

Supply Chain Management

308-1,308-2

Sustainable Procurement

2-24,407-1,408-1,409-1

Our Basic Approach and Strategy

Unicharm 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, the 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 UN Global Compact.

Working closely together through mutual communication with suppliers, we share and seek understanding of Unicharm’s approach to responsible procurement, philosophy, specific activities, and requests for cooperation toward safety and the environment. Regulations on safety and the environment vary by country and region, as does local awareness. Therefore, simply adopting the same initiatives overseas as those in Japan is not sufficiently effective. For this reason, we also gather information on local communities and promote the development of supply chains suited to local market conditions, 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 particular emphasis on crisis management and, when starting new business transactions overseas, we conduct environmental and ethical risk assessments to establish 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, labor, and environmental matters.

In October 2017, we established the Basic Policy of Procurement, upgraded from the Unicharm Group CSR Procurement Guidelines, in light of increasing expectations for sustainability initiatives from companies that operate globally

and to prevent human rights and labor issues throughout the supply chain. At the same time, the Unicharm Group Sustainable Procurement Guidelines were established as a subdivision of the Basic Policy of Procurement to express our intentions toward the prohibition of child labor, forced labor, and discrimination; the protection of the right to freedom of association and the right to collective bargaining; reductions in excessive working hours; compliance with minimum wage laws; consideration of health and safety; and the prevention of corruption. Additionally, in terms of working hours in proper employment, we strive to reduce the overtime work of our employees and comply with the working hours stipulated by the local laws and regulations in each country and region. 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. We will continue promoting initiatives in order to fulfill our social responsibilities throughout the supply chain.

We will work toward safe and secure procurement based on legal compliance going forward so that suppliers can understand the intent of these policies and guidelines. Unicharm’s products and services are primarily consumables essential to a clean and healthy lifestyle. At the same time, they are closely associated with the global environment in terms of the use of natural resources and the generation of waste. Therefore, our role in and responsibilities for reducing environmental impact are significant and continue to increase each year in line with the expansion of our global network and business scale, mainly in Asia.

The pulp and paper that form the absorbent material used in our mainstay products are produced from coniferous trees while the palm oil added in small quantities to pet food is produced at tropical plantations. We value the importance of using sustainable certified materials for such forest-derived resources and, based on this belief, we formulated the Forest-Derived Raw Materials Procurement Guidelines in 2015.

Basic Policy of Procurement

2-23

The Unicharm Group will make efforts to fulfill its corporate social responsibility and implement its fair and equitable corporate activities.

1. Compliance with Laws, 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. Due Consideration to Human Rights and Labor

- (1) Engage in purchasing activities with corporations that place importance on respect for human rights.
- (2) Engage in purchasing activities with corporations that give due consideration to the appropriateness of labor practices.
- (3) Respect the importance of engaging in purchasing activities with corporations that promote appropriate employment practices.

3. Environmental Responsibility

- (1) Value corporations that 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 the exchange of essential information with business partners.

► 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 nonmonetary benefits) and from abusing a 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. Consideration to Human Rights and Labor

(Refer to the Unicharm Group Policy on Human Rights)

(1) Respecting of the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work

- Respect the International Bill of Human Rights (the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights) and the ILO Declaration on Fundamental Principles and Rights at Work.

(2) Respecting of human rights

a. 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.)

b. 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.

c. Prohibition of discrimination

- In recruitment and employment, do not discriminate on the basis of race, national origin, ethnicity, gender, religion, or 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

a. Working hours

- Comply with working hours set by the local laws and regulations of the individual country and region (excluding crises and emergency situations).

b. Proper compensation

- Pay employees in compliance with local compensation-related laws and regulations on minimum wage, overtime work, and piecework pay, etc.
- For overtime work, pay a wage premium in accordance with local laws and regulations of the individual country and region.

c. Ensuring of 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.

d. Respecting of 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

a. Legal compliance

- Comply with 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.

b. Control of substances that are harmful to the environment

- Control discharge of harmful substances that can cause air pollution and 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.

c. 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.

d. 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) Promotion of 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 of safe materials

- Report component composition, including the content of chemical substances deemed harmful by the Unicharm Group.

(2) Supplying of materials that are high in quality and for which the supplier has a large supply capacity

- Submit safety data sheets (SDSs) for materials.

P.082 Unicharm Group Policy on Human Rights

► Forest-Derived Raw Materials Procurement Guidelines

P.045 Forest-Derived Raw Materials Procurement Guidelines

Management Structure

To address social issues such as employee health and safety and labor standards along the supply chain, quarterly meetings are held by the managers of the ESG Division, the Global Development Division which manages the material suppliers and contract manufacturers, and the Production Management Division and the Strategic Sourcing Division of Unicharm Products Co., Ltd., to discuss and determine the areas of foremost priority and specific courses of action while monitoring the progress of ongoing measures and seeking solutions to various issues.

In addition, the ESG Committee, chaired by the president & CEO, reports on social issues related to the supply chain and the policies and progress of environmental activities on a regular basis, reviewing our plans as necessary.

P.009 Sustainability Promotion System

Effective Use of Global Platform

At Unicharm, we utilize the Sedex* platform to manage our response to social issues along the supply chain. Our material suppliers and contract manufacturers are requested to become a member of Sedex and acknowledge their relationship with Unicharm on the Sedex platform. The information acquired by means of the Sedex platform is used to enhance our decision-making and progress management capabilities.

In fiscal 2023, we participated in the Japanese Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team—which was introduced to efficiently promote responsible procurement, including human rights due diligence—using supplier evaluation information provided via the Sedex platform and sharing it across the industry.

* A global membership organization leading in responsible sourcing practices, Sedex provides companies with technology and insight 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 85,000 business members in 180 countries and regions use Sedex solutions to manage supply chain risk, meet compliance requirements, and demonstrate measurable impact.

Indicators and Targets

► Kyo-sei Life Vision 2030: Unicharm Principles

Indicator	Fiscal 2021 Result	Fiscal 2022 Result	Fiscal 2023 Result	Annual Target
No. of serious human rights violations in the value chain	Zero	1 (revised)	1 (revised)	Zero

Initiatives and Results

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Human Rights Risk Assessments of Supplier Factories

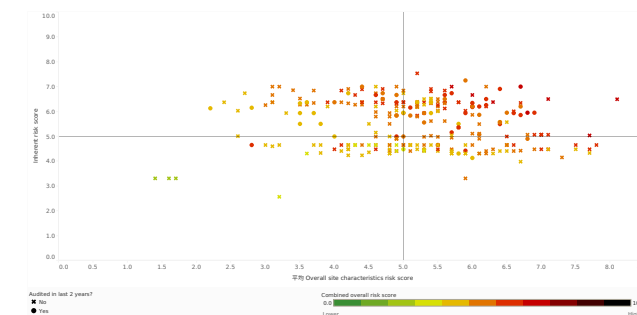
Unicharm conducts risk assessments of supplier factories using Sedex's risk assessment tool, and in fiscal 2023 began assessing risks related to the contract manufacturers of its pet care products.

As of December 31, 2023, we have reached an agreement with approximately 77% of material suppliers of personal care products and contract manufacturers of personal care and pet care products for use of the Sedex platform, enabling access to risk-related information. Of these factories, 70% have consented to sharing their inherent risk score while 53% have consented to sharing their site characteristic risk score. Using these scores as a reference point, we will continue to consider our approach to suppliers, including use of the Sedex platform for material suppliers of pet care products from fiscal 2024.

► Human Rights Risk Assessment Results in Fiscal 2023

		Percentage of Suppliers Using the Sedex Platform (%)	Percentage of Suppliers Sharing Inherent Risk Score (%)	Percentage of Suppliers Sharing Site Characteristic Risk Score (%)
Personal care products	Material suppliers	81.0	72.0	56.8
	Contract manufacturers	66.2	63.6	39.0
Pet care products	Contract manufacturers	65.8	65.8	44.7
Total		77.4	70.2	53.0

► Risk Score of Supplier Factories



Note: Simple averages of risk scores on labor standards and on health and safety have been plotted above.

Human Rights Risk Assessment at Unicharm Group Factories

P.084 Human Rights Risk Assessment at Unicharm Group Factories

Supplier Monitoring

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We monitor the activities of suppliers using the results of SMETA audits* by means of the Sedex platform. In 2023, a SMETA audit was carried out in 26 different scenarios, serving as a source of information on 188 cases of violations. The detected violations are classified according to the four ratings of Business Critical, Critical, Major, and Minor, and are subject to Sedex's SMETA Non-Compliance Guidance. For violations classified as either Business Critical or Critical that have yet to be amended three months after the date of audit, we contact the supplier to verify the status and course of action toward improvement. In fiscal 2023, of the 32 cases classified as Critical, four violations (three suppliers) that were not yet confirmed as amended within three months were discussed with suppliers to confirm the corrective action plan. In addition, we confirmed one Business Critical violation at a contract manufacturer facility, which was confirmed as amended after discussions.

* 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 Audits: Number of Audits and Evaluations

Year	No. of Audits	No. of Issues Identified				Total
		Business Critical	Critical	Major	Minor	
2021	50	0	29	181	95	305
2022	31	1	41	182	109	333
2023	26	1	32	111	44	188

Human Rights Risk Assessment at Unicharm Group Factories

P.084 Human Rights Risk Assessment at Unicharm Group Factories

Eliminating and Mitigating Risks

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New Suppliers

When engaging in business with new suppliers, Unicharm requests that they act in accordance with the Unicharm Group Policy on Human Rights and the Unicharm Group Sustainable Procurement Guidelines. New suppliers are also asked to become a member of Sedex and acknowledge their relationship with Unicharm on the Sedex platform. Whenever a major issue related to labor standards, health and safety, or other matters arises in regard to suppliers, it will be taken into consideration when assessing the pros and cons of engaging in business with them.

Existing Suppliers

If a serious issue is found when monitoring the activities of existing suppliers, discussions are held with them to seek solutions toward improvement. In October 2023, we held the Unicharm Medium- to Long-Term Policy Briefing Session to outline the 12th Medium-Term Management Plan, which will get underway in fiscal 2024, and explain our procurement policy to existing suppliers, and requested their cooperation in the GHG Emissions Visualization Project and our initiatives related to quality control and digital transformation.

Global Communication with Suppliers

Unicharm works with suppliers to engage in improvement activities on a wide range of material-related themes through meetings between local subsidiaries and the suppliers of each country and region. We hold briefing sessions on procurement themes at distribution warehouses and supplier factories to distribute copies of the Unicharm Group Sustainable Procurement Guidelines, which have been made available in various languages, and explain the purpose of the guidelines so as to ensure the communication necessary for realizing a sustainable society through the efforts of the entire supply chain.

Medium- to Long-Term Policy Briefing Session for Suppliers

In October 2023, we held the 14th Unicharm Medium- to Long-Term Policy Briefing Session for suppliers to ensure consistent quality of materials and instill awareness of our procurement policy and guidelines. A total of 371 representatives from 143 companies, including material suppliers and contract manufacturers of personal care and pet care products, attended the session in person and online. Among the items covered were an introduction to our 12th Medium-Term Management Plan and an explanation on the division and transfer of production and logistics functions of the Pet Care Business. We also requested the understanding of suppliers on our policy and guidelines for establishing a sustainable supply chain, in addition to their cooperation on the use of the Sedex platform, in providing data for the GHG Emissions Visualization Project with a view to achieving Kyo-sei Life Vision 2030 and Environmental Targets 2030, and in quality control activities aimed at improving customer satisfaction through the supply of safe and reliable products.



Medium- to Long-Term Policy Briefing Session

P.036 GHG Emissions Visualization Project

Education for Internal Personnel

In order to promote sustainable procurement, we believe it is essential that everyone involved understands the Basic Policy of Procurement and guidelines for building a sustainable supply chain. We therefore educate the managers of our factories about the necessity of sustainable procurement initiatives and the importance of building a sustainable supply chain. In fiscal 2023, we held training sessions for the managers of contract manufacturers in charge of our pet care products to request cooperation on the use of the Sedex platform.

Initiatives to Improve Material Quality

Unicharm is proceeding at full speed in enhancing the quality of materials by focusing on the key areas for improvement from a quality consistency point of view and working closely with suppliers.

In addition, we conduct quality audits on suppliers through which 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 will continue to check its progress until the issue is resolved and reconfirm its status in the next audit. We will make ongoing improvements to material quality by repeating this cycle from auditing to the instilling of improvements.

Moreover, at the Unicharm Medium- to Long-Term Policy Briefing Session, we discussed recent tendencies of material defects with all suppliers, and requested that they share details of serious defects and that we conduct on-site inspections to prevent recurrence.

Responsible Procurement Initiatives Geared to Reducing Environmental Impact

We view the diminishing supply of forest-derived resources (including pulp, paper, and palm oil) stemming from forest destruction and water resource depletion along the upstream process as a risk to the Company. In light of this, Unicharm is working to reduce environmental impact and protect the environment with the aim of realizing a sustainable society while paying due consideration to biodiversity in our supply chain management. Specifically, we established the Forest-Derived Raw Materials Procurement Guidelines in 2015 and the Unicharm Group Sustainable Procurement Guidelines in 2017 in an effort to reduce risks by requesting the understanding and cooperation of suppliers.

Meanwhile, our ability to reduce waste and lower environmental impact and costs through procurement of energy-efficient resources that minimize CO₂ emissions and use of recycled materials, and selling products made from these forest-derived resources by promoting them as environmentally friendly products, presents opportunities for the Company. We will continue to step up recycling efforts in-house while working to ensure that resources are recycled and utilized more efficiently throughout society.

Procurement of Sustainable Pulp and Paper

P.047 Expanding the Use of Certified Pulp (PEFC- and CoC-Certified)

Procurement of Sustainable Palm Oil

P.050 Procuring Sustainable Palm Oil

Procurement of Sustainable Seafood (United States)

All tuna species used in our *Delectable* brand of cat foods are sustainable natural seafood provided by wild-capture fisheries that are appropriately managed and operated in consideration of marine resources and the environment and certified by the Marine Stewardship Council (MSC).

Declaration of Partnership Building

Unicharm announced its Declaration of Partnership Building to build new partnerships by advancing cooperation, coexistence, and co-prosperity with supply chain partners and businesses that create value.



web Unicharm Corporation Declaration of Partnership Building (in Japanese only)
<https://www.biz-partnership.jp/declaration/47703-05-06-tokyo.pdf>