

Respecting Human Rights and Ensuring Responsible Procurement

Shiseido realizes that all its business activities must be based on respect for human rights. We have formulated a company-wide code of ethics and a human rights policy and are working to promote understanding and improve our response to human rights through human rights due diligence* and internal and external awareness-raising activities.

* A continuous process to identify human rights issues and implement solutions to prevent and mitigate risks.

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors.



Human Rights Promotion System

Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in the Shiseido Company, Limited (Global Headquarters). Once a year, human rights policies and human rights risk mitigation efforts are reported at the Board of Directors meeting and receive approval and supervision from the Board of Directors.

- Chief Social Value Creation Officer
- Chief Supply Network Officer

Primary Initiatives

Here listed are Shiseido's primary initiatives regarding respect for human rights and ensuring responsible procurement.

Society	Employees
<ul style="list-style-type: none"> ▪ Understanding risks throughout the supply chain ▪ Dialogue with stakeholders ▪ Reporting and consultation center for suppliers 	<ul style="list-style-type: none"> ▪ Human rights risk assessment ▪ Reporting and consultation center for employees ▪ Human rights education training for employees

Responsible Procurement

Shiseido wants to develop together with society while promoting respect for human rights and ensuring environmental protection in all its business activities, including the procurement of raw materials. We are working on the following to achieve sustainable procurement and corporate social responsibility.

- Ethical supply chain policies/standards
- Supplier monitoring/collaboration
- Reporting and consultation center for suppliers
- Sustainable procurement of raw materials (palm oil/mica)
- Risk assessment of raw materials (social risk assessment when introducing new raw materials)
- Dialogues with stakeholders

Response to the United Kingdom’s Modern Slavery Act 2015

Based on the United Kingdom’s Modern Slavery Act 2015, enacted in March 2015, we disclose the Shiseido Modern Slavery Statement every year.

2018 Performance

Here listed are our recent primary initiatives regarding human rights and responsible procurement.

Society	Employees
<ul style="list-style-type: none"> ▪ Formulation of the Shiseido Group Sustainable Raw Materials Procurement Guidelines ▪ Revision of the Shiseido Group Supplier Code of Conduct ▪ Supplier monitoring/collaboration ▪ Procurement of sustainable palm oil ▪ Procurement of sustainable mica ▪ Dialogues with stakeholders 	<ul style="list-style-type: none"> ▪ Human rights risk assessment ▪ Reporting and consultation center for employees ▪ Human rights education training for employees

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors. We will contribute to the realization of a sustainable global society by promoting various efforts to respect human rights in all Shiseido Group businesses, including in the creation of our products.



The descriptions of human rights in various policies and standards are as follows.

Shiseido Group Standards of Business Conduct and Ethics

It summarizes the actions that each employee working in the Shiseido group should perform and it sets out a specific code of conduct to work with a stronger sense of ethics. In addition to complying with national and regional laws and regulations, as well as internal regulations, we declare that we respect human rights for all our stakeholders and that we will not engage in child labor or forced labor leading to human rights abuses. Also, in addition to not violating human rights, we have clearly specified that we select business partners according to the impact on society.

For details, please refer to the Shiseido Group Standards of Business Conduct and Ethics.

Shiseido Group Policy on Human Rights

It was formulated based on the United Nations Guiding Principles on Business and Human Rights and the Shiseido Group Standards of Business Conduct and Ethics. It promotes the Shiseido Group's efforts to respect human rights and sets guidelines to fulfil their responsibilities. In order to become a company trusted by consumers and societies all over the world, and to continue developing along with the global society, all our business activities are based on respect for human rights. The policy was formulated in June 2017, published with the approval of the Board of Directors and revised in 2019. This policy applies to the Shiseido Group and our business partners.

Shiseido Group Policy on Human Rights

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, the new Shiseido Philosophy is the guiding light of Shiseido Group ("Shiseido"). For each and every member of the global Shiseido family, the new Shiseido Philosophy is at the heart of everything we do as we strive to be a global winner with our heritage.

Shiseido understands that it must respect the human rights of all persons as a prerequisite to conducting business activities for its sustainable growth together with the global society. Shiseido hereby establishes the Shiseido Group Policy on Human Rights ("the Policy") by which it will promote efforts to ensure respect of human rights and the fulfillment of related duties. The Policy is based on the United Nations Guiding Principles on Business and Human Rights.

1. Fundamental Position

Shiseido supports and respects international human rights principles, such as:

-UN International Bill of Human Rights, which defines the fundamental human rights of all people (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights).

-The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the core labour standards therein.

-UN Declaration on the Rights of Indigenous Peoples.

-Other international human rights and norms, such as conventions relating to the human rights of workers on wages and working hours.

As a signatory of the UN Global Compact ("GC") we also support and respect the GC's Ten Principles. The Policy represents Shiseido's commitment to respecting human rights based on The Shiseido Philosophy

2. Scope and Application

The Policy will apply to all executives and employees of Shiseido. Shiseido will also require its business partners relating to Shiseido's products and services to comply with the Policy.

3. Responsibility to Respect Human Rights

Shiseido will fulfil its responsibility of respecting human rights by ensuring that its business activities do not result in human rights violations and by responding appropriately to correct any adverse impact on human rights its business activities may incur. Shiseido will establish a responsible supply chain.

■ Human Rights Due Diligence

Shiseido will establish a system of human rights due diligence to identify and prevent or mitigate any negative impact on human rights that Shiseido may have on society.

■ Dialogue and Consultation

In implementing the Policy, Shiseido will utilize independent experts on human rights, and will engage sincerely in meaningful consultation with relevant stakeholders.

■ Education and Training

Shiseido will provide appropriate training and education for its executives and employees to ensure effective integration and implementation of the Policy in all aspects of Shiseido's business activities.

■ Remedies

In the event Shiseido's business activities result in violations to human rights, or when business partners have an adverse impact on human rights, we will provide remedies through appropriate dialogues and procedures.

■ Accountability

Shiseido will appoint an executive officer to oversee the implementation of, and monitor adherence to, the Policy.

■ Information Disclosure

Shiseido will disclose the progress and outcomes of efforts regarding respecting human rights on its website and through other media.

■ Compliance with Applicable Laws and Regulations

Shiseido will comply with the laws and regulations of all countries where it conducts its business activities. Where there is a conflict between national laws/ regulations and internationally recognized human rights standards, Shiseido will seek ways to respect international human rights to the maximum extent possible.

Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

Date of Revision: May 30, 2019

History of Revision

May 2017 enactment

May 2019 revision: added new corporate philosophy

Shiseido Group Supplier Code of Conduct

We require all business partners related to Shiseido's products and services to comply with the code of conduct. In the wake of our participation in the United Nations Global Compact, we documented our standards related to human rights, our compliance with related laws and regulations, labor practices, intellectual property protection, confidentiality, environmental protection, and impartial dealings in 2006. In April 2018, it was revised in order to require business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment. In June 2019, we also added a provision for the proper management of working hours, days-off, and leave of employees.

Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

Shiseido Group Procurement Policy

In order to achieve an ethical supply chain, the policy was established in 2018 based on the principle of coexistence with consumers, business partners, and society. The policy indicates the following: Our purchasing is based on a consumer-oriented perspective; we carry out procurement activities aiming to create better products through co-creation with business partners; we comply with all relevant laws and regulations, as well as placing the foremost priority on respect for human rights and consideration of the global environment; finally, we actively promote sustainable procurement.

Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

Shiseido Group Sustainable Raw Materials Procurement Guidelines

This is a guideline formulated in 2018 for palm-derived materials, which exacerbate environmental and human rights problems in the country of origin, in order to promote sustainable procurement under the Shiseido Group Procurement Policy. We promote sustainable procurement that respects human rights and considers the environmental protection in the place of origin.

Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

Approval and support for international norms

2010	We signed the Women's Empowerment Principles (WEPs) (Joint initiative of UN Women and the United Nations Global Compact), which are the principles of action for companies that actively work to promote the full participation and leadership by women in the workplace, and we are working to implement WEPs with UN Women and various stakeholders.
2004	Our company signed the United Nations Global Compact and supports the ten principles in all four areas (Human rights, Labor, Environment, and Anti-corruption) together with all our group companies.

Human Rights Promotion System

The human rights issues included are those related to child labor, forced labor, discrimination, harassment, wages, working hours, occupational safety and health, etc. The scope of the target also extends to all business activities and is not limited to our company but also applies to our business partners. In our everyday duties, relevant departments in the Global Headquarters (Human Resources Department, Risk Management Department, Social Value Creation Division, Supply & Purchasing Department) work together with various departments and domestic and overseas group companies to further the promotion of human rights.

The Shiseido Group

The Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in Shiseido Company, Limited (Global Headquarters). Once a year, human rights policies and human rights risk mitigation efforts are reported at the Board of Directors meeting and receive approval and supervision from the Board of Directors.

- Chief Social Value Creation Officer
- Chief Supply Network Officer

Supply chain

The Supply & Purchasing Department, Risk Management Department, and Social Value Creation Division work on human rights issues among suppliers. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established the Business Partner Hotline where suppliers can report and consult on human rights issues with our company.

The Shiseido Group in Japan

At the Shiseido Group in Japan, the Human Rights Development Committee, chaired by the head of human resources at Shiseido Company, Limited, reviews the human resource issues and training contents for employees to reduce risks. In collaboration with the Human Rights Development Subcommittee, the Human Rights Secretariat within the Human Resources Department works to raise human rights awareness in-house, and the Social Value Creation Division is working on gender equality. A Human Rights Enlightenment Promotion Representative is nominated at each business site inside domestic Shiseido Group companies, and they provide human rights training. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established a center* where employees can report and consult on human rights issues.

* We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from workplaces. There is also the Compliance Committee Hotline which specializes in receiving reports and the Report Mail to Auditors which receives reporting on officers.

Primary Initiatives

Here listed are our primary initiatives regarding human rights and responsible procurement.

Society

Amid progress in the globalization of corporate activities and the expansion of the supply chain, we believe it is important to strengthen our response to human rights issues.

● Understanding risks throughout the supply chain

As part of strengthening global risk management, we have joined Sedex, a supplier ethical information sharing platform, to manage risks related to labor practices in the supply chain. In 2018, we had discussions with our suppliers regarding the use of Sedex to ensure traceability and transparency in the supply chain and to have them share their ethical information (compliance, environment, human rights, and occupational safety and health) from 45 sites in 31 companies. In addition, we conducted a briefing session on the theme of "Human rights across the businesses" and shared a document describing the theme with our 295 suppliers*. Specifically, we explained our intentions and changes in the revised version of our Shiseido Supplier Code of Conduct aimed at realizing responsible procurement in the supply chain, as well as detailing the effectiveness of Sedex. For suppliers who are not members of Sedex, we are promoting supplier monitoring from multiple perspectives through the Shiseido Supplier Code of Conduct Compliance Questionnaire (our own self-assessment questionnaire), sharing the evaluation results of other accreditation organizations, and sharing the acquisition status of international standards certifications.

* Suppliers with a trading record with the Global Headquarters in 2017.

Please check the details in Responsible procurement - Supplier monitoring/Collaboration.

With regard to raw materials (palm oil/mica), which our company considers to carry high risks for human rights, we will strengthen our measures by participating in international initiatives. In order to procure sustainable palm oil, we joined RSPO*¹ in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, taking into consideration environmental protection and human rights in the places of origin. In addition, in order to procure sustainable mineral mica and strengthen our responsible supply chain, we joined RMI*² in 2017. Going forward, we aim to improve traceabil-

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RMI: Responsible Mica Initiative

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss both the environment and society and share and resolve issues. In dialogues with human rights experts, we received advice on how to proceed with human rights due diligence and reflect it in our activities.

Please check the details in Responsible Procurement - Dialogue with Stakeholders.

● Reporting and consultation center for suppliers

Since 2013, we have been hearing opinions from/consulting with our business partners using the Business Partner Hotline, a center which receives reports from/consults with suppliers in writing and by email (No reporting was made in FY2018.).

■ Employees

● Human rights risk assessment

Since FY2017, Shiseido has been conducting the Shiseido Group Engagement Survey for employees throughout Shiseido Group, encompassing Japan and overseas countries, to investigate human rights risks in the workplace, such as discrimination and harassment.

● Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

Please check the details in 2018 Performance - Relationship with Employees.

● Human rights education training for employees

Since human rights issues are diverse, the Human Resources Department, Risk Management Department, and Social Value Creation Division are playing the central role in the initiative, working in partnership with the Shiseido Group companies. With regard to the Shiseido Group Standards of Business Conduct and Ethics and related policies and rules, we conduct regular training and education according to position and job type to deepen our understanding of the human rights of employees and to work to reduce human rights risks. We hold training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, division/department heads of domestic and overseas offices, employees in various divisions/departments, and new employees once a year.

Management

We conduct Human Rights Enlightenment and Corporate Ethics Training once a year for our Corporate Officers. We have been conducting training on business and human rights since 2015.

Employees of the Shiseido Group in Japan

At each business location in Japan, there is a Human Rights Enlightenment Promotion representative in each department, and the Human Resources Department conducts training for those representatives who themselves deliver human rights training to other employees in each of their respective departments. We are enlightening people to eliminate discrimination and prejudice on various human rights issues, such as social integration, women's empowerment, children, people with disabilities, LGBT, and harassment. In FY 2018, the Company also provided training on the theme "A jovial workplace without moral harassment" for all employees of Shiseido in Japan.

Please check the details in 2018 Performance - Relationship with Employees.

Responsible Procurement

Shiseido wants to develop together with society while promoting respect for human rights and ensuring environmental protection in all its business activities, including the procurement of raw materials. By complying with laws and having a high sense of ethics, we are working on the following to achieve sustainable procurement and corporate social responsibility.

| Ethical Supply Chain Policies/Standards

● **Shiseido Group Supplier Code of Conduct**

Shiseido aims to find new and profound values through encounters with diverse groups of people, to create a “beautiful life” culture, and to engage in research, development, manufacturing, and the sales of superior products and services of a high quality, safety, and which deliver peace of mind. We regard all business partners as partners who create new values together and aim for sustainable development with high ethical standards. In the wake of our participation in the United Nations Global Compact, Shiseido has been working with our business partners on ethical business activities since we formulated the Shiseido Group Supplier Code of Conduct in 2006, stipulating the standards regarding human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade. The business partners that are subject to the Shiseido Group Supplier Code of Conduct have agreed to the standards and we conduct periodic monitoring through surveys and audits. In the event that any supplier is identified to have violated the Shiseido Group Supplier Code of Conduct, we strictly implement a request for corrective action, offer corrective guidance, and provide support. In Japan, we also established the Business Partner Hotline and we have a system in place to receive opinions and consult with our business partners (No reporting was made in FY2018.). In recent years, with social issues and environmental problems becoming more serious, companies are more strongly required not only to comply with the laws and regulations of each country, but also to respect international treaties and conventions in order to realize sustainability throughout the supply chain and, in particular, to ensure respect for human rights. In response to such social demands, we revised the Shiseido Group Supplier Code of Conduct in April 2018, including strengthening the human rights provisions. In June 2019, we also added a provision for the proper management of working hours, days-off, and leave of employees.

Shiseido Group Supplier Code of Conduct

Shiseido Group Supplier Code of Conduct

Foreword

Recent years have seen increasingly serious social and environmental issues, and companies have been under strong pressure to not only comply with the laws and regulations of each country but also to respect international conventions and rules and to make a strong commitment to realizing a sustainable society with the suppliers forming their supply chain.

The Shiseido Group will utilize its best endeavours to provide products and services that offer peace of mind and safety to customers and that are friendly to both society and the environment, while also conducting its business operations in a sincere manner as it strives to achieve a sustainable society.

In order to achieve this end, it is essential for the Shiseido Group to collaborate with our suppliers, who are our business partners, in order to commit ourselves towards a sustainable society through our procurement activities.

The “Shiseido Group Supplier Code of Conduct” specifies the non-negotiable minimum code of conduct that the Shiseido Group requests its suppliers and subcontractors to respect and follow, when they engage in transactions with the Shiseido Group. Suppliers are requested to comply with the “Shiseido Group Supplier Code of Conduct” after having read and understood the purpose and contents of this Code.

The standards stated herein have been set forth for the purpose of protecting the rights of and responding to the demands of workers in the supply chain, including migrant workers and home workers.

I. Applicable Scope

Suppliers who are engaged in transactions with the Shiseido Group are requested to comply with this Code.

In addition, suppliers are also expected to require their subcontractors who are involved in business related to the Shiseido Group to comply with the same standards as those set forth herein.

II. Operation

The Shiseido Group selects suppliers who will comply with the matters set forth in this Code. Even after the commencement of transactions, the Shiseido Group will determine whether or not to continue transactions based partly on the compliance with this Code.

III. Inspection

Upon receiving a request from the Shiseido Group, suppliers shall answer questionnaire surveys, accept on-site inspections, submit related materials and records, and otherwise meet the Shiseido Group's requests, so as to enable the Shiseido Group to confirm the compliance with this Code.

IV. Reporting of Violations / Corrective Measures

At the time when a supplier becomes aware of any violation of this Code (including becoming aware of the possibility thereof: the same shall apply hereinafter in this Article), it shall immediately inform the Shiseido Group thereof. If any violation is acknowledged, the supplier must formulate a plan to correct such violation and conduct suitable corrective measures, as well as reporting the status of such correction to the Shiseido Group on each occasion. An agreement entered into with the Shiseido Group may be cancelled depending on the contents of the violation.

I Legal Compliance

Suppliers shall comply with all applicable laws and regulations of the countries and territories in which suppliers conduct their business operations.

Suppliers shall strive to comply with industry standards and international standards* regarding fair business operations, human rights, labor and the environment.

※The OECD Guidelines for Multinational Enterprises, the fundamental provisions of the ILO Conventions, the United Nations Global Compact 10 Principles, the United Nations Declaration on the Rights of Indigenous People, the United Nations Guiding Principles on Business and Human Rights, ISO26000 (Corporate Social Responsibility), etc.

II Anti-Corruption

1. Prohibition of Bribery and Corruption

Suppliers shall not pay or receive any bribes, kickbacks, illegal gratuities, etc., to or from any administrations, officials, or business partners, including, without limitation, the Shiseido Group.

In addition, suppliers shall not make any facilitation payments (i.e., the payment of a small amount, not based on applicable laws and regulations, in order to expedite administrative procedures such as customs clearance or visa acquisition).

2. Prohibition of Unfair Provision of Gifts and Entertainment

Suppliers shall not provide or receive gifts or entertainment in an unfair manner or in a manner that may cause suspicion regarding fairness, to and from administrations, officials, or business partners, including, without limitation, the Shiseido Group, for the purpose of influencing contracts or the contents of transactions, either directly or through a mediator.

3. Prohibition of Improper Transactions

Suppliers shall not engage in private monopolies, undue restrictions on transactions such as cartels, or any other acts which may prevent free and fair competition.

4. Protection of Intellectual Property, Confidential Information, and Personal Information

Suppliers shall not infringe upon any intellectual property rights of the Shiseido Group or any third party.

In addition, suppliers shall appropriately protect and shall not use for any improper purposes, confidential information (including insider information and business secrets) and personal information (including those of customers and employees) which are handled by the suppliers themselves or the Shiseido Group.

5. Publication of Information

If a supplier becomes aware of any events which raise doubts as to the quality, safety, efficacy, etc., of the supplier's products or services, the supplier shall promptly disclose appropriate and sufficient information thereon to the Shiseido Group.

III Respect for Human Rights

1. Prohibition of Discrimination

Suppliers shall not discriminate in any way against their employees in hiring practices or treatment in relation to remuneration, promotion, termination of employment, etc., on any basis, including, without limitation, race, skin color, gender, age, language, financial status, nationality, national origin, religion, ethnic or social origin, membership or non-membership of a labor union, political or other opinion, beliefs, disability, marital status, health conditions, pregnancy, sexual orientation and gender identity.

2. Prohibition of Abuse and Harassment

Suppliers shall respect the human rights of their employees and shall not inflict abuse, corporal punishment, psychological, physical, or sexual harassment or other forms of intimidation thereon.

3. Prohibition of Forced Labor and Human Trafficking

Suppliers shall not be involved, in any way, in any forced labor, including labor under conditions of slavery, labor with physical or psychological constraint, and human trafficking.

In hiring their employees, suppliers shall explain the employment conditions so that employees will be able to enter the suppliers based on their own discretion after having fully understood such conditions. Further, suppliers shall grant their employees the right to freely leave their employment with the supplier.

In relation to employment conditions, suppliers shall comply with all applicable labor-related laws and regulations of the countries and territories in which suppliers conduct their business operations, and shall agree to conditions under which human rights are respected. Further, suppliers shall provide a document to employees which sets forth the contents and conditions proving their respect of human rights, written in a language understandable to the employees.

Unless otherwise set forth in the laws or regulations, suppliers shall not restrict the free behavior of their employees, including by way of unduly imposing fees or advance payments relating to their employment, or confiscating or destroying passports, identification documents or work permits, etc.

4. Prohibition of Child Labor

Suppliers shall not employ children who have not yet reached the highest age among (i) 15 years of age; (ii) the age for completing compulsory education; and (iii) the minimum working age stipulated in local laws or regulations; provided, however, that, in the case of minor labor which will not cause any harm to the health or development of children, which will not prevent children from the opportunity to seek education, and which is permitted in accordance with the local laws and regulations, employment of children aged from 13 to 15 shall be permitted.

Suppliers shall not cause children to engage in any labor which may have a physically, psychologically, socially or morally adverse effect on children.

In addition, suppliers shall take sufficient care to ensure that there will not be any prevention of the opportunity for education to be provided to children.

5 . Compliance with Labor-Related Laws and Regulations

Suppliers shall comply with all applicable labor-related laws and regulations of the countries and territories in which suppliers conduct their business operations.

Suppliers shall pay wages in an amount equal to or greater than the minimum wage stipulated by local laws or regulations. In this regard, suppliers shall take into consideration the wage level to ensure that the wages paid will be at a level necessary for employees and their family members to live with human dignity. In addition, suppliers shall pay overtime allowance and other allowances, etc., in accordance with the laws and regulations of each country and territory. Supplier shall properly manage the total working hours, days-off, and leave of employees so that such working hours will not exceed the maximum limits stipulated by applicable laws and regulations of each country and territory. Suppliers shall also execute employment agreements with workers in writing, which will set forth the conditions for their employment, as well as confirm that all workers are aware of their legal rights and obligations.

6 . Freedom of Association and Collective Bargaining

Suppliers shall respect the right of their employees to form a labor union, to join or not join a labor union, and to engage in collective bargaining with suppliers, and shall not discriminate against their employees based on the exercise of such rights.

7 . Respect for the Rights of Indigenous People

Suppliers shall respect the land rights, culture, custom, and religion of indigenous people and shall conduct their business operations based on such respect. Suppliers shall respect the traditional knowledge and the rights in relation to genetic resources of indigenous people, and shall strive not to exploit the interests of indigenous people in a one-sided manner.

8 . Migrant Workers

Suppliers shall treat migrant workers in the same capacity as local workers. In addition, suppliers shall treat foreign workers and migrant workers in a just manner, and provide such workers with transparent employment conditions as well as good working and living conditions.

Suppliers shall also: (i) reimburse migrant workers' employment-related commissions, etc.; (ii) not hire any illegal migrant workers; (iii) neither confiscate ID documents of migrant workers nor keep migrant workers' money in trust; and (iv) understand the scope of this Code includes workers employed through an agency or contractor.

IV Safe and Healthy Working Environment

1. Safe and Healthy Facilities

Suppliers shall design and construct facilities taking into consideration the safety and health of their employees, and shall maintain the safety of their facilities through regular confirmation of the structural integrity of the facilities and conducting repair work.

Within the facilities, suppliers shall maintain hygiene and provide their employees with, at a bare minimum, safe drinking water and toilets. The same standards shall apply to supplier-provided dormitories for the employees.

2. Prevention of Workplace Injuries and Illnesses

In regard to physically severe labor, the handling of hazardous substances and chemicals, and inherently risky labor, such as the use of production machinery, suppliers shall adopt procedures to enable the avoidance of any risks to the extent possible, and shall provide their employees with necessary protective wear, as well as education on safety measures in advance, in order to prevent any occurrence of workplace injuries and illnesses.

3. Disaster Prevention Measures

As part of their disaster prevention measures, and in preparation for emergencies such as fire and natural disasters, suppliers shall secure fire prevention measures and emergency routes and cause their employees to be thoroughly informed of the same.

The same standards shall apply to supplier-provided dormitories for employees.

V Protection of the Environment

Suppliers shall comply with all environment-related laws and regulations applicable to the countries and territories where suppliers conduct their business operations.

Suppliers shall recognize the importance of preserving the environment, and, through their business activities, shall maintain a proactive stance toward such preservation and work to contribute to the development of a sustainable society through measures such as preserving biodiversity, controlling greenhouse gas emissions, reducing waste materials and drainage, conserving resources, recycling, and preventing pollution. Suppliers shall recognize the importance of preserving the environment and shall endeavor to conduct environmentally friendly business management, including measures such as preserving biodiversity and controlling greenhouse gas emissions in all phases from the use of resources to the control of waste materials.

VI Quality Assurance and Securing Traceability

Suppliers shall provide products and services that satisfy the quality and safety standards set forth in all laws and regulations of the countries and territories in which suppliers conduct their business operations, as well as complying with the contracts entered into with the Shiseido Group, and shall strive to grasp the origins of raw materials used for the products which are to be delivered to the Shiseido Group.

VII “Whistle-Blower Protection” Measures

Suppliers shall accept whistle-blowing and complaints from their employees, shall make sure to protect their employees from possible retaliation from the suppliers and persons against whom the relevant whistle-blowing was made, and shall take appropriate measures to rectify the status and conditions against which such complaints are made, while always taking the privacy of whistle-blowers into consideration.

VIII Subcontractors' Compliance with this Code

Suppliers shall request their subcontractors involved in the business related to the Shiseido Group to comply with the same standards as those set forth herein. If the Shiseido Group deems it necessary, suppliers shall confirm their subcontractors' compliance herewith and report the same to the Shiseido Group.

Revisions

The Shiseido Group shall revise the contents of this Code according to changes over time and demands from society, and shall publish the revised Code on the Shiseido website and inform its suppliers of the same. The obligations of Suppliers shall continue to exist after the revision of this Code, and suppliers are therefore requested to continue to comply with the revised Code.

Should you have any questions or opinions regarding the revised contents, please do not hesitate to contact your local Shiseido Group member company.

<Revision History>	Established in March 2006
	Revised in May 2010
	Revised in December 2011
	Revised in April 2018
	Revised in June 2019



● Shiseido Group Procurement Policy

In order to achieve an ethical supply chain, the policy was established in 2018 based on fruitful coexistence with consumers, business partners, and society. The policy indicates the following: Our purchase principles are based on a consumer-oriented perspective; we carry out procurement activities to create better products through co-creation with business partners; we comply with all relevant laws and regulations, as well as placing the foremost priority on respect for human rights and consideration of the global environment; and we actively promote sustainable procurement.

■ Shiseido Group Procurement Policy

Procurement Vision

We strive to expand the circle of "inspiring a life of beauty and culture on a global level" through procurement. Through these activities, while maintaining "coexistence with society", we will practice "creation of new value" from a procurement aspect.

We respect all of our suppliers who share our vision, and work together with them toward each other's sustained growth.

Procurement Way

(1) With Our Consumers

We always conduct our procurement activities from the consumers' perspective, and will achieve optimum cost and excellent quality based on the principle of providing safe and excellent products and services that satisfy our consumers.

(2) With Our Suppliers

• Building a Good Partnership

We conduct procurement sharing the same mission with suppliers with respect to creating new value and striving to make better products. Through that activity, we strive to build trust with suppliers based on high transparency and ethics as a business partner, to evolve and develop each other.

• Fair Purchasing Transactions

We open up wider opportunities to all suppliers who share our vision. In selecting our suppliers, we will make a comprehensive and fair judgment based on clear criteria such as quality, cost, delivery date, service, environmental response and respect for human rights.

• Toward Global Procurement

We conduct procurement activities from a global perspective without being confined to sales and production areas.

• Performance of Contract

We strictly adhere to contracts and rules related to purchasing transactions.

(3) With Society

We comply with all related laws and regulations and act with the utmost respect for rules due to differences in culture and values. We also actively promote sustainable procurement by giving priorities to respect for human rights and consideration for the global environment.

● Shiseido Group Sustainable Raw Materials Procurement Guidelines

This is a guideline formulated in 2018 for palm-derived materials, which exacerbate environmental and human rights problems in the country of origin, in order to promote sustainable procurement under the Shiseido Group Procurement Policy. We will promote sustainable procurement that respects human rights in consideration of the environmental protection of the place of origin.

■ Shiseido Group Sustainable Raw Materials Procurement Guidelines

For palm-derived raw materials, known for their increasing problems involving the environment and human rights at the countries of origin, Shiseido Group Sustainable Raw Materials Procurement Guidelines have been established for the promotion of sustainable procurement as specified in the Shiseido Group Global Procurement Policy.

● Palm oil

For palm-derived raw materials for use in Shiseido products, we will promote the procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights.

Target: By the year 2020, for all palm-derived raw materials for use in Shiseido products, we will accomplish procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights, by procurement of RSPO-certified materials. In addition, the Shiseido Group factories will acquire RSPO's supply chain certification.

● Revision history

June 2018	We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for palm oil and set targets up to 2020. In line with the guidelines, we will promote sustainable palm oil procurement.
June 2018	We formulated the Shiseido Group Procurement Policy in order to realize an ethical supply chain.
April 2018	We revised the Shiseido Group Supplier Code of Conduct to ensure that it meets the current social needs. It requires business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment.
June 2019	A provision for the proper management of working hours, days-off, and leave of employees was included in the Shiseido Group Supplier Code of Conduct.

■ Supplier monitoring/collaboration

Since having developed the Shiseido Group Supplier Code of Conduct in 2006, we have been implementing the Shiseido Supplier Code of Conduct Compliance Survey (Shiseido's proprietary SAQ*), which confirms the compliance status of suppliers. In 2018, of the suppliers who have trading records with our Purchasing Department in our Global Headquarters, we received responses from 197 suppliers and provided feedback of the analysis and evaluation results of the survey to each company. To suppliers who did not complete the survey and provided answers that we need to confirm, we asked them to complete the survey again and sent inquiries about the responses. In addition, in August 2017, we joined Sedex (platform to share supplier ethical data). In 2018, we discussed the use of Sedex and the sharing of their ethical information with our primary suppliers (compliance, environmental, human rights, and occupational safety and health) from 45 sites in 31 companies. Furthermore, regarding suppliers who do not complete Shiseido's unique SAQ or participate in Sedex, we share the evaluation results of other accreditation organizations, the acquisition status of international standards certifications, and we are promoting supplier monitoring from multiple perspectives.

* SAQ:Self-Assessment Questionnaire

Type	Descriptions	2015	2016	2018	2019 Target
Shiseido Group Supplier Code of Conduct Compliance Survey	Number of suppliers which completed the survey	214	224	197	—
	Response rate (%)	83	90	88	90
Sedex	Number of suppliers who set access rights	—	—	31	—
Evaluation/certification other than Sedex	Number of suppliers which have obtained evaluations/certification other than Sedex	—	—	4	—
Total	Number of monitored suppliers	214	224	229*	—
	Monitoring rate (%)	83	90	89	90

* Excludes 3 duplicate suppliers

Reporting and consultation center for suppliers

Since 2013, we have been hearing opinions from/consulting with our business partners using the Business Partner Hotline a center which receives reporting/consultations from suppliers in writing and by email (No reporting was made in FY2018.).

Sustainable procurement of raw materials (palm oil/mica)

With regard to raw materials (palm oil/mica), which our company considers to carry high risk for human rights, we will strengthen our measures by participating in international initiatives.

● Procurement of sustainable palm oil

Palm oil, a raw material for cosmetics, is mainly produced from oil palms in Southeast Asia. Environmental protection in palm oil production areas and consideration of human rights of people working on plantations are essential to build an ethical supply chain. Shiseido joined RSPO (Roundtable on Sustainable Palm Oil) and formulated Shiseido Group Sustainable Raw Materials Procurement Guidelines in order to procure palm oil and palm kernel oil that is environmentally and socially friendly. In addition, we are making progress toward obtaining RSPO supply chain certification*1 at the Shiseido Group factories. Through these efforts, we are shifting toward sustainable palm oil procurement.

Activities

2018	<ul style="list-style-type: none"> ▪ We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020. ▪ In order to support the sustainable production of palm oil, we purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials (achieved targets up to 2020). ▪ We had a dialogue with palm oil producers in Indonesia ▪ We obtained RSPO supply chain certification for the Shiseido Kuki factory and also for Shiseido Vietnam Inc (As of June 2019, 7 have factories obtained the certification.).
2017	<ul style="list-style-type: none"> ▪ We had a dialogue with palm oil producers in Malaysia. ▪ Acquired RSPO supply chain certification for the Shiseido Kakegawa factory.
2013	<ul style="list-style-type: none"> ▪ We supported the production of sustainable palm oil by purchasing the Book & Claim^{*2} certificate that covers the palm oil and palm kernel oil used by the Shiseido Group.
2010	<ul style="list-style-type: none"> ▪ We joined the Roundtable on Sustainable Palm Oil (RSPO) which was established to promote environmental preservation and operation of a sustainable palm oil industry.

*1 RSPO Supply Chain Certification: Certification to ensure logistically reliable delivery of RSPO-certified raw materials.

*2 Book & Claim system: A system of trading the production of palm oil and palm kernel oil produced on RSPO-certified farms as certified credits. As in Energy Green, purchasing a credit is considered equivalent to purchasing RSPO-certified oil.

Changes in Palm Oil Consumption

	2016	2017	2018
Total (t) of palm oil, palm kernel oil consumption amount	6,788	8,024	9,750
Book & Claim system (t)	50	75	9,750
Book & Claim System Coverage Ratio (%)	1	1	100

● Procurement of sustainable mica

Mica is a mineral used in various industries such as electrical machinery and painting and is an ingredient in makeup products in cosmetics. In recent years, there were some cases where child labor is suspected in the mining of India-produced mica. Shiseido aims to build a responsible supply chain, and in May 2017, participated in an initiative to tackle sustainable mica procurement, called the Responsible Mica Initiative (RMI). The goal of RMI is to work with members of various industries to turn all Indian mica into sustainable raw materials by 2022. Currently, we collect information on mica from various suppliers and aim to improve the traceability and transparency of the mica supply chain. In addition, through the activities of RMI, we will cooperate with NGOs to improve the working conditions of mica miners and improve the educational system for local children.

Activities

2018	<ul style="list-style-type: none"> ▪ We expanded the survey target to include mica used by the Shiseido Group and began collecting information on mica procured from home and abroad through various suppliers. ▪ We attended the RMI Annual General Meeting held in New Delhi, India. (Oct. 30-Nov. 1) ▪ We had dialogues with local mica mining companies. ▪ We consulted with NGOs and RMI members to improve the education system of local children. ▪ We discussed and formulated the activities to be addressed in 2019. Please check the progress on the RMI website
2017	<ul style="list-style-type: none"> ▪ We joined Responsible Mica Initiative (RMI), an initiative with the aim of a responsible supply chain for mica. ▪ We gathered information on suppliers of mica used by Shiseido Company, Limited. ▪ We attended the RMI Kickoff Meeting held in New Delhi, India.

Risk assessment of raw materials (social risk assessment when introducing new raw materials)

In order to understand issues such as human rights and labor issues on the supply chain in raw material procurement, we are conducting a social risk assessment of raw materials used by Shiseido. We analyzed palm oil using Social Hotspot Database (SHDB), made by nonprofit organization, New Earth, and discovered that the size and type of risks differs depending on the country of origin. By examining materials other than palm oil using SHDB, we plan to build a tool to identify social risks and use it when introducing new materials. By evaluating and appropriately managing the risks of each raw material, we will endeavor to manufacture products that customers can use with peace of mind, even with an understanding of the background of the products.

Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss environmental and social issues, to share information, and to create resolutions.

● Dialogue with NGOs/NPOs and small palm oil farmers

In August 2018, in order to understand human rights issues in palm oil procurement, we participated in the Stakeholder Engagement Program in Indonesia held by Caux Round Table, Japan. Through dialogues with NGOs/NPOs and small palm oil farmers, we deepened our understanding of the human rights risks, violations, and labor issues. In order to be a company that fulfills our responsibility to human rights, we will reflect these dialogues with various stakeholders in the construction of an ethical supply chain.

● **Dialogue with human rights experts**

In September 2018, we talked with human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) and received advice on how to proceed with human rights due diligence in our company. We are implementing this knowledge in our efforts.



Photo 1: Exchange of opinions with palm farmers in Indonesia



Photo 2: Dialogue with human rights experts, such as the Danish Institute for Human Rights

2018 performance

	Name (sponsored/co-sponsored)	Venue	Stakeholders	Main theme
September 2018	2018 International Conference regarding Business and Human Rights, Individual dialogue (Caux Round Table, Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Verisk Maplecroft) (Photo 2)	Exchange of views on how to proceed with our human rights due diligence
September 2018	Global Stakeholder Engagement Program (Caux Round Table, Japan)	Japan	Human rights experts, NGOs, companies participating in stakeholder engagement programs in Thailand, Malaysia, Indonesia, and Japan	Business and human rights considerations and points to note in Southeast Asia
August 2018	Stakeholder Engagement Program (Caux Round Table, Japan)	Indonesia	Fieldwork: small-scale palm oil farmers, companies, NGOs in Indonesia (Photo 1) Workshop: Companies, NGOs	Human rights issues in the palm oil industry in Indonesia
May-July 2018	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGOs, NPOs	Understanding and practice of the United Nations Guiding Principles on Business and Human Rights in companies and identification of key human rights issues by industry

2017 performance

	Name (sponsored/co-sponsored)	Venue	Stakeholders	Main theme
September 2017	2017 International Conference regarding Business and Human Rights, Individual dialogue (Caux Round Table, Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Sedex)	Exchange of views on how to proceed with our human rights due diligence
September 2017	Global Stakeholder Engagement Program (Caux Round Table, Japan)	Japan	Human rights experts, NGOs, NPOs, companies involved in dialogue with stakeholders in Thailand, Malaysia, and Myanmar	Business and human rights considerations and points to note in Southeast Asia
June-July 2017	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGOs, NPOs	Relationship between business activities and human rights, the importance of business activities in consideration of human rights, and identification of key human rights issues by industry
May 2017	Global Stakeholder Engagement Program (Caux Round Table, Japan)/Global Compact Network Malaysia	Malaysia	Palm oil small scale farmers, companies, NGOs in Malaysia	Environmental and social considerations and current status of palm oil procurement in Malaysia
			Malaysian government agency, companies, NGOs	Consideration of human rights of immigrant workers in Malaysia

Future issues and initiative plans

We will continue to work to prevent human rights abuses throughout our business and supply chain, based on the United Nations' Guiding Principles on Business and Human Rights.

Response to the United Kingdom's Modern Slavery Act 2015

Based on the United Kingdom's Modern Slavery Act 2015 enacted in March 2015, we disclose the Shiseido Modern Slavery Statement.

Shiseido Modern Slavery Statement (Year ended December 31, 2018)

The statement below is the report for FY 2018 as of December 31, 2018. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY 2018 and the initiatives planned for FY 2019 and beyond.

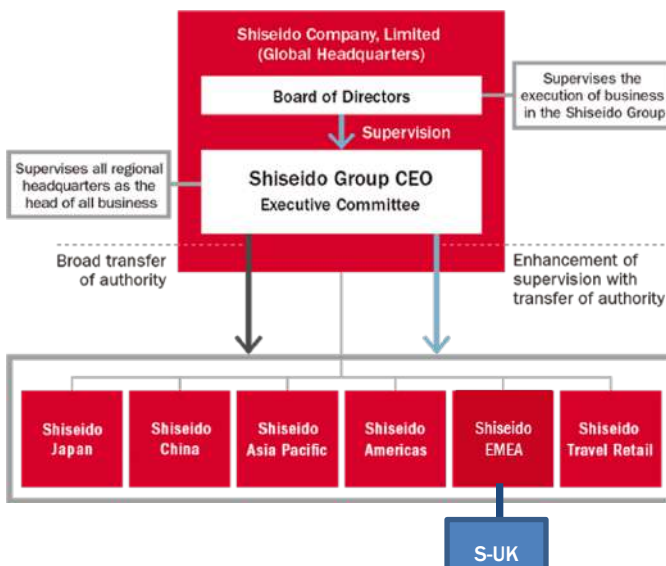
1 About This Statement

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 labor under conditions of slavery and human trafficking. The Company hereby declares that Shiseido entirely opposes slavery and human trafficking in Shiseido's 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 and today operates cosmetic businesses in more than 120 countries and areas with over 46,700 employees and a global turnover of 1,094.8 billion yen. In the UK, Shiseido currently sells cosmetics through its subsidiary Shiseido Group UK Limited.

The Shiseido Group management structure



3 Supply Chain

Shiseido procures raw materials for its products through multiple business partners in the global market (hereafter “suppliers”). The Company requires first-tier suppliers doing business through direct contracts with Shiseido to comply with the Shiseido Group Supplier Code of Conduct described below in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135 packaging materials suppliers + OEM enterprises, 133 raw materials suppliers, and 28 promotional materials suppliers for a total of 296 companies (in 2018). In addition, Shiseido has recommended that its first-tier suppliers adopt the policies defined in the Shiseido Group Supplier Code of Conduct for second-tier suppliers and upstream suppliers in order to disseminate positive impacts on the wider supply chain. Shiseido believes such practices will mitigate the risk of slavery and human trafficking in its entire supply chain.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido is striving to ensure that neither its business nor the supply chain related to the business involves the practices of enslavement and human trafficking by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers. The policies are drafted by the Company’s department handling human rights issues at the Global Headquarters (hereafter “GHQ”), which is directly responsible for human rights, and are approved by the Company’s Board of Directors. Shiseido policies relating to human rights and/or enslavement and human trafficking reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure that slavery and human trafficking are not taking place anywhere in our supply chains and include the following:

■ Shiseido Group Policy on Human Rights

Adopted in 2017, the Shiseido Group Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights. This Policy applies to Shiseido and its business partners.

■ Shiseido Group Standards of Business Conduct and Ethics

Shiseido Group Standards of Business Conduct and Ethics stipulate the behaviors for 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.

■ Shiseido Group Supplier Code of Conduct

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 will apply to purchasing contracts in order to strengthen its solidarity and fulfill its social responsibilities together with its suppliers.

■ **Shiseido Group Sustainable Raw Material Procurement Guidelines (published on April 18, 2018)**

Through these new guidelines, Shiseido promotes the sustainable procurement of palm oil, a raw material associated with the risk of deforestation, with targets until FY 2020.

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

As part of its initiative to identify and mitigate the risks to human rights in its business activities, Shiseido will continue to engage with stakeholders and advance the implementation of a program of human rights due diligence. Since engagement with its stakeholders and due diligence on human rights is crucial, Shiseido will deepen the understanding of the risks of human rights violations and labor issues through its interactions, in particular with human rights experts in Japan and overseas, NGOs, NPOs, and small-scale palm oil farmers. Shiseido also promotes the establishment of human rights due diligence along with these activities.

- Following FY 2017, Shiseido participated in a stakeholder engagement program (Japan) operated by Caux Round Table Japan in Tokyo and identified important human rights issues for each industry with reference to the human rights guidance tool produced by the United Nations Environmental Programme / Finance Initiative (UNEP FI) in FY 2018.
- In FY 2018, Shiseido participated in a stakeholder engagement program (Asia) in Indonesia organized by Caux Round Table Japan following the FY 2017 program held in Malaysia. Shiseido has gained more insight into the risks of human rights violations and labor issues from its interactions with local NGOs, NPOs, and small-scale palm oil farmers in Indonesia. Shiseido will reflect the dialogs with various stakeholders in the development of an ethical supply chain so that the Company can fulfill its responsibility to respect human rights.
- In FY 2018, Shiseido also participated in a stakeholder engagement program (global) organized by Caux Round Table Japan in Tokyo, engaged in dialogs with domestic and overseas experts in which Shiseido reported on the programs in Indonesia and Japan and the cases of each industry, as well as exchanged views on matters that should be considered for further promotion of business and human rights activities.
- Furthermore, in FY 2018, Shiseido had an exclusive dialog with overseas experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) in Tokyo and exchanged opinions on issues that Shiseido should address in the field of business and human rights.

6 Risk Assessment and Management

While Shiseido recognizes the need for full transparency of the supply chain, it has not yet been made fully transparent in terms of its second-tier and subsequent supply chains, including certain suppliers directly managed by Shiseido. In future, Shiseido will assess and manage human rights risks in the supply chain using the following two approaches:

■ Approach 1: Risk identification in the supply chain as a whole

Shiseido will take advantage of the Sedex (Supplier Ethical Data Exchange) platform, which Shiseido joined in August 2017, and assesses the implementation status of suppliers' activities in accordance with the Shiseido Group Supplier Code of Conduct with the cooperation of suppliers.

- In 2018, Shiseido shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies following consultation with its first-tier suppliers about the use of the Sedex platform.
- For non-Sedex members, Shiseido will establish cooperative relationships to secure traceability and transparency and strive for human rights due diligence.

■ Approach 2: Direct approach in terms of raw materials

In addition to the activities described above, Shiseido will continue to follow the certification system and to participate in international initiatives as direct actions in regards to raw materials when Shiseido determines a high risk to human rights at that time

- Shiseido will devise ways to reduce the risk associated with palm oil, which is widely known to carry human rights risks in the country of origin, by joining the Roundtable on Sustainable Palm Oil (RSPO) and procuring 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 in Japan and factories in Vietnam, the United States, and Taiwan. Two factories in China have obtained the certification. In FY 2018, Shiseido sourced all palm oil that has the Book & Claim certification from the RSPO.
- Regarding mica (which is a raw material for cosmetics), Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in May 2017. The Company aims for traceability in the mica supply chain.

The Chief Social Value Creation Officer and Chief Supply Network Officer are responsible for dealing with this risk assessment and due diligence.

Through these processes, Shiseido will understand the influence of its business on society, grasp human rights problems hidden behind the scenes, and identify and address the essence of those problems.

7 Performance Assessment

The Company had been conducting surveys on compliance with the Shiseido Group Supplier Code of Conduct. From now on, based on the Sedex assessment results or on its original Self-Assessment Questionnaire for non-Sedex members, Shiseido will promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain.

■ Leveraging the Sedex platform

In FY 2018, the Company discussed the use of the Sedex platform with first-tier suppliers and shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies.

■ Business Partner Hotline

A hotline service for suppliers was established in 2013. Any reports from the Company'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.

■ Japan Domestic Employees

The departments at the respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 268 people in 21 branch offices and business departments in the Sales Division and 83 departments other than the Sales Division). The Human Resources Department provides training for members, who then provide human rights training to other employees in their respective departments. In FY 2018, the Company also provided training on the theme "A jovial workplace without moral harassment" for all employees of Shiseido in Japan. (Participation rate in Japan: 95%)

■ Non-Japan employees

For the overseas regional headquarters, the GHQ HR Department and the Sustainability Department convened meetings on human rights with the HQs in the United States, EMEA, SAPAC, and Travel Retail with the aim of sharing the awareness of the human rights policy and the statement of the UK Modern Slavery Act, as well as the need to respond to human rights issues.

■ Supply chain

Shiseido held briefings on the theme "Initiatives for human rights throughout the business" for a total of 295* suppliers which have dealings with the Purchasing Department of the GHQ. (*in 2017) Shiseido also provided the documents described below. Specifically, Shiseido explained the intentions behind the revisions to the Shiseido Group Supplier Code of Conduct for the achievement of responsible procurement in the supply chain, and the effectiveness of Sedex.

9 For the Future

Shiseido will continue to take the perspective of the UN Guiding Principles on Business and Human Rights and strive to prevent the initiation of its involvement in human rights abuses in its own business and throughout its supply chain. In particular, in FY 2019, the Company will continue to revise the following policies and guidelines:

■ Shiseido Group Policy on Human Rights (revision)

The Company revised the current policy based on its new corporate philosophy, The Shiseido Philosophy.

■ Shiseido Group Sustainable Raw Materials Guidelines (revision)

The Company discloses the objectives of using sustainable paper, as well as palm oil, as materials associated with the risk of deforestation, and Shiseido will promote sustainable procurement. In addition, the Company will expand the acquisition of the RSPO Supply Chain Certification for palm oil to promote sustainable procurement.

As for human rights education efforts for employees, the Company will not only maintain the focus of its education programs on harassment, but also expand the issue to business and human rights. While providing the education programs to the group companies in Japan, the Company will develop the programs in major offices worldwide including the UK. The Company will also continue educating the purchasing division on business and human rights.

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 30, 2019

2018 Performance

Society

● Formulation of Shiseido Group Sustainable Raw Materials Procurement Guidelines

In June 2018, we formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020.

Please check the details in the Responsible Procurement, Ethical Supply Chain Policies, and Standards.

● Revision of the Shiseido Group Supplier Code of Conduct

In April 2018, it was revised in order to require business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment.

Please check the details in the Responsible Procurement, Ethical Supply Chain Policies, and Standards.

● Understanding risks throughout the supply chain

In 2018, we discussed the use of Sedex (platform to share supplier ethical data) with our primary suppliers to have them share their ethical information (compliance, environment, human rights, and occupational safety and health) from 45 sites in 31 companies. In addition, we conducted a briefing session on the theme of "Human rights across the businesses" and shared a document describing the theme with our 295 suppliers*¹. Specifically, we explained our intentions and changes in the revised version of our supplier behavior standard aimed at realizing responsible procurement in the supply chain, as well as detailing the effectiveness of Sedex.

Furthermore, we shared information based on the Shiseido Group Supplier Code of Conduct Compliance Survey (Shiseido's proprietary SAQ*²), which confirms the compliance status of suppliers with Shiseido Group Supplier Code of Conduct as well as evaluation results of other accreditation organizations and the acquisition status of international standards certifications.

*1 Suppliers with a trading record with the Global Headquarters in 2017.

*2 SAQ: Self-Assessment Questionnaire

Type	Descriptions	2015	2016	2018	2019 Target
The Shiseido Group Supplier Code of Conduct Compliance Survey	Number of suppliers which completed the survey	214	224	197	—
	Response rate (%)	83	90	88	90
Sedex	Number of suppliers who set access rights	—	—	31	—
Evaluation/certification other than Sedex	Number of suppliers which have obtained evaluations/certification other than Sedex	—	—	4	—
Total	Number of monitoring suppliers	214	224	229*	—
	Monitoring rate (%)	83	90	89	90

* Excludes 3 duplicated suppliers

● Procurement of sustainable palm oil

In order to procure sustainable palm oil, we joined RSPO*¹ (Roundtable on Sustainable Palm Oil) in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, which take into consideration environmental protection and human rights during production in the places of origin. In 2018, we worked on the following:

- We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020.
- In order to support the sustainable production of palm oil, we purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials (achieved targets up to 2020).
- We had a dialogue with palm oil producers in Indonesia
- We obtained RSPO supply chain certification*² for the Shiseido Kuki factory and also for Shiseido Vietnam Inc. (As of June 2019, 7 factories have obtained the certification.)

In addition, changes in palm oil consumption were as follows.

Changes in Palm Oil Consumption

	2016	2017	2018
Total (t) of palm oil, palm kernel oil consumption amount	6,788	8,024	9,750
Book & Claim system* ³	50	75	9,750
Book & Claim System Coverage Ratio (%)	1	1	100

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RSPO Supply Chain Certification: Certification to ensure logistically reliable delivery of RSPO-certified raw materials.

*3 Book & Claim system: A system of trading the production of palm oil and palm kernel oil produced on RSPO-certified farms as certified credits. As in Energy Green, purchasing a credit is considered equivalent to purchasing RSPO-certified oil.

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Procurement of sustainable mica

In order to procure sustainable mineral mica, we joined the RMI* initiative with the aim of achieving a responsible mica supply chain in 2017. In 2018, we worked on the following:

- We expanded the survey target to include mica used by the Shiseido Group and began collecting information on mica procured from home and abroad through various suppliers.
- We attended the RMI Annual General Meeting held in New Delhi, India. (Oct. 30-Nov. 1)
- We had dialogues with local mica mining companies.
- We consulted with NGOs and RMI members to improve the education system of local children.
- We discussed and formulated the activities to be addressed in 2019. Please check the progress on the RMI website.

* RMI: Responsible Mica Initiative

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss both the environment and society and share and resolve issues.

Dialogues with NGOs/NPOs and small palm oil farmers

In August 2018, in order to understand human rights issues in palm oil procurement, we participated in Stakeholder Engagement Program in Indonesia held by Caux Round Table, Japan. Through dialogues with NGOs/NPOs and small palm oil farmers, we deepened our understanding of the human rights risks, violations, and labor issues. In order to be a company that fulfills our responsibility to human rights, we will reflect these dialogues with various stakeholders in the construction of an ethical supply chain.

Dialogues with human rights experts

In September 2018, we talked with human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) and received advice on how to proceed with human rights due diligence in our company. We are implementing this knowledge in our efforts.

Please check the details in Responsible Procurement - Dialogue with Stakeholders.

Employees

● Human rights risk assessment

Since FY2017, Shiseido has been conducting the Shiseido Group Engagement Survey for employees throughout Shiseido Group, encompassing Japan and overseas countries, to investigate human rights risks in the workplace, such as discrimination and harassment.

● Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

Operating performance of reporting and the consultation center for employees (The reporting and consultation numbers include consultations on issues other than human rights)

Reporting/consultation center	Target	2016 performance	2017 performance	2018 performance
The In-house Shiseido Consultation Office	Employees of the Shiseido Group in Japan	230 cases	224 cases	241 cases
External Shiseido Hotline	Employees of the Shiseido Group in Japan			
Compliance Committee Hotline	Employees of the Shiseido Group in Japan			

● Human rights education training for employees

Since human rights issues are diverse, the Human Resources Department, Risk Management Department, and Social Value Creation Division are playing the central role in the initiative, working in partnership with the Shiseido Group companies. With regard to the Shiseido Group Standards of Business Conduct and Ethics and related policies and rules, we conduct regular training and education according to position and job type to deepen our understanding of the human rights of employees and to work to reduce human rights risks. We hold training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, division/department heads of domestic and overseas offices, employees in various divisions/departments, and new employees once a year.

Achievements of human rights education and training for top management

Name of the training	Target	Goal	2016 performance	2017 performance	2018 performance
Human rights enlightenment and corporate ethics training	All Corporate Officers of Shiseido Company, Limited and Shiseido Japan Co., Ltd.	100%	87.1% (27/31 targets)	89.3% (25/28 targets)	— (Not implemented)

Target and performance of human rights education training for employees

Name of the training	Target	Goal	2016 performance	2017 performance	2018 performance
Human rights enlightenment training (for Human Rights Enlightenment Promotion Representative)	Human Rights Enlightenment Promotion Representative of each department of the Shiseido Group in Japan	—	150 people	258 people	250 people (93% attendance rate)
Human rights enlightenment training (for domestic employees)	Employees of the Shiseido Group in Japan	100%	92%	93%	95%

Other human rights education training performance

	Name of the training	Primary theme	Target	Number of attendees
November 2018	Business and human rights	Business and human rights	Human Resources representatives in overseas regional headquarters	4 regions (Europe, Americas, Asia Pacific, Travel Retail)

Future challenges

● Challenges to human rights risk assessment

The Shiseido Group has endeavored to respect and consider the human rights of customers and employees. However, at this point, we were not able to elucidate the full range of human rights risks among the various stakeholders involved in the activities of the entire business. Our future challenges are to identify potential human rights risks brought out by the Shiseido Group's business activities, to take appropriate measures, and to disclose to stakeholders how we manage the risks.

● Challenges to reducing human rights risks

Our challenge is to apply the results of human rights risk assessment (employee engagement surveys and performance evaluations for suppliers) conducted internally and externally by each department to various human rights risk reduction efforts.