

Corporate Response to Realize the Paris Agreement and a Carbon-Free Society

— Considering the qualities of a company selected by the future in terms of the trinity of economy, society, and the environment —

On April 27 (Thu.), 2017, we invited Miki Baba, Deputy Editor of Nikkei Business Publications and Editor of Nikkei Ecology to speak on the theme of how global corporations have acted since the Paris Agreement took effect. A dialogue (discussion and exchange of views) was also held with selected employees, primarily members of the Environment Promotion Committee and its subcommittees.



In order to incorporate the expectations and demands of our diverse range of stakeholders into our business activities, we enlist the cooperation of outside experts, researchers, and others from outside the company to hold seminars and dialogues based on the themes of the Mandom Group's CSR Material Issues.

This year's events were held taking into account the following CSR Material Issues of the Mandom Group, international codes of conduct we must respect as a global enterprise, and the international community's framework aimed at sustainable development of society.

— Mandom Group's CSR Material Issues —

- 【Issue No.06】 Environmental considerations in products and services
- 【Issue No.07】 Promoting measures toward a carbon-free society (revised in February 2017 as Ver. 2)
- 【Issue No.13】 Detecting and contributing to new social paradigms

— The Ten Principles of the UN Global Compact —

- 【Principle 7】 Businesses should support a precautionary approach to environmental challenges.
- 【Principle 8】 Businesses should undertake initiatives to promote greater environmental responsibility.
- 【Principle 9】 Businesses should encourage the development and diffusion of environmentally friendly technologies.

— Agenda 2030: Sustainable Development Goals (SDGs) —

- 【Goal 12】 Responsible consumption and production
"Ensure sustainable consumption and production patterns"
- 【Goal 13】 Climate action
"Take urgent action to combat climate change and its impacts"



Background and Purpose

The 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, held in Paris from November 30 to December 11, 2015. It was here that the parties adopted the Paris Agreement, a new multilateral framework to address climate change. Later, each country completed the ratification process, and the Paris Agreement came into effect on November 4, 2016.

At the CSR Promotion Committee meeting held in February 2017 at Mandom, we confirmed the progress in addressing the CSR Material Issues (Ver. 1, 14 items), carried out a review of themes based on the latest trends in international society (Ver. 2), set long-term goals, and determined the KohDoh plan for the future.

However, in order to effectively promote measures to address the CSR Material Issues as a global corporation, all our employees must grasp the social and environmental issues that surround us all from a global perspective, and at the same time see them as personal matters. To borrow the words of one expert, in order for a company to continue enjoying the support of society while maintaining robust growth over the long term, it is necessary to conceive of, and manifest, the qualities of a company chosen by the future, in terms of the trinity of economics, society, and the

environment. In particular, regarding measures to address climate change, whose core is the Paris Agreement, a wide range of corporate responses are expected and demanded by society, and these measures are garnering interest from investors who emphasize social responsibility, as can be confirmed by the recent growth of ESG investment.

In light of the above, this year we invited Miki Baba of Nikkei Business Publications and held a voluntary seminar and dialogue. Ms. Baba is well informed about the Paris Agreement and corporate initiatives due to her broad reporting activities, work as a member of the Task Force for Overseas Expansion Strategies of the Ministry of Economy, Trade and Industry, and other experience.

[Lecturer] Miki Baba

Deputy Editor of Nikkei Business Publications, and Editor of Nikkei Ecology

As the special correspondent of Nikkei Business Publications, Ms. Baba provided field reporting on the 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, held in Paris from November 30 to December 11, 2015. During her 15 years as a reporter, Ms. Baba has reported on a variety of companies, and also assisted government and administrative agencies as a member of the Task Force for Overseas Expansion Strategies of the Ministry of Economy, Trade and Industry.



Voluntary Seminar

At Mandom, we hold voluntary seminars on a variety of themes set by employees themselves. This year, to encourage more employees to participate, we held a talk by Ms. Baba using this voluntary seminar occasion, resulting in more than 140 employees participants.

(According to a survey beforehand, out of the 144 applicants, 113 were from the head office, 8 from the Fukusaki Factory, and 23 from the Aoyama Office)



The main cause of warming is emissions of greenhouse gases, particularly CO₂, and to reduce CO₂ emissions, two measures are necessary: reducing use of fossil resources, and properly using forests while also nurturing their growth. Going forward, companies will have to promote three initiatives throughout all of their business activities: (1) energy conservation, (2) use of renewable energy, and (3) reduction in the amount of petroleum, coal, and natural gas used. In particular, Ms. Baba explained that, in the future, for a company like us that is engaged in the manufacturing and sale of cosmetics and other similar daily necessities, reducing petroleum-derived raw materials used in product contents, containers/packaging, distribution materials and promotional materials and striving to communicate the value of eco products to consumers

Main Content

1. What are global warming countermeasures?
2. Global warming countermeasures taken by the world as a whole
3. Action by global corporations
4. Responses required of global corporations
5. Examples of measures required of B to C companies

through the strong channels characteristic to the industry will be very important. This would enable the company and consumers to enhance common awareness hand-in-hand, and Ms. Baba went on to point out that this is likely to actually be one of the most important responsibilities of consumer goods manufacturers from now on.

To promote efforts as a company, she stressed that it is necessary for the management and employees to first determine what sort of company they want to become. Then they must realize their own capabilities, compare the desired corporate image against social needs, and find points to improve. Regarding the significance of Scope 3 efforts, Ms. Baba suggested that the life cycle emissions of the company's own business and products should be visualized, and measures should be examined both company-wide and in each division.

Although we asked Ms. Baba to address extremely difficult topics such as the Paris Agreement and realization of a carbon-free society, she provided a thorough, easy-to-understand explanation, incorporating many outstanding cases and specific efforts by leading companies inside and outside Japan. Thus this was an extremely helpful voluntary seminar.

Dialogue

After the voluntary seminar ended, the selected employees (10 members and 6 observers) indicated below engaged in a dialogue with Ms. Baba as an advisor.

Participants of the dialogue



- Tatsuyoshi Kitamura (Observer/Director, Senior Managing Executive Officer)
- Misao Tsubakihara (Observer/ Executive Officer and General Manager, Technical Development Center)
- Kenji Uchiyama (Observer/ Executive Officer and General Manager, GATSBY Marketing Headquarters)
- Yoshiharu Kumamoto (Observer/Deputy General Manager, Fukusaki Factory)
- Takashi Maekawa (Observer/General Manager, CSR Promotion Div.)
- Minoru Yoneda (Observer/ Manager, CSR Promotion Div.)
- Etsuji Shiomi (Technical Development Center)
- Kazufumi Hasuike (Manager, Product Strategy Div.)
- Hiroshi Yamaguchi (Product Strategy Div.)
- Tokuto Muraji (General Manager, Purchasing Div.)
- Yuko Shiomi (Purchasing Div.)
- Atsushi Kida (General Manager, General Administration Div.)
- Norikatsu Uchida (Fukusaki Factory)
- Takashi Yamazaki (Manager, Technical Development Center)
- Masashi Toyonaga (CSR Promotion Div.)
- Tsukasa Nishiyama (Facilitator/CSR Promotion Div.)

The dialogue followed a format with participating members giving their impressions, comments, questions, or other remarks about the voluntary seminar in the first half, and then Ms. Baba responding with her own comments. The General Administration Division and Fukusaki Factory explained that facility investment and switching to the latest equipment at the head office and the factory, carried out over the last few years, has helped reduce power consumption (Scope 2). Ms. Baba also explained efforts and approaches to further reduce power consumption and fossil fuel usage going forward. Regarding the use of renewable energy (RE) in office buildings, factories, and other facilities, Ms. Baba explained recent efforts toward RE100 by global corporations as real-world examples, and since there are physical limits on equipment investment for solar power generation at our own

company, Ms. Baba's advice was that perhaps it might be realistic to use Green Power Certificates for the time being. After that, the topic turned to Scope 3, e.g., reduction of CO₂ emissions through all business activities and the entire product life cycle (from raw material procurement to product use and disposal after use). At Mandom, we were early to promote refillable products in paper packs or pouches, containers and wrappers which helped us achieve reduction in both environmental impact and cost and modal shifts, but these steps have not gone as far as calculation of CO₂ emissions during use of the product by the consumers and disposal after use, or reduction of CO₂ emissions through the entire value chain. Calculation of Scope 3 is incorporated into the KohDoh plan for the CSR Material



Issues (Ver. 2) revised in February 2017, but in this dialogue, the importance of that effort was confirmed once again by all the participants.

Through this dialogue, we were also able to consider efforts for CO₂ reduction from a broader perspective, and to learn about the importance of providing information to consumers through communication activities. For example, Gatsby Perfect Clear Shampoo is pitched to the consumer through its ability to remove hairdressing products in a single wash. Reduction of water usage helps to reduce CO₂ emissions, and Ms. Baba suggested that striving for ethical consumption and greater environmental awareness throughout the society by supplying consumers with information about eco products that come with three appealing elements; story, incorporated technology, and ease of use, is also an important part of corporate social responsibility.

Finally, the most common opinion or concern expressed by the participants was how to achieve both environmental action and low cost. This is the problem of trade-offs, where if environmental initiatives will raise costs, a decision cannot be made by the person in charge of the work site. According to Ms. Baba, "Even among firms renowned as environmental leaders, it is rare to see efforts that do not make sense in terms of cost, and most environmental initiatives are implemented while also achieving economic advantages such as cost reduction. What is important is to continue deliberating, and steadily do whatever can be done,

while devising techniques to keep costs low. In addition, it is important to not make decisions based only on initial investment cost, and to have long-term perspectives taking into account the reduction of running costs going forward, or expected support from the market and consumers for the eco-friendly aspect of the products."



After the Lecture

Deputy Editor of
Nikkei Business Publications,
and Editor of Nikkei Ecology
Miki Baba

I was overwhelmed by the keenness of the employees who attended the dialogue. Regardless of position, duties, or age group, they loved the company and their own products, and, at the same time, I could sense they were earnestly thinking about how to protect the environment at the local and global levels. I was very impressed. In 2015, the 21st Session of the Conference of the Parties (COP21) was held, and the international community achieved consensus on the Paris Agreement, setting forth measures to address global warming starting from the year 2020. While this agreement is a compilation of global warming countermeasures devised by national and regional governments, private companies in all sorts of industries worldwide are sympathetic to the spirit of the agreement, and have indicated that they will be actively implementing these countermeasures. The U.S. government has announced its withdrawal from the Paris Agreement, but steps taken by the world's companies are not likely to come to a halt. While sharing these international trends with dialogue participants, there was a lively discussion of how we can make a contribution to progress in preventing global warming, in daily manufacturing, and through products delivered into the hands of customers. Many ideas were mentioned for further evolving and deepening their own efforts, such as energy conservation at factories, development of hair cleansing products which can reduce environmental impact by reducing water usage, and making containers and packaging more compact. In addition, many frank, honest concerns and questions were shared regarding implementation of these initiatives. Perhaps none of these are ideas that can be immediately implemented, or issues that can be immediately resolved. Nevertheless, I expect that active discussion and efforts will continue in-house, while addressing global warming as both opportunity and a risk for the growth of Mandom.

After the Voluntary Seminar and Dialogue

Last year too, in the dialogue on consumer issues, many difficulties were mentioned regarding trade-offs between high quality and low cost, but our invited outside expert, Professor Kazuya Kuramoto of the Doshisha University Graduate School, gave us advice on breaking through the barrier of trade-offs, such as continuous improvement in technical/development capabilities, an open corporate culture, cultivating human resources capable of decision-making with top priority on the consumer, proactive engagement with consumer organizations, and contributing to consumer education. Through this year's voluntary seminar and dialogue, we developed an understanding that efforts to pursue story,

incorporated technology and ease of use—the essential elements for eco products that sell well and are rated highly by the market as Ms. Baba advised us—are a key point for ensuring we do not slide into brain freeze due to preconceptions about trade-offs. Going forward, we will continue working hard to promote CSR, in order to realize the trinity of economy, society, and the environment, while pursuing the qualities of a company selected by the future. Finally, we would like to express our sincere gratitude to Ms. Baba of Nikkei Business Publications, and everyone else who helped us with the implementation of this year's voluntary seminar and dialogue.