

Shiseido Modern Slavery Statement (Year ended December 31, 2021)

The statement below is the report for FY2021 as of December 31, 2021. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2021 and the initiatives planned for FY2022 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.

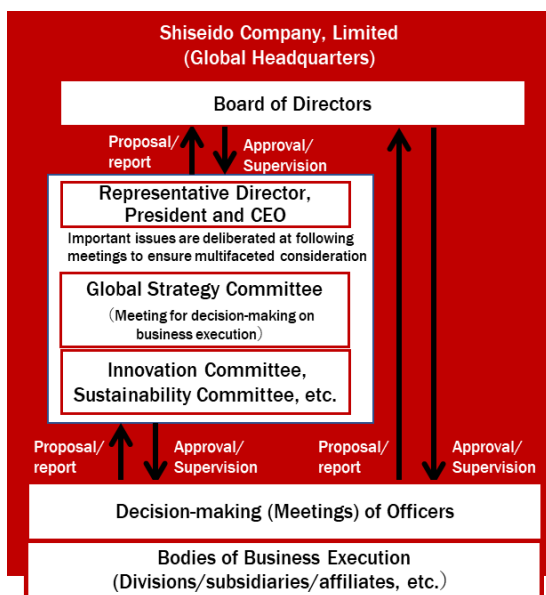
2 Business Operations and Organization

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 beauty innovations that enriches the lives of our stakeholders globally. It operates cosmetics businesses in more than 120 countries and areas with about 46,000 employees and a global turnover of 1035.2 billion yen in 2021. 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,” “Performance of Contract.” “Promoting sustainable procurement”, and “Respecting diverse values”. Of these, we purchase production materials from over 800 Tier 1 suppliers around the world. Our Tier 1 suppliers are all required to follow the Shiseido Group Supplier Code of Conduct, and they are responsible for adapting it to their Tier 2 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 Tier 1 and upstream suppliers. These policies were drafted by the person responsible for human rights at the GHQ and were approved by the Company’s Board of Directors. The progress of the human rights policy, including human rights due diligence and risk assessment, is reported at the Sustainability Committee meeting, which is dedicated to discussing sustainability-related issues. Designating an

Executive Officer to be responsible for human rights issues identified through the human rights risk assessment, and improvement activities are being implemented to stop, prevent, and mitigate negative impacts on human rights.

Shiseido's policies include the following:

■ Shiseido Policy on Human Rights

Adopted in 2017, the Shiseido Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights to prevent slave labour (e.g. child labour and forced labour) and other work under slavery and human trafficking. This Policy applies to Shiseido and its business partners.

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

■ Shiseido Code of Conduct and Ethics

The Shiseido Code of Conduct and Ethics stipulate the mandatory behaviours expected of every individual working for Shiseido. 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 Procurement Policy

Our procurement policy is based on a consumer-oriented perspective, including the following principles:

- we carry out procurement activities to create better products, through co-creation with business partners
- we comply with all relevant laws and regulations, prioritizing respect for human rights and protection of the global environment

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/1.pdf>

■ 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. Shiseido 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 Tier 1 suppliers, and Shiseido recommends that these suppliers request Tier 2 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

We created guidelines for palm-derived materials and paper, which exacerbate environmental and human rights problems in the countries of origin.

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/2.pdf>

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

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.

- 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.

■ **Human Rights Risk Reduction Activities:**

As a result of risk assessment of human rights issues, we will identify areas in our value chain where human rights risks are assumed to be relatively high, and plan and promote improvement activities to stop, prevent, and mitigate negative impacts. The status of the promotion of these activities has been confirmed, and activities to further reduce human rights risks are ongoing, as well as the progress reports and disclosures.

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, continuously.

- 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 FY2021. 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
- Employees’ personal data & privacy
- Occupational safety and health issues (work-related accidents)
- Breach of working hours, breaks, and rest period (overtime-work)

- Harassment and abuse
- Personal/confidential information leakages
- Incomplete supplier management (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 Group Supplier Code of Conduct through Sedex/EcoVadis/its own SAQ (Self-Assessment Questionnaire). We classify suppliers into three categories according to the degree of risk: low risk, middle risk, and high risk. 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, online verification of corrective actions 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. We are targeting a switch to 100% mass balance or better certified oil by 2026.

- 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. 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 responses to slave labour, including child labour.

7 Performance Assessment

Shiseido strives to prevent slavery (e.g. 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 Tier 1 suppliers but also Tier 2 and upstream suppliers on a global basis. The assessment results were used to determine the status of risks in the supply chain related to labour rights, health and safety, the environment, business ethics, and to request corrective actions.

■ Approach 1: Human rights due diligence

For the six human rights issues identified by the 2020 activities, Executive Officers were designated to be in charge, and improvement activities were implemented in 2021 to stop, prevent, and mitigate negative impacts on human rights. One of the issues identified was "incomplete supplier management," and we promoted the introduction of a rigorous and objective risk identification and remediation process, including through the implementation of third-party audits, and process to monitor the progress of high-risk suppliers and reduce the number of them.

<https://corp.shiseido.com/en/sustainability/rights/activity.html>

Approach 2: Supplier Assessment Results

In 2021, we set the correction of high-risk suppliers identified in 2020 as our top global priority, and implemented corrective actions globally for the applicable 132 suppliers.

Specifically, we provided feedback to all suppliers and requested corrective actions. For certain suppliers, we also conducted online verification of corrective status, reassessment by self-assessment, and third-party audits (2 suppliers). As a result of these corrective actions, the number of high-risk suppliers decreased from 132 to 40.

In 2021, we assessed suppliers in Japan and Europe, considering the magnitude of risk and the importance of the supplier. In total, we assessed 279 Tier 1 suppliers and 5 Tier 2 strategic suppliers. As a result, 17 Tier 1 suppliers were categorized as high-risk, while no Tier 2 strategic suppliers were categorized as high-risk. In 2022, we will conduct an assessment program based on the new procurement policy for the remaining 44 high-risk suppliers* currently engaged in corrective actions.

* Assessment results for 2020 and 2021 (excluding duplicates).

<https://corp.shiseido.com/en/sustainability/rights/procurement.html#08>

- **Approach 3: Direct action on raw materials identified as high human rights risk**
 - In regards to palm oil, the relevant teams in our global and regional headquarters have been working together to promote initiatives aimed at achieving this target, and in 2021, we replaced 27% of palm oil-derived raw materials (palm oil equivalent, weight basis) with RSPO's physical supply chain model. Shiseido have been using the book-and-claim to certify all palm oil since 2018.
 - Regarding mica, in collaboration with non-governmental organizations and the Indian Government, RMI implemented a community empowerment program for 10,927 mica-dependent families, improving the incomes and livelihoods of 62%, while securing improved access to safe drinking water and medical facilities.
- **Business Partner Hotline**

Shiseido established the Business Partner Hotline in 2013 to promote fair transactions that deepen understanding and mutual respect with suppliers. As posted on the corporate website, the Business Partner Hotline accepts comments and inquiries from suppliers in writing or via e-mail. In 2021, we did not receive any inquiries or feedback that indicated non-compliance.

8 Education and Training

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

- **Officer and vice president training**

The Company and Shiseido Japan Co., Ltd. had planned to hold executive integrity training in 2021, but it was cancelled due to the spread of COVID-19.
- **Japan Domestic Employees**

We conducted online human rights training for 1,566 management level employees in Japan, the theme for which was harassment. We also provided online human rights awareness training to employees in Japan. 14,295 employees participated in a training which focused on basic human rights, and 14,577 employees participated in one that was focused on harassment.

■ Supply Chain

In order to implement responsible procurement, Shiseido provides various training programs for employees in the procurement department in terms of human rights, occupational health and safety, and the environment.

In FY2021, e-learning on sustainability was conducted, with 48 employees participating. Training on sustainability assessment was also conducted and attended by all employees in the Procurement Department.

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 FY2022, we will continue with the improvement activities implemented in FY2021 to stop, prevent, and mitigate negative impacts on human rights risks.

Especially, in the supply chain, a supplier assessment programme will be implemented based on the Shiseido Group Procurement Policy, which was revised in February 2022.

The policy stipulates what suppliers are expected to observe in terms of human rights and the environment, and also specifies the introduction of a rigorous and objective risk identification and correction process through the implementation of third-party audits, etc., and the assessment of suppliers from a sustainability perspective. In addition, in order to maximise the elimination of risks throughout the supply chain, the risks of not only direct suppliers but also Tier 2 and subsequent suppliers are to be checked.

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

June 7, 2022