

# Shiseido Modern Slavery Statement (Year ended December 31, 2020)

The statement below is the report for FY2020 as of December 31, 2020. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2020 and the initiatives planned for FY2021 and beyond.

## 1 About This Statement

Shiseido Company, Limited, (hereafter the “Company”) makes the following declaration based on Section 54 (1) of the UK Modern Slavery Act 2015 (hereafter the “Slavery Act”) and discloses the measures implemented by the Company and its subsidiaries (collectively referred to as the Shiseido Group, hereafter “Shiseido”) to ensure that neither Shiseido’s business operations nor its supply chains involve practices amounting to slavery and/or labour under conditions of slavery and human trafficking. The Company hereby declares that Shiseido entirely opposes slavery and human trafficking in its business and supply chain operations. With this statement, Shiseido follows the definitions and concepts of slavery and human trafficking stipulated in the Slavery Act.

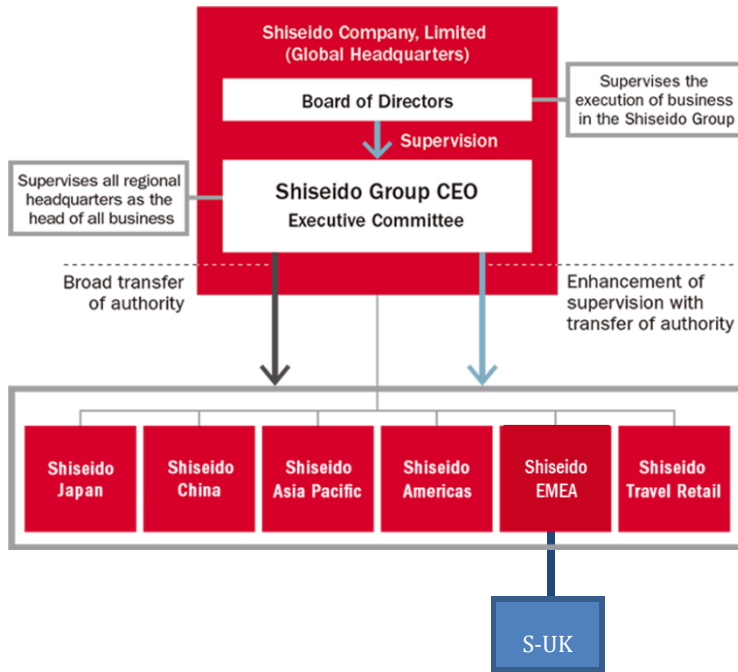
## 2 Business Operations and Organization

The Company is a cosmetics manufacturer established in 1872 in Japan. While the core of Shiseido’s business operations revolves around cosmetics, such as skincare, makeup, and fragrance, the scope of our business activities extends into a wide range of areas, including restaurants and education/childcare. Our desire and purpose is to contribute to society by creating new value that enriches the lives of our stakeholders globally. It operates cosmetics businesses in more than 120 countries and areas with about 48,000 employees and a global turnover of 920.9 billion yen. In the UK, Shiseido currently sells cosmetics through its subsidiary Shiseido UK Limited.

Business Overview: <https://corp.shiseido.com/en/company/business/>

Key Figures: <https://corp.shiseido.com/en/company/glance/>

The Shiseido Group management structure



### 3 Supply Chain

Shiseido is engaged in purchasing, factory production, and logistics in cooperation with the global headquarters and each region. Our relationship with our suppliers is based on the following philosophies stated in the Shiseido Group Procurement Policy: “Building a Good Partnership,” “Fair Purchasing Transactions,” “Toward Global Procurement,” and “Performance of Contract.” Of these, we purchase production materials from over 900 first-tier suppliers around the world. Our first-tier suppliers are all required to follow the Shiseido Group Supplier Code of Conduct, and they are responsible for adapting it to their second-tier and upstream suppliers.

### 4 Policies in Relation to Slavery and Human Trafficking

Shiseido is striving to ensure that neither our business nor the supply chain related to the business involves the practices of enslavement or human trafficking. This is done by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers, including first-tier and upstream suppliers. These policies are drafted by the person responsible for human rights at the GHQ and are approved by the Company’s Board of Directors. Our Chief Social Value Creation Officer, Chief Supply Network Officer, and Chief People Officer are responsible for promoting all human rights policies to our employees and throughout our supply chain, including human rights due diligence and risk assessment.

Shiseido's policies include the following:

■ Shiseido Group Policy on Human Rights

Adopted in 2017 and revised in May 2019 adding a new corporate philosophy, the Shiseido Group Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights to prevent slave labour (child labour and forced labour) and other work under slavery and human trafficking. This Policy applies to the Shiseido Group and its business partners.

<https://corp.shiseido.com/en/sustainability/human/pdf/policy01.pdf>

■ Shiseido Group Standards of Business Conduct and Ethics

The Shiseido Group Standards of Business Conduct and Ethics stipulate the mandatory behaviours expected of every individual working for the Shiseido Group.. The Company has established a specific code of conduct to address its business with high ethical standards, as well as to comply with the laws and regulations of the country, local government, and company rules.

<https://corp.shiseido.com/en/company/standards/>

■ Shiseido Group Supplier Code of Conduct

Updated in 2019, this code of conduct clearly states that the use of child labour, forced labour, and human trafficking is prohibited. The Shiseido Group takes any abuses of the code seriously and does not hesitate to terminate such relationships where necessary. Shiseido applies this code as a prerequisite for selecting first-tier suppliers and Shiseido recommends that these suppliers request second-tier and upstream suppliers to also comply with the code. This code applies to purchasing contracts in order to strengthen solidarity and fulfil social responsibilities together with suppliers.

<https://corp.shiseido.com/en/sustainability/pdf/partner.pdf>

■ Shiseido Group Sustainable Raw Material Procurement Guidelines

Shiseido is striving to achieve the sustainable procurement of palm oil by 2026 through the use of a reputable certification system (RSPO with more than Mass Balance type). This is a particular area of concern which is exposed to slave labour and human rights abuses in Indonesia and Malaysia, which are major countries of origin.

In addition to the above policies, in 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for Shiseido. Furthermore, in September 2010, the Company signed the Women's Empowerment Principles developed by

UN Women and the United Nations Global Compact as a set of practical guidelines for private business and non-governmental organizations working for women's empowerment.

## 5 Human Rights Due Diligence

In FY2020, Shiseido took the following steps to identify and assess the apparent and potential impact of our activities relating to human rights in order to prevent or mitigate such activities as follows:

- Listing of human rights issues:

By referring to international codes on human rights, standards on non-financial disclosures, and the Corporate Human Rights Benchmark (CHRB), Shiseido has developed a list of human rights issues to be considered with the advice of human rights experts. This list includes not only issues related to modern slavery, such as forced labour and child labour, but also a wide range of issues related to human rights, such as freedom of association, the right to collective bargaining, and discrimination.

- Assessed human rights risks:

Shiseido assessed the status of our activities for our listed human rights issues by interviewing stakeholders (consumers, business partners, employees, and society\*) in Japan and other countries and by investigating internal documents such as but not limited to questionnaires, surveys and certain report materials (we also referred to external documents for potential impact on human rights). Based on the results of this investigation Shiseido assessed the severity and likelihood of both potential and apparent risks regarding impacts on human rights in Japan and abroad, as well as the status of preventive and corrective measures Shiseido has taken to address these impacts.

\*Including women, children, indigenous people, migrant workers, and temporary workers, etc.

Through dialogues with domestic and global human rights experts, and various NGOs and NPOs, we have deepened our understanding of human rights abuses and labour problems, and identified areas where the related risks are likely to be more apparent especially at procuring raw materials such as Palm oil, mica.

- Since 2017, Shiseido participated in a stakeholder engagement program—operated by Caux Round Table Japan in Tokyo, Japan – and identified important human rights issues for each industry through discussions with experts, NGOs, and NPOs with reference to the human rights guidance tool produced by the United Nations Environmental Programme / Finance Initiative (UNEP FI). It was confirmed that there is a possibility of child labour and forced labour in the cosmetics industry

supply chain in FY2020. Shiseido continues to be an active stakeholder in this program.

## 6 Risk Assessment and Management

Shiseido continues to assess and manage human rights risks in our supply chain using the following three approaches:

### ■ Approach 1: Assess and manage risks through human rights due diligence

In order to prevent or mitigate the impact that our activities have or could have on human rights, we have identified and assessed that impact through the process described in "5. Human Rights Due Diligence". As a result, the areas in our supply chain where human rights risks were reported to be more likely are:

- Discriminatory actions/expressions
- Violation of compliance/fair competition
- Personal/confidential information leakages
- Employees' personal data & privacy
- Incomplete supplier management
- Occupational safety and health issues (work-related accidents)
- Breach of working hours, breaks, and rest period (overtime-work)
- Harassment and abuse (in no particular order).

On the other hand, we found that "forced labour" and "child labour", which are closely related to modern slavery and human trafficking, had lower human rights risks compared to other areas. For each human rights area, Shiseido will closely examine the risk level and the status of preventive and corrective measures that have already been introduced, and then assess the issues and take action according to the risk priority levels.

### ■ Approach 2: Risk identification in the supply chain as a whole

Shiseido assesses suppliers from the perspective of sustainability (human rights, occupational health and safety, the environment, and business ethics) and confirms compliance with the Shiseido Supplier Code of Conduct through Sedex/EcoVadis/its own SAQ once a year. We classify suppliers into four categories according to the degree of risk: low risk, middle risk, high risk and unassessable due to insufficient responses. We request corrective action and provide support to high risk suppliers through feedback. In addition, based on the magnitude of the risk and the importance of the supplier, visits by our employees and third-party audits are also conducted. Risks and issues discovered through assessments, visits, and audits are checked for corrective status based on a corrective action plan, and efforts are made to reduce the number of high-risk

suppliers.

### ■ Approach 3: Direct approach in terms of raw materials

In addition to the activities described above, as a direct action for raw materials that Shiseido has determined to have a high human rights risk, we have continued to promote the application of the certification system and participation in international initiatives.

- Shiseido has devised ways to reduce the risks associated with palm oil, which is widely known to carry human rights risks including child labour and forced labour in the country of origin, by joining the Roundtable on Sustainable Palm Oil (RSPO). The goal is to procure raw materials certified by the RSPO in consideration of environmental protection and human rights in the place of origin. In February 2017, the Kakegawa Factory in Japan obtained RSPO Supply Chain Certification, followed by the Kuki Factory and the Osaka Factory and the Nasu Factory in Japan, along with factories in Vietnam, the United States, and Taiwan. All factories in China and France have obtained the certification.

- In FY2020, all palm oil sourced by Shiseido had the Book & Claim certification from the RSPO.

- In 2020, for each of the identified palm oil blended raw materials, the possibility of switching to mass balance certified raw materials (the physical authentication method is recommended by the RSPO) was confirmed with the target suppliers, and if possible, the timing of the possible switch was set and is targeted for 2026. We can confirm that 31 raw materials were switched from raw materials with high palm oil content to certified raw materials based on RSPO's physical supply chain model (mass balance or higher).

- With respect to mica (which is a raw material for cosmetics), where the issue of child labour in India is becoming more apparent, Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in May 2017. As part of RMI's activities and efforts, 1,166 households in 80 villages have improved their sources of income through alternative livelihoods such as agriculture and animal husbandry. In addition, more than 44% of out-of-school children attended school regularly, and more than 50% of malnourished children improved their access to proper nutrition. Shiseido participated in RMI's two activity groups, Traceability and Workplace Standards, and supported activities aimed at improving the traceability of the mica supply chain in India and improving slave labour, including child labour.

## 7 Performance Assessment

Shiseido strives to prevent slavery (child labour and forced labour), other forms of labour under conditions of servitude, and human trafficking in its supply chain. We aim to establish traceability not only with first-tier suppliers but also second-tier and upstream suppliers on a global basis. In FY2020, the scope of the assessment has been expanded. The assessment results were used to determine the status of risks in the supply chain related to labour rights, health and safety, the environment, and business ethics, and to request corrective actions.

### ■ Supplier Assessment Results

In 2020, the supplier assessment program was conducted by expanding the target regions from Japan and EMEA to global. In the procurement category, a total of 791 suppliers (356 in 2019) were assessed, with the survey targets being production materials, sales tools, OEM procured goods, and first-tier suppliers responsible for supplying products through production outsourcing. The number of suppliers classified as high-risk was 132, and the major risks identified included failure to implement evacuation drills and failure to implement patrols by the Occupational Safety Committee. Shiseido provided feedback to all high-risk suppliers through visits or online, etc., explaining the issues and reasons of the suppliers in terms of sustainability and requesting corrective actions. In addition, audits were conducted on 22, focusing on critical suppliers with high risk. As a result of the corrective actions requested through feedback and audits, 30 suppliers implemented corrective actions within 12 months, and improved from high risk to medium risk or higher. In addition, 15 second-tier critical suppliers were evaluated, and there were no high risk suppliers.

### ■ Business Partner Hotline

Since 2013, Shiseido has established the Business Partner Hotline to promote fair transactions that deepen understanding and mutual respect with suppliers. As posted on the corporate website, the Business Partner Hotline accepts opinions and consultations from suppliers in writing or via e-mail. In 2020, we did not receive any consultations or feedback that indicated non-compliance.

## 8 Education and Training

The Company provides training on the Shiseido Group Standards of Business Conduct and Ethics and/or related policies and rules through various internal programs, such as position-specific training, in order to promote better understanding by all Shiseido employees.

- Officer and department manager training

The Company and Shiseido Japan Co., Ltd. had planned to hold executive integrity training in March 2020, but this was cancelled due to the spread of COVID-19.
- Japan Domestic Employees

At our offices in Japan, each department has a Human Rights Enlightenment Promotion Committee member, and the Human Resources Department conducts training for the committee members, who then conduct human rights training in their own departments. In FY2020, due to the risk of COVID-19, we did not conduct group training, but instead conducted human rights awareness training via e-learning (theme: To prevent “unconscious and unaware discrimination”). The number of participants was 7,709.
- Supply chain

In December 2020, the Purchasing Department of the Global Headquarters held an internal training session with an external lecturer, in which 59 employees from the department participated. During the training, the participants exchanged opinions on supplier assessment, including social trends in sustainable procurement and what is required in terms of human rights, labour, health and safety, environment, and ethics. In addition, the buyers involved in supplier assessment at the China regional headquarters also participated in this training. In the next fiscal year and beyond, we plan to conduct follow-up training for those who were not able to participate.

## 9 For the Future

Shiseido continues to take the perspective of the UN Guiding Principles on Business and Human Rights and strives to prevent the initiation of its involvement in human rights abuses for its own business and throughout its supply chain.

In FY2021, we will focus on priority human rights issues derived from the results of the human rights risk assessment (identification and assessment of impacts) conducted in FY2020, and take measures to reduce manifest and latent risks, including further enhancement of preventive and corrective measures, and promote efforts for improvement.

In addition to continuing to conduct supplier assessments, and for palm oil, which poses human rights risks, Shiseido will purchase and use RSPO mass-balance-certified oil in accordance with our new target on palm oil, which will also improve traceability.



This statement was approved by the Board of Directors of the Company and signed on behalf of the board by the following person:



Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

May 12, 2021