

# CSR

## The Mandom Group approach to CSR: Thinking and working to serve society and the environment

### Framework for a global society and Mandom Group CSR

At the Sustainable Development Summit held on September 25, 2015, sustainable development goals (SDGs) were adopted as shared targets to be achieved by 2030. New initiatives were launched across the whole of global society aimed at sustainable development.

In the Mandom Group, one of the themes of our declared initiatives from fiscal 2015 was similarly to strengthen our CSR promotion system. In April 2015, we

set up the CSR Promotion Division, a corporate department dedicated to this task.

In September 2015, we signed the UN Global Compact to express our support for its ten principles in four areas of activity, with the aim of allowing all Mandom Group employees to share in the values of global society as a step toward sustainable development, and create new opportunities to strengthen relations with a diverse and wide range of stakeholders.

Also in September 2015, the Mandom Group announced its participation in the UN Global Compact, through which it supports ten principles related to human rights, labor, the environment, and anti-corruption as principles to be respected by global enterprises.

#### The Ten Principles of the UN Global Compact

Human Rights	<b>Principle 1</b> ▶ Businesses should support and respect the protection of internationally proclaimed human rights; and
	<b>Principle 2</b> ▶ make sure that they are not complicit in human rights abuses.
Labour	<b>Principle 3</b> ▶ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	<b>Principle 4</b> ▶ the elimination of all forms of forced and compulsory labour;
	<b>Principle 5</b> ▶ the effective abolition of child labour; and
Environment	<b>Principle 6</b> ▶ the elimination of discrimination in respect of employment and occupation.
	<b>Principle 7</b> ▶ Businesses should support a precautionary approach to environmental challenges;
	<b>Principle 8</b> ▶ undertake initiatives to promote greater environmental responsibility; and
Anti-Corruption	<b>Principle 9</b> ▶ encourage the development and diffusion of environmentally friendly technologies.
	<b>Principle 10</b> ▶ Businesses should work against corruption in all its forms, including extortion and bribery.

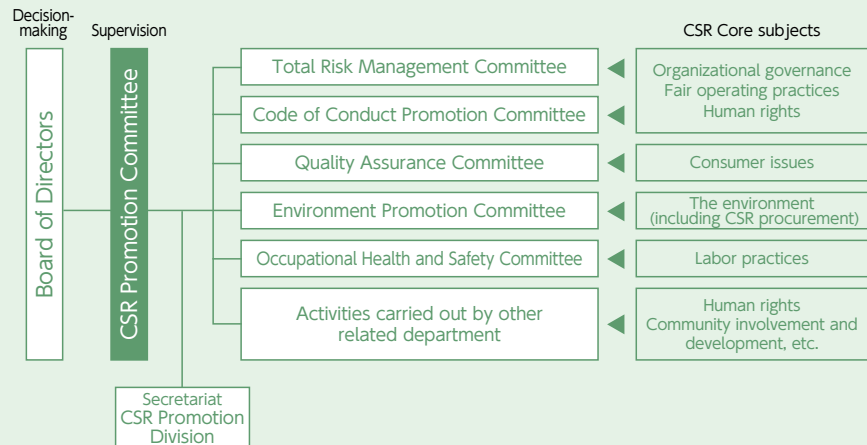


### The Sustainable Development Goals: 17 Goals to Transform Our World



## Mandom Group CSR Promotion System

With the aim of strengthening our CSR promotion system, we set up the CSR Promotion Committee chaired by the President Executive Officer. The committee ensures a consistent approach to CSR promotion across the Mandom Group. It reinforces CSR activities, and monitors the progress of CSR material issues, liaising with relevant departments through five related committees and councils as well as other bodies.



## Our Approach to CSR and CSR guidelines

In developing our approach to CSR, we referred to the Mandom Group's corporate philosophy and philosophy/policies in special areas that establish our internal philosophy and values, and linked these to the ten principles of the UN Global Compact, Sustainable

Development Goals (SDGs), International Code of Conduct, and other frameworks for global society. Finally, our approach to CSR was determined along with a course of action regarding each of the seven core subjects of the ISO 26000 standard.

## The Future We Want



Reference:  
 UNGC: United Nations Global Compact <https://www.unglobalcompact.org/>  
 SDGs: Sustainable Development Goals <https://www.unglobalcompact.org/sdgs>

# Organizational Governance

## Corporate Governance

Our Group's mission is co-existence, mutual growth and mutual creation with society worldwide. To realize our philosophy, we are dedicated to generating solid profits by pursuing efficiency while ensuring soundness and transparency. In this way, we aim to achieve sustainable and sound growth together with consumers, society and other stakeholders. This spirit informs our fundamental corporate governance policy.

Our corporate governance structure is overseen by the Audit & Supervisory Board. With legal oversight from its

members as the basis for corporate governance, we invite multiple external directors to sit on our board in order to reinforce our monitoring and advisory functions. By clarifying responsibilities and delegating authority under a system of supervisory and executive officers in charge of specific operations, we have created a system for the proactive and expeditious execution of operations. Based on this system, we will pursue effective growth-oriented governance and seek to enhance corporate value.

▶Details on pages 24–31

## Compliance

Rather than relying on external standards and adopting a passive compliance stance that centers on just adhering to regulations required by laws, the Mandom Group sets voluntary standards that exceed legal requirements, taking an independent and proactive stance toward protecting consumer safety and benefits.

The Mandom Group's  
Code of Conduct  
(Japanese only)



With regard to organizational governance, we strive to maintain and further improve upon the fairness and transparency of our management, in full compliance with all laws and regulations, and will put forth every effort to ensure the safety and benefit of our stakeholders.

### Key themes

**Material issue No.01 Building a risk management system and continuous improvement**

**Material issue No.02 Promoting corporate philosophy/culture and compliance**

### Course of action for CSR material issue

- Through a Risk Management Committee, provide guidance and supervision regarding continuous improvements in business continuity management and planning (BCM/BCP) and efforts to build the risk management system for the group as a whole.
- Build the corporate philosophy for the Mandom Group from a global perspective and provide education to promote a complete understanding aimed at thorough implementation.

### Related SDG themes



### Main specific activities in FY2016

#### Building a risk management system and continuous improvement

- At overseas group companies, developed disaster mitigation manuals and emergency contact networks, and carried out disaster drills.
- Redeveloped rules and manual for the management of confidential information.
- April: Conducted training on operation of an emergency/crisis task force for 17 employees, including top management staff.
- August: Conducted training on emergency press conferences for 10 employees, including top management staff.
- October and November: Provided education on confidential information management to all domestic employees and 22 top management staff from all overseas group companies.

#### Promoting corporate philosophy/culture and compliance

- Reviewed a plan for rebuilding the group's corporate philosophy system in projects.
- Formulated an action plan to provide education to promote complete understanding of the corporate philosophy.

# Human Rights

We support and respect the protection of human rights as declared by the international community. We are committed to continuously monitor actions and educate people at every stage of our business activities to avoid complicity in any human rights violations.

## Key themes

Material issue No.03

### Continuous investment in education on human rights

## Course of action for CSR material issue

- Conduct in-house human rights education aimed at training employees to act in a way befitting a corporation engaged in global business and designed to build an inclusive society.

## Related SDG themes



## Main specific activities in FY2016

- Began considering the review of provisions of "Respect for Human Rights and Ban on Discriminatory Practices" in the Mandom Group Code of Conduct.
- With the cooperation of groups outside the company, carried out LGBT manners education for relevant divisions (20 participants).
- Started CSR Material Issue No. 10: Building and implementing CSR procurement system, which incorporates human rights due diligence.

## LGBT Manners Education

We continue to provide human rights education to employees with the aim of fostering human resources suited to a company engaged in global business and helping to build an inclusive society.

In particular, respect for human rights and understanding of diversity—as expressed in our company name, which blends the words human and freedom—are indispensable values for the Mandom Group, which is engaged in business in many countries and regions in the world.



# Labor Practices

We consider our employees corporate assets that are vital to our business, and strive continuously to create safe, clean workplaces that give employees the freedom to express themselves.

## Key themes

Material issue No.04

### Improving health and safety in the workplace

Material issue No.05

### Achieving employee satisfaction (ES) and diversity

## Course of action for CSR material issue

- Urgent issue: Elucidate the cause of the fire at the plant in Indonesia, prevent any recurrence, and provide relief to the victims and bereaved families.
- Build and continuously improve a labor system with the aim of achieving Decent Work practices and ideal work-life balance, securing diverse human resources, and providing fair and impartial evaluations.

## Related SDG themes



## Main specific activities in FY2016

### Improving health and safety in the workplace

- Disclosed information in May 2016 regarding the factory fire in Indonesia by issuing the final report of the Accident Investigation Committee made up of third-parties.
- Taking a lesson from the accident in Indonesia, July 10 was declared to be Safety and Reliability Day, an opportunity to think about workplace health and safety.
- Efforts by the Occupational Health and Safety Committee were expanded in scope, and the committee decided on the action policy in September.

### Achieving employee satisfaction (ES) and diversity

- Analyzed the current situation, identified issues, and formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, which came into effect in April 2016.
- Disclosed information on the action plan and our achievements on a website operated by the Ministry of Health, Labour and Welfare.
- Started diversity education for managers.
- Carried out universal manners training.
- Bolstered and reviewed the system to support balancing of work and in-home care. Started activities to inform employees using in-house newsletter.
- Reviewed diversity strategy with an eye toward the 100th anniversary of our founding.

## The Environment

We consider the impact that our business activities have on the environment and strive continuously to reduce that impact at every stage, from the development of products and services to procurement, production, transportation, sales, after-use disposal and recycling.

### Key themes

**Material issue No.06 Environmental considerations in products and services**

**Material issue No.07 Promoting Measures Toward a Carbon-Free Society**

**Material issue No.08 Protecting biodiversity**

**Material issue No.09 Promoting a recycling-oriented society**

### Course of action for CSR material issue

- Continuously improve the eco-friendliness of commodities by building a management system for evaluating environmentally friendly processes and their results in products and services.
- Promoting measures to create a carbon-free society based on the Paris Agreement, and efforts to reduce greenhouse gas emissions at all facilities.
- Grasp the impact on biodiversity of each product throughout its life cycle and carry out measures to protect biodiversity.
- Achieve and maintain zero emissions by fully recycling industrial waste.

### Related SDG themes



### Policy on Plastic Microbeads

At present, some facial scrub products made by Mandom contain plastic microbeads for the purpose of skin exfoliation. In recent years the issue of plastics released into the oceans and their impact on ecosystems as they move through the food chain has come under scrutiny. In the United States a law was passed in December 2015 to phase in the ban of plastic microbeads in personal care cleansing products.

In light of this situation, the Mandom Group has set a policy to stop using plastic microbeads in its facial cleansing products by the end of 2017, replacing them with a formulation that does not cause such concerns.

On August 29, 2016, we re-launched two facial cleansing products using environment friendly biodegradable facial scrub:

- Gatsby Facial Wash Perfect Scrub (130 g)
- Gatsby Facial Wash Micro Rich Scrub (130 g)

### Main specific activities in FY2016

#### Environmental considerations in products and services

- Decided in June 2016 to switch to alternate raw material for plastic microbeads in facial cleansers.
- Began review of in-house criteria for environmentally-friendly products (3R/4R\*).

\*3R:Reduce, Reuse, Recycle / 4R:Reduce, Reuse, Recycle, Renewable (Use of renewable resources)

#### Promoting Measures Toward a Carbon-Free Society

- Continued compliance with Japanese domestic Act on the Rational Use of Energy (reduction every year in energy consumption intensity of at least 1% year-on-year).
- Switched to energy-saving equipment such as LED lighting and upgraded transformers, and repaired existing energy-saving equipment for better efficiency.
- Held in-house seminar and dialogue regarding the Paris Agreement (April 27, 2017).

#### Protecting biodiversity

- Formulated Biodiversity Conservation Policy, which was added to the Environmental Policies in April 2016.
- Started considering procurement of biodiversity-friendly, sustainable raw materials.

#### Promoting a recycling-oriented society

- At the Fukusaki Factory  
Efforts were made to improve the recycling rate by re-investigating the contents of waste for final disposal.

### Corporate response toward the realization of the Paris Agreement and a Carbon-Free Society

On April 27, 2017, with the cooperation of Ms. Miki Baba, Deputy Editor of *Nikkei Ecology*, Nikkei Business Publications, Inc., we organized a lecture on the subject: "How have global corporations responded in the wake of the Paris Agreement?" and held a dialogue and exchange of opinions among selected employees and members of the subcommittee of the Environment Promotion Committee.



## Long-term goals

- Reduce total CO<sub>2</sub> emissions for domestic business by 6.5% of more relative to FY2013 levels by 2027. (Goal setting for overseas sites is under review.)
- Achieve the following by 2027:  
Switch all palm oil used in our raw materials to certified palm oil.
- Achieve the following by 2027:  
Use certified paper for all paper containers and packaging.
- Continuously achieve zero emissions.

## Fair Operating Practices

With the shared goal of sustainable social development, we will build good relationships with our suppliers and partners and fulfill our social responsibilities through sound business activities.

## Key themes

Material issue No.10 Building and implementing CSR procurement system

### Supplier CSR Guidelines Drafted

Mandom believes that its suppliers are partners that can assist with sustainable development. In August 2016, Mandom gathered the opinions of its suppliers through issuing the Supplier CSR Guidelines formulated at the CSR Procurement Subcommittee.

Our hope going forward is that not only our primary suppliers but also other upstream suppliers comply by these guidelines, with the goal of extending compliance throughout the entire supply chain.

## Course of action for CSR material issue

- Draft Supplier CSR Guidelines and gain the cooperation of suppliers to build and operate a CSR procurement system (Based on the specific topics within three core subjects— human rights, labor practices and the environment).

## Related SDG themes



## Main specific activities in FY2016

- In September 2016, we requested cooperation from key primary suppliers in Japan (78 companies) to abide by Supplier CSR Guidelines, and conducted a questionnaire survey.  
Applicability: Primary domestic suppliers that produce raw materials and container/packaging materials, as well as those involved in contract production (78 companies).

## Consumer Issues

We will utilize feedback received from customers in our business activities to improve the benefits of our products and services from their standpoint and ensure safety.

### Key themes

- Material issue No.11** Taking responsibility for quality and the health and safety of consumers  
**Material issue No.12** Creating new shared values with consumers

### Quality Assurance and Quality Policy

Regarding quality assurance for cosmetics and quasi-drugs, Mandom works to assure fully satisfactory quality as demanded by consumers from purchase to end of use. We take measures to improve the quality of our products and services at every stage—planning, design and development, production and shipping. To ensure the reliability of these activities, in January 1998 Mandom established the Quality Philosophy and Fundamental

Quality Policy, and built a quality assurance system that became ISO 9001-certified in December 1998. As the quality philosophy and practices have been adopted company-wide, we voluntarily surrendered ISO 9001 certification in December 2013. We have since pursued continuous improvement of quality through the Mandom quality management system.

### Course of action for CSR material issue

- Effective administration and continuous improvement of a quality management system in every phase of our business activities—planning, design and development, procurement, production, shipping and sales.
- Build a system of communication that enables the use of feedback from a wide range of consumers; build a product planning system that takes into consideration user-friendliness and safety.

### Related SDG themes



### Main specific activities in FY2016

#### Taking responsibility for quality and the health and safety of consumers

- Provided quality assurance education for product planning division.
- Lead internal quality auditor developed using qualifying examinations provided by an outside organization.
- On web pages for all hair dye products, posted information to prevent skin disorders due to hair dyeing or serious worsening of symptoms, as well as precautions for use, based on notification from the Consumer Affairs Agency and the Ministry of Health, Labor and Welfare.

#### Creating new shared values with consumers

- Made the following improvements based on feedback from customers.
  - (1) Changed back side labeling of Gatsby Styling Foam to make it easier to read.
  - (2) For safety reasons, changed the shape of the promotional sticker of Lúcido-L Oil Hair Treatment.
  - (3) Changed specifications of product boxes to prevent tampering with hair color products.
- Assisted with odor care tests and odor care seminars.





# Community Involvement and Development

We will ascertain social issues from a global perspective and take action to resolve them in pursuit of sustainable social development and business growth.

## Key themes

- Material issue No.13** Detecting and contributing to new social paradigms
- Material issue No.14** Co-creating value with society

## Course of action for CSR material issue

- Look into actions that can promote thorough in-company understanding of and ability to contribute to international frameworks such as the UN Global Compact's 10 Principles and the Sustainable Development Goals (SDGs).
- Build co-creative relationships with research organizations, NGOs, NPOs and others to achieve sustainable social development and begin taking measures (research into alternative methods to replace animal experiments; joint research with the Graduate School of Pharmaceutical Sciences, Osaka University).

## Related SDG themes



## Main specific activities in FY2016

### Detecting and contributing to new social paradigms

- In September 2015, signed UN Global Compact, and in September 2016, submitted Mandom's first COP (Communication on Progress) to UNGC Headquarters.
- Invited experts for seminars and dialogues.
- Continued to promote thorough understanding of basic knowledge about CSR and sustainability using in-house newsletter.

### Co-creating value with society

- Continued efforts in the Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University.
- Continued Mandom International Research Grants on Alternatives to Animal Experiments.

### Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University

In June 2015, Osaka University and Mandom jointly established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University.

The laboratory employs cutting-edge technologies from fields that have seen remarkable growth in recent years, such as regenerative medicine, and applies them to research the development of next-generation functional cosmetics and quasi-drugs.

At the same time, as one of our efforts to broaden our global network of technology in Asia, Mandom is actively helping to invite young lecturers from universities in Asia to the Graduate School of Pharmaceutical Sciences of Osaka University.

