

# Shiseido Modern Slavery Statement (Year ended December 31, 2019)

The statement below is the report for FY2019 as of December 31, 2019. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2019 and the initiatives planned for FY2020 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.

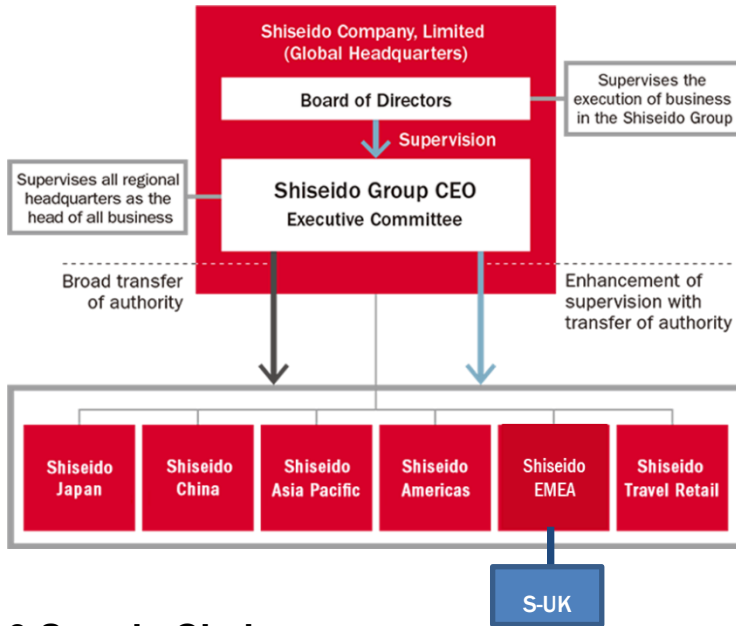
## 2 Business Operations and Organization

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 over 46,700 employees and a global turnover of 1,131.5 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 (hereafter “GHQ”) and each region. Shiseido procures raw materials, packaging materials and promotional materials for our products through more than 900 business partners in the global marketplace (hereafter “suppliers”). Of these, the global headquarters purchasing department (hereafter “GHQPD”) worked directly with 284 first-tier suppliers in 2019. The remaining 600 or more supplier relationships are handled by the purchasing departments of other regional bases, such as EMEA, Americas, and China. 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/rights/procurement.html#01>
  
- **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

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 high seen especially at procuring raw materials such as Palm oil, mica.

- Following FY2017, 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) in FY2019. It was confirmed that there is a possibility of child labour and forced labour in the cosmetics industry supply chain.
- Furthermore, Shiseido and global experts (World Benchmarking Alliance/ Corporate Human Rights Benchmark, Verisk Maplecroft, and Rishi Sher Singh—business and human rights experts and supply chain experts in India) had a dialogue on the issue of human rights in 2019 (Venue: Tokyo), identifying issues to be addressed in this field in business and society.

From the above two activities, Shiseido has identified that the human rights risk of slave labour (child labour and forced labour) and other labour under slavery at our company is upstream of the supply chain, including the sourcing of raw materials, such as with palm oil and mica origins.

## 6 Risk Assessment and Management

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

- Approach 1: Risk identification in the supply chain as a whole  
With the cooperation of our suppliers, Shiseido has evaluated the implementation of various activities, including the prohibition of child labour and forced labour, in accordance with the Shiseido Group Supplier Code of Conduct, utilizing the Sedex (Supplier Ethical Information Sharing Platform), which Shiseido joined in August 2017, and our own Self-Assessment Questionnaire (hereafter “SAQ”), which was revised in 2019.

In FY2019, the following activities were implemented for first-tier suppliers at the

#### **GHQ and EMEA:**

- The GHQPD discussed the use of the Sedex platform with its first-tier suppliers and it received ethical information including but not limited to corporate activities related to compliance, the environment, human rights, and occupational safety from more than twice as many suppliers as in the previous year to assess the risks.
- Among the first-tier suppliers with whom the GHQPD trades, the non-Sedex suppliers were provided with the evaluation results of EcoVadis and were evaluated using the SAQ.
- In 2019, EMEA participated in EcoVadis to assess 100% of their suppliers. Suppliers have to also send all pieces of information such as annual report, sustainability report, certifications, procedures, code of conduct to EcoVadis. EcoVadis will take into account the information provided in the company's questionnaire and the attached supporting documents.  
EMEA also engaged an external auditing firm, which conducted audits at supplier factories that were deemed to be potentially "non-compliant" with the Shiseido Group Supplier Code of Conduct. When cases of non-conformity are identified, a Corrective Action Plan (CAP) is shared with the suppliers that must implement such CAP within a deadline that is defined by Shiseido EMEA.

#### **■ Approach 2: 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 in Japan, along with factories in Vietnam, the United States, and Taiwan. All factories in China and France have obtained the certification.
- In FY2019, all palm oil sourced by Shiseido had the Book & Claim certification from the RSPO.
- Following Malaysia in FY2017 and Indonesia in FY2018, Shiseido also participated in the Stakeholder Engagement Program (Asia) hosted by Caux Round Table Japan in FY2019 (Venue: Indonesia).
- 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 one of RMI's activities, the RMI has implemented community empowerment programs in 80 villages, resulting in 31 % of out of school children returning to school. The Company continues to strive for traceability in the mica supply chain and to ameliorate the slave labour situation, including child labour, in India.

## 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 FY2019, Shiseido conducted performance measures on workers' rights, health and safety, the environment, and business ethics in the supply chain for GHQPD and EMEA's first-tier suppliers, with the Sedex assessment results, and for non-Sedex suppliers using the SAQ and EcoVadis.

### ■ The GHQPD's activities

In 2019, the GHQPD conducted evaluations for the 271 first-tier suppliers\* with whom it does business. (Sedex: 86, EcoVadis: 23, and SAQ: 162, 100% recovery rate) (\*Variance from 284 actual suppliers in FY2019: duplication of suppliers across categories)

### ■ EMEA activities

As for December 2019, 93 suppliers were invited to join the platform and 62 were already evaluated. In addition, a third-party audit company was used by the EMEA region to carry out audits at factories that were considered to be potentially “non-compliant” with the Shiseido Group Supplier Code of Conduct. In the last quarter of 2019, 3 audits were carried out.

All the suppliers' factories we evaluated achieved the grade “A”, (on a scale of A to D – “A” being the highest score). These results indicate a very good performance of the factories from a social, ethical & environmental perspective and confirm that the Shiseido Group Supplier Code of Conduct is being respected.

### ■ Business Partner Hotline

A hotline service for suppliers was established in 2013. All suppliers were informed of its existence. Any reports including human rights, labour, or safety from Shiseido's suppliers—either sent by electronic mail or submitted in writing—are accepted.

## 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. held harassment training sessions for their officers and department managers in July 2019, with a total of 129 attendees. (Participation rate: 97%)

### ■ Japan Domestic Employees

The departments at respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 243 people in 18 branch offices and business departments in the Sales Division and 92 departments other than the Sales Division). The Human Resources Department provides training for employees, who then provide human rights training to other employees in their respective departments. In FY2019, the Company also provided equality training ("Realizing a work environment where all employees can work in an equal and fair way regardless of whether or not they have disabilities") for all Shiseido employees in Japan. (Participation rate: 97%)

### ■ Supply chain

In December 2019, 35 buyers belonging to the GHQPD were trained by an external lecturer to learn about social trends in sustainable procurement, what is required and assumed risks in human rights and labour, health and safety, the environment, and ethics. (Participation rate: 70%)

In addition, in 2019 in EMEA, 100% of EMEA buyers attended responsible procurement training sessions to support the implementation of EcoVadis and the new social and environmental audit system.

## 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 FY2020, Shiseido will expand its supplier evaluation activities to regions outside of

Japan and EMEA to confirm compliance with the Shiseido Group Supplier Code of Conduct. Shiseido will also formulate specific measures to approach second-tier and upstream suppliers.

Japan and EMEA will provide feedback to its suppliers who become high-risk after being assessed and request corrective action. In this regard, we will ask suppliers who are of particular need of investigation to conduct audits and ask them to take appropriate actions to resolve their issues.

As 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 28, 2020