

Supply Chain Management

308-1,308-2

Sustainable Procurement

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

Our Basic Approach and Strategy

Unicharm established the Unicharm Group CSR Procurement Guidelines in 2009 for the purpose of maintaining fair and impartial relationships with all business partners. The guidelines incorporate provisions relating to compliance with laws and regulations, appropriate action regarding human rights issues, conservation of the natural 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. Through mutual communication with business partners based on these guidelines, we shared Unicharm’s approach to responsible procurement and specific activities, and sought their understanding of our requests.

In October 2017, we revised the Unicharm Group CSR Procurement Guidelines and established the Basic Policy of Procurement to prevent human rights, labor, and environmental issues throughout the supply chain stemming from the global expansion of our business. At the same time, the Unicharm Group Sustainable Procurement Guidelines were established to accompany our Basic Policy of Procurement, declaring 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. The Basic Policy of Procurement and the Unicharm Group Sustainable Procurement Guidelines stipulate that the Company shall take measures to ensure appropriate working hours by reducing the overtime work of its employees and complying with the working hours stipulated by the local laws and regulations in each country and region. In terms of wages, as a

matter of course our basic policy is to provide remuneration that exceeds the minimum wage stipulated by local laws and regulations taking into account the payment of living wages.

However, laws and regulations on human rights, occupational safety, and workplace environment protection vary by country and region, as do public perceptions. Accordingly, we are strengthening efforts to gather information that is highly relevant to each country and region and adapt to their specific circumstances. We also promote procurement activities with priority on crisis management while working to promote understanding and awareness of our stance and approach to procurement, such as complying with the laws and social norms of each country and region and giving due consideration to human rights and labor conditions when engaging in new transactions and conducting ethical risk assessments. These efforts apply to all business partners in the countries and regions in which we do business. We will continue promoting initiatives in order to fulfill our social responsibilities throughout the supply chain.

Unicharm’s products and services are primarily consumables essential to a clean and healthy lifestyle. At the same time, our business is 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 business scale.

The pulp and paper that form the absorbent material used in our disposable diapers and sanitary 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.76 Unicharm Group Policy on Human Rights

► Forest-Derived Raw Materials Procurement Guidelines

P.45 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, meetings are held by the managers of the ESG Division, the Purchase R&D Department in the Global R&D Division which manages the material suppliers and contract manufacturers, and the Trinity Promotion Department and the Strategic Sourcing Department 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 the policies and progress of measures to resolve social issues related to the supply chain and of environmental activities on a regular basis, reviewing our plans as necessary.

P.8 Sustainability Promotion System

Effective Use of Global Platform

At Unicharm, we utilize the Sedex* platform to manage our response to social and environmental issues along the supply chain. Our material suppliers and contract manufacturers are requested to become 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 2024, we encouraged the suppliers of materials used in our pet care products to join Sedex. We also continued to participate 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, which we have utilized since fiscal 2023.

web Sedex corporate website
<https://www.sedex.com/>

Sedex | Member

* 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 2022 Result	Fiscal 2023 Result	Fiscal 2024 Result	Annual Target
No. of serious human rights violations in the value chain	1 (revised)	1 (revised)	Zero	Zero

Initiatives and Results

412-1,412-3

Human Rights Risk Assessments of Supplier Factories

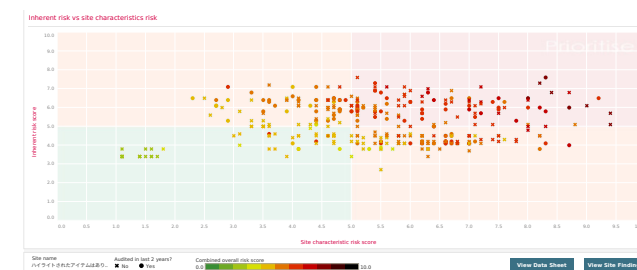
Unicharm conducts risk assessments of supplier factories using Sedex's risk assessment tool, and in fiscal 2024 began assessing risks related to the suppliers of materials used in its pet care products.

As of December 31, 2024, we have reached an agreement with approximately 68.5% of material suppliers of personal care and pet 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, 61.8% have consented to sharing their inherent risk score while 54.0% 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.

► Human Rights Risk Assessment Results in Fiscal 2024

		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	91.9	82.6	73.9
	Contract manufacturers	78.5	72.3	50.8
Pet care products	Material suppliers	29.7	25.9	24.5
	Contract manufacturers	68.8	68.9	56.3
Total		68.5	61.8	54.0

► 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.79 Human Rights Risk Assessment at Unicharm Group Factories

Supplier Monitoring 414-2

We monitor the activities of suppliers using the results of SMETA audits*1 by means of the Sedex platform. In 2024, a SMETA audit was carried out in 79 different scenarios, serving as a source of information on 221 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 2024, of the 44 cases classified as Critical, two violations (two suppliers) that were not yet confirmed as amended within three months were discussed with suppliers to confirm the corrective action plan.

*1 A social auditing methodology developed by Sedex that enables businesses to assess their sites and suppliers to understand working conditions in their supply chain across the areas of labor standards, safety and health, the environment, and business ethics.

► Supplier Audits: Number of Audits and Evaluations

		Fiscal 2022 Result	Fiscal 2023 Result	Fiscal 2024 Result
No. of audits		31	26	79
No. of issues identified	Business Critical	1	1	0
	Critical	41	32	44
	Major	182	111	127
	Minor	109	44	50
	Total	333	188	221

Monitoring of Unicharm Group Factories

P.79 Audits of Unicharm Group Factories

Eliminating and Mitigating Risks 414-1

New Suppliers

When engaging in business with new suppliers, Unicharm presents and requests compliance 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, safety and health, 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 2024, we held the 15th Unicharm Medium- to Long-Term Policy Briefing Session to explain our human rights policy and procurement policy to existing suppliers, and requested their cooperation in the GHG Emissions Visualization Project and our initiatives related to quality control.

■ Training and Education on the Risks of and Measures Against Modern Slavery (Australia)

Unicharm's local subsidiary in Australia conducts ongoing training and education on the risks of and measures against modern slavery.*2 The company focuses on its downstream materials suppliers, distributors, retailers, and other business partners to raise awareness of human rights throughout its supply chain network.

*2 Forms or acts of bonded labor, forced labor, human trafficking, etc., in which people are forced into slavery and servitude

P.78 Human Rights Initiatives in Australia

Global Communication with Suppliers

Unicharm works with suppliers to engage in improvement activities on a wide range of materials-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 2024, we held the 15th Unicharm Medium- to Long-Term Policy Briefing Session for Suppliers with the aim of stabilizing material quality and disseminating our procurement policies and guidelines. The 2024 event, which was also streamed online, was attended by 283 participants from 133 companies, including material suppliers for personal care products, as well as material suppliers for pet care products and external production contractors. The aim of this briefing session was to enhance awareness of our various policies, including the Unicharm Group Basic Environmental Policy, the Unicharm Group Policy on Human Rights, and the Basic Policy of Procurement, as well as to request supplier cooperation by reporting, explaining, and ensuring understanding of our policies and guidelines for building a sustainable supply chain and using Sedex, progress in our various activities aimed at achieving Kyo-sei Life Vision 2030 and Environmental Targets 2030, data provision for the GHG Emissions Visualization Project, and quality control and other efforts aimed at improving customer satisfaction through the supply of safe products.



15th Unicharm Medium- to Long-Term Policy Briefing Session

P.43 GHG Emissions Visualization Project

Education for Internal Personnel

In order to promote sustainable procurement, it is essential that everyone involved understands the basic policies and guidelines for building a sustainable supply chain. We therefore educate the person in charge of our factories about the necessity of sustainable procurement initiatives and the importance of building a sustainable supply chain. In fiscal 2024, we held training sessions for the Company's person in charge of procurement to request cooperation from the suppliers of materials used in our pet care products on the use of the Sedex platform.

Initiatives to Improve Quality of Materials

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. As part of these efforts, we conduct quality audits on suppliers through which we confirm whether they are in compliance with our requirements in all processes from raw materials procurement to shipment. If a non-complying item is discovered, we will request that corrective action be taken immediately and 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 15th Unicharm Medium- to Long-Term Policy Briefing Session, we explained Unicharm's Quality Control Policy once again to all suppliers and requested them to thoroughly implement countermeasures and recurrence prevention measures for quality defects, ensure the traceability of materials, and share details of serious defects due to materials, and check for abnormalities.

Establishment of Household Goods Supply Chain Council

In May 2024, Unicharm established the Household Goods Supply Chain Council in cooperation with 13 industry peers, believing that social issues related to product supply and distribution, such as labor shortage and soaring energy and labor costs, must be addressed by the household goods industry as a whole through the cooperation of each manufacturer. The council aims to resolve social issues related to logistics by working together with distributors and logistics operators to realize a sustainable and highly productive supply chain, in order to continuously ensure the stable supply of household goods which are essential to daily life. Furthermore, to promote the seamless sharing of logistics data, we will work with adjacent industries to serve as a point of contact for the household goods industry by coordinating with the government's initiatives to realize the Physical Internet*¹ while utilizing the Logistics Electronic Data Interchange (EDI) provided by PLANET, INC.

*1 A joint transport and delivery system in which the concept of internet communications is applied to logistics (physical distribution) and cargo packed in standardized containers is transported and delivered via a network of shared logistics assets (including warehouses and trucks) belonging to multiple companies

P67 Streamlining Logistics Operations Using Logistics EDI

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>

Won Supply Chain Innovation Award 2024 Grand Prize

Unicharm and the Household Goods Logistics Standardization Working Group comprising 10 household goods manufacturers and 12 logistics operators received the Supply Chain Innovation Award 2024*² Grand Prize (sponsored by the Ministry of Economy, Trade and Industry and managed by the Manufacturing / Distribution / Sales Cooperation Council*³). The working group was honored for its efforts to transform logistics systems with the aim of optimizing transport, delivery, and inventory throughout the supply chain using digital technology.



*2 An award given to businesses that have led the industry with outstanding efforts through cooperation among the manufacturing, distribution, and sales sectors to optimize the entire supply chain

*3 Established in May 2011 with the aim of enhancing industrial competitiveness and contributing to human prosperity through collaboration among manufacturers (manufacturing), intermediary distributors and wholesalers (distribution), and retailers (sales) to eliminate waste throughout the supply chain and create a system for the creation of new value. GS1 Japan and the Distribution Economics Institute of Japan serve as secretariat.

Briefing Session on Strengthening Governance (Indonesia)

Unicharm's local subsidiary in Indonesia, PT UNI-CHARM INDONESIA TBK (UCI), held a briefing session in December 2024 on the topic of strengthening governance for logistics operators and distributors in an effort to maintain fair and impartial relationships with business partners as a listed company. More than 30 business partners attended the briefing session, in which UCI explained its approach and stance on governance and requested their understanding of and cooperation on its compliance requirements.

Responsible Procurement Initiatives Geared to Conserving Biodiversity and the Natural Environment

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, reduction of waste and use of recycled materials, and selling products made from these forest-derived resources by promoting them as environmentally friendly products, present 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

P47 Expanding the Use of Certified Pulp (PEFC- and CoC-Certified)

Procurement of Sustainable Palm Oil

P50 Procuring Sustainable Palm Oil

Procurement of Sustainable Seafood (United States)

The tuna and skipjack tuna used as ingredients in our *Delectables* cat treats are 100% dolphin-safe certified.

The dolphin-safe certification is a certification system based on U.S. law certifying that the tuna and skipjack tuna used as ingredients in canned food were caught without harming any dolphins. If the dolphin-safe certification is the only criteria met by ingredients, the dolphin-safe label can be displayed on these products.