

## Sustainability Top Commitment



2020 was the year we encountered the threat of COVID-19. Questions were raised about the sustainability of the world itself, which everyone until now had taken for granted. In such circumstances, companies are expected to drive the promotion of sustainability actions.

In January 2020, we established the Sustainability Committee, a dedicated body to ensure detailed discussion and timely management decisions concerning sustainability issues. The committee reviews and approves activity plans based on sustainability strategies for the environment, society, and culture, and monitors progress.

In July of the same year, we published our first global Sustainability Report. By disclosing our medium-to-long-term targets and progress of our sustainability actions through our core business, we have accelerated direct dialogue with investors and analysts, which has become a driving force for further efforts.

The concept of sustainability must be ingrained in every employee; we must embody principles and behaviors that coexist with society and the environment in all of our activities. Therefore, we encourage our employees to voluntarily engage in social contribution.

In the area of the environment, in response to climate change risk, a nonfinancial aspect of high stakeholders' expectations, we have disclosed management risks in accordance with the global framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which we endorsed in 2019. We have analyzed risks and opportunities associated with the transition to a carbon-free society, as well as those posed by drastic changes in the natural environment, and disclosed them in our Sustainability Report. Regarding the reduction of related environmental impacts, we have set and announced medium-term targets for five items: carbon dioxide emissions, palm oil, paper, water, and waste. We are currently tackling other issues such as marine debris, which is a source of environmental and ecological pollution. In terms of reducing the amount of plastic we use, we aim to make all our product containers 100% sustainable by 2025.

In the area of society, we promote the activities of 30% Club Japan, aiming to solve gender issues in Japanese society through our experience in diversity and inclusion management, with a focus on the activities of female employees. In addition, we are working to create social value that is linked to our core business by sharing our makeup expertise through the LAVENDER RING project, which supports people who are living with cancer. These efforts have been well received both in Japan and overseas, and we are striving for further progress in social contribution.

In the area of culture, we are taking advantage of the accelerated digital shift to actively communicate our heritage to employees around the world at a time when unity is threatened by isolation and other factors amid the COVID-19

outbreak. This has brought shared value and a sense of unity to employees with diverse backgrounds. The activities of the Shiseido Gallery in 2020 were also highly praised for taking on the challenge of creating social value through art.

The impact of COVID-19 has compelled us to reaffirm our purpose. As we also return to our roots— bringing health and happiness to people everywhere through the power of beauty — we are placing sustainability at the core of our corporate strategy and integrating our business activities with environment, society, culture, and governance (ESCG) management. By doing so, we will formulate and implement sustainability actions with a long-term view toward 2030.

Jun Aoki  
Executive Officer,  
Chief Social Value Creation Officer



## Strategy Outline

We are placing sustainability at the core of our management objectives for 2030, integrating our business and sustainability strategies. To achieve our 2030 goal of contributing to "a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty," we have established a new framework based on three pillars: For People, For Society, and For the Planet.

### **For People: Support 200 million people through healthy beauty for a unique lifetime**

Shiseido will provide consumers with healthy beauty through our core businesses, via innovations leveraging the power of beauty and commitment to creating new value, helping each individual realize a lifetime of unique and healthy beauty.

### **For Society: Realize a society filled with respect and empowerment through the power of beauty**

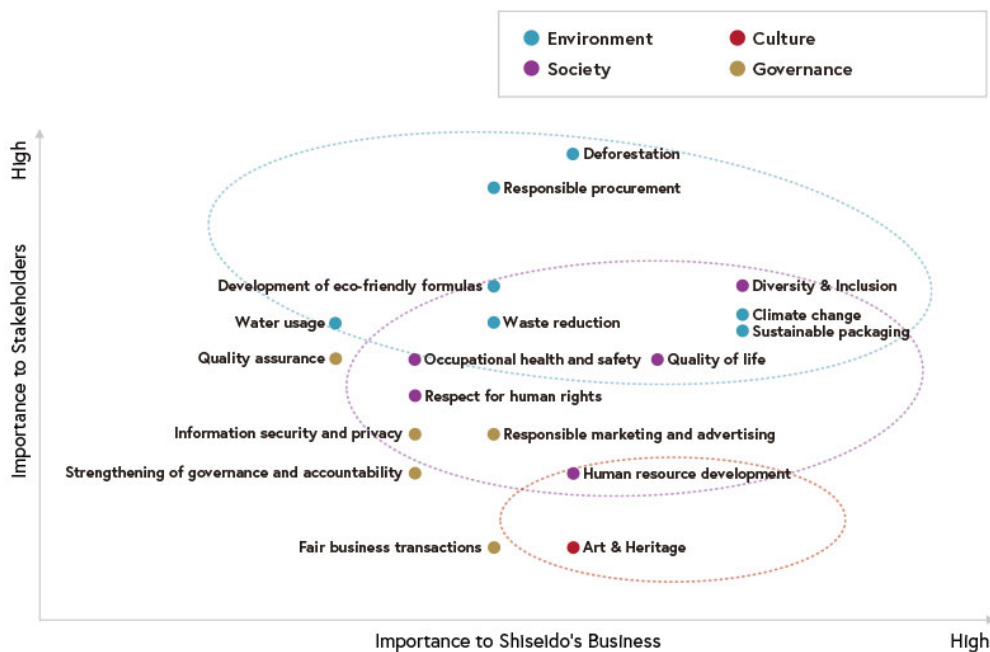
Shiseido embraces diversity in beauty to inspire people around the world. By celebrating its many values, we aim to realize a society where people accept and respect each other as individuals, regardless of backgrounds or differences.

### **For the Planet: Contribute to an environment where people can live in harmony and enjoy sustainable beauty**

Shiseido strives for a rich natural environment where people can enjoy sustainable beauty, now and in the future — throughout our businesses and the entire value chain, from raw material procurement, product development, and manufacturing to use by consumers and product recycling or utilization.

## Shiseido's Material Issues

In April 2019, we defined the Shiseido Group's material issues as a framework for creating social value unique to a beauty company, based on interviews and discussions with our stakeholders. We categorized the issues considering their impact on all our stakeholders (consumers, business partners, employees, shareholders, society, and the Earth) as well as on the Company's businesses, established an order of priority, and selected 18 material issues. In addition, we revised our definition of social value from the perspectives of the environment, society, culture, and governance (ESCG). The details and positioning of each issue were reviewed through discussions by Executive Officers and Audit & Supervisory Board Members at the meetings of the Sustainability Committee, established in 2020, followed by appropriate actions.



The following process was implemented to define materiality.

Step1>Identify social issues in consideration of all stakeholders based on their expectations and demands along with various perspectives collected from:

- Experts in environmental and social fields in Japan and overseas
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations and investor feedback
- Employee and board member feedback (in Japan and overseas)

Step2>Shortlist the identified issues based on their relevance to business management and make an advanced analysis by following the process below:

Discussions are held with corporate officers and board members and various divisions to select issues highly relevant to business management. The selected issues are subjected to impact assessment based on two perspectives—importance to all stakeholders (consumers, business partners, employees, shareholders, society and the earth) and Shiseido's businesses. The assessment scores are used to narrow down the list and finalize the 18 material issues. The details and strategic actions for the 18 issues are confirmed by the board members.

Step3>Submit the finalized materiality list to the management committees for approval

## Implementation Framework

At Shiseido, we are working to promote sustainability across the entire company, including our brands and regional businesses.

In 2020, we launched and held regular meetings of the Sustainability Committee, a dedicated forum to ensure timely management decisions and thorough recognition of this theme. The committee discusses Group-wide sustainability initiatives, decides on strategies, policies, and specific action plans, and monitors the progress of medium-to-long-term goals. It consists of a representative director and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, Social Value Creation and our brands, with other corporate officers participating on an as-needed basis according to the matter at hand. In addition to the Sustainability Committee, other significant

issues related to sustainability were also discussed with the Executive Committee, the Innovation Committee, and the Board of Directors, for a total of 12 meetings in 2020.

## Shiseido's Key Strategic Actions with SDGs

The following are our eight key strategic actions based on our material issues. They correspond to the Sustainable Development Goals (SDGs) indicated after each action.



## Approval and support for international norms

<b>2019</b>	We expressed our <a href="#">support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</a> , which was established by the Financial Stability Board (FSB), and will commit to measures against climate change and promote disclosure of relevant information.
<b>2010</b>	We signed the <a href="#">Women's Empowerment Principles (WEPs)</a> (a joint initiative of UN Women and the UN Global Compact) and have been promoting initiatives to give opportunities to women so that they can play more active roles.
<b>2008</b>	We agreed to and signed the Caring for Climate, a climate change initiative in the United Nations Global Compact, in an effort to conserve the environment.
<b>2004</b>	We signed <a href="#">the United Nations Global Compact</a> and support <a href="#">the ten principles in the four areas (Human rights, Labor, Environment, and Anti-corruption)</a> together with all group companies. Please check <a href="#">Shiseido Modern Slavery Statement</a> for the statement of support by the Chief Executive Officer.



UN Global Compact



Women's Empowerment Principles (WEPs)



support for the recommendations of the Task Force  
on Climate-related Financial Disclosures (TCFD)

# The Ten Principles of the UN Global Compact

Participant organizations of the Global Compact are asked to embrace, support and enact, within their sphere of influence, internationally approved principles in the areas of Human Rights, Labor, Environment, and Anti-Corruption. While respective companies pursue their businesses, the aim of the Global Compact is to actively promote changes in the world through ensuring that these principles are abided by and implemented accordingly. There are currently 10 principles including a principle related to anti-corruption, which was added in June 2004.

## • Human Rights

Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 : make sure that they are not complicit in human rights abuses.

## • Labor

Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 : the elimination of all forms of forced and compulsory labor;

Principle 5 : the effective abolition of child labor; and

Principle 6 : the elimination of discrimination in respect of employment and occupation.

## • Environment

Principle 7 : Businesses should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility; and

Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

## • Anti-Corruption

Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.

Source: United Nations Global Compact website