August 2023, Unicharm's local subsidiary in Thailand became the first manufacturer of consumer goods, including daily necessities, to participate in the "Carbon Credit from Community Forests for Sustainability" project sponsored by the Mae Fah Luang Foundation under Thai Royal Patronage. This project aims to provide proper protection for forests, prevent forest fires, conserve biodiversity, and generate sustainable income for local communities through forest carbon credits.

Palm Oil

Procuring Sustainable Palm Oil

Unicharm joined the RSPO in fiscal 2017 and promotes the procurement of certified sustainable palm oil.

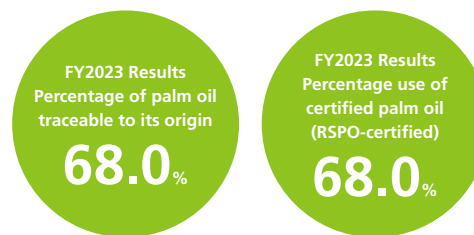
The palm oil used in our pet foods is Fuji Oil Holdings Inc.'s RSPO-certified oil. Fuji Oil is working to improve the traceability of palm oil to the oil mills and plantations of its suppliers.

In 2023, Unicharm's procurement of RSPO-certified palm oil based on the mass balance system* was 113.1 tons, while 68.0% of the palm oil used was traceable to its origin. 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.

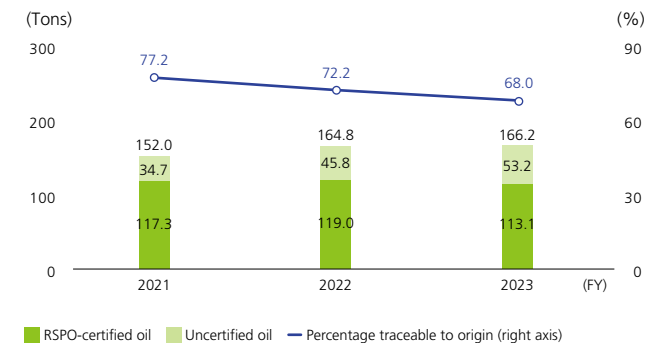


* A certification model in which certified oil produced at certified farms is mixed with other uncertified oil during the distribution process. Although the certified oil physically contains uncertified oil, the certified farms and the amount of certified oil purchased are guaranteed.

Environmental Targets 2030: Ensuring the traceability of palm oil to its origin and expanding the use of certified palm oil (RSPO-certified)



Amount of Palm Oil Procured and Percentage of Palm Oil Traceable to Origin



web Unicharm's progress can be confirmed here:
<https://rspo.org/>

web Fuji Oil Holdings Inc. > Sustainable Procurement of Palm Oil
https://www.fujioilholdings.com/en/sustainability/palm_oil/