

CSO Message



Current and future market conditions have been thrown into uncertainty by the ongoing COVID-19 pandemic, not to mention the extreme weather brought on by climate change. Now more than ever, the world is at our fingertips with recent technological advances that offer us instant access to information and affect our lives in new ways. As a result, people's values have become more diverse and, in many cases, the conventional definitions of concepts like wealth and happiness no longer apply.

In line with our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed to the realization of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty toward 2030. As Chief Strategy Officer, I am responsible for establishing and promoting the broader sustainability strategy for the entire Shiseido Group. I intend to make sustainability a more integral part of our corporate strategy than ever before and promote the creation of social value and resolution of environmental and social issues through our core business.

In 2021, we worked together across brands, regional businesses, and corporate functions in order to accelerate our sustainability initiatives. We strengthened our existing Sustainability Committee, where we discuss and make corporate-level decisions regarding sustainability issues, and set up new meetings to specifically discuss and decide upon the Group-wide implementation of further initiatives in the areas of environment and society.

Regarding the environment, we have further evolved and accelerated our actions to achieve the KPIs set in 2020. Above all, given the seriousness of the impact of climate change on business growth and sustainability, we conducted a quantitative analysis of risks and opportunities in line with the TCFD framework and disclosed the results. In addition, to make a tangible difference, we are now in the process of switching to renewable energy at all our sites around the world.

Regarding society, we have appointed a Chief D&I Officer for internal and external acceleration of diversity and inclusion, with the aim of creating a culture where people accept and respect others as individuals, regardless of background or differences in circumstances.

By working to our unique strengths and tackling urgent global issues, we are making steady progress toward the realization of a sustainable world.

In 2021, we executed strategic environmental actions based on three commitments: "Reducing Our Environmental Footprint," "Developing Sustainable Products," and "Promoting Sustainable and Responsible Procurement."

To reduce our environmental footprint, we promoted the switch to renewable energy and introduced environment-friendly equipment at our factories. Furthermore, we have set science-based targets accredited by the SBTi*1 and joined the RE100*2 initiative.

In support of a circular economy, we are developing and introducing sustainable solutions such as refillable packaging. As well as in Japan, we have introduced refillable packaging to increase environmental awareness among consumers in countries/regions such as China, Singapore, and Taiwan. We are also pursuing innovative packaging solutions, and in 2021, we developed and marketed a mono-material packaging that can be easily recycled, and a biomaterial packaging that reduces CO₂ emissions. In addition, we introduced recycling programs in Japan and China to collect and recycle used cosmetics packaging.

To promote sustainable and responsible procurement, we revised the Shiseido Group Procurement Policy in February 2022. While continuing our Supplier Assessment Program, we also introduced a clearer risk elimination process and sustainability-focused policies.

In terms of society, we took actions based on three commitments: "Advancing Gender Equality," "Empowering People Through the Power of Beauty," and "Promoting Respect for Human Rights." To advance gender equality, we have been working for social change in the area of women's empowerment in Japan, where this is a particularly pressing issue. In collaboration with local governments and through the 30% Club Japan—of which our Representative Director, President and CEO Masahiko Uotani was appointed as the first chair—our efforts have included raising public awareness and sharing information about increasing the ratio of female executives on Japanese company boards and creating work environments that promote the advancement of women.

By utilizing our proven track record of research, development, and innovation, we aim to empower people through the power of beauty. We pursue initiatives and utilize our management resources to create new social value and empower people across all walks of life. In 2021, we received a Mécénat Award for Excellence in recognition of our support for people living with cancer.

In everything we do, we promote respect for human rights. We conducted human rights due diligence identifying risks such as "supplier human rights" and "harassment," and we work with related divisions to resolve such issues.

As we work to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty, we believe that sustainability will have an increasingly greater impact on corporate management. We see this as an opportunity for growth—a chance to create social value and solve social issues through our core business.

Executive Officer
Chief Strategy Officer
Toshinobu Umetsu

*1 : SBTi is a global initiative that defines and promotes best practices in science-based target setting and independently assesses companies' targets.

*2 : RE100 is a global initiative bringing together influential companies committed to 100% renewable electricity.

Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment via value creation through beauty innovations, as we have done since our founding. To select environmental and social issues to be addressed through our business, we compiled a list of sustainability issues based on interviews, surveys, and discussions with stakeholders. We first examined the importance of these issues to Shiseido's business and to all of our stakeholders, from employees and consumers to business partners, shareholders, and society and the Earth. We then categorized and prioritized the issues along two axes and defined 18 material issues.



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 (employees, consumers, business partners, 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

A System for Promoting Sustainability

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

In 2020, we launched the Sustainability Committee, a dedicated body to ensure timely management decisions related to sustainability and their company-wide implementation. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the Group CEO and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields to ensure discussions of a range of issues from different perspectives.







In 2021, besides the regular Sustainability Committee meetings, we held additional meetings to discuss and decide on measures for implementation with the relevant executive officers and those in charge of promoting sustainability in major departments in order to incorporate sustainability issues into management, thereby strengthening promotion across the Group. In addition, the Global Strategy Committee and the Board of Directors are consulted when a decision is needed on important matters related to business execution.

In January 2022, Shiseido underwent organizational reform to bolster and expand its sustainability activities and seamlessly incorporate and promote them in our management and business strategies. Specifically, the Sustainability Strategy Acceleration Department was established within the Corporate Transformation Acceleration Division to take charge of the Group-wide sustainability strategy and its acceleration. At the same time, the D&I Strategy Acceleration Department was created to accelerate Shiseido's diversity and inclusion (D&I) initiatives both internally and externally.

Moreover, in a bid to promote sustainability initiatives, we have revised indicators for the long-term performance-linked remuneration of internal directors and executive officers, increasing the weight of social value indicators from 10% to 20%. Also, in order to accelerate environmental efforts, from this year we have newly set an environmental indicator related to reducing CO₂ emissions, an important initiative under the Company's sustainability strategy.

Strategic Actions and Corresponding SDGs

Shiseido has established six strategic actions, three each in the areas of environment and society. To implement these initiatives, we are distributing management resources on a priority basis in each department across the entire company.

Area	Strategic Action	Corresponding SDGs
Environment	Reducing our environmental footprint	
	Developing sustainable products	
	Promoting sustainable and responsible procurement	
Society	Advancing gender equality	
	Empowering people through the power of beauty	
	Promoting respect for human rights	

Medium-Term Environmental Targets

Items	Targets (2020)	Target Year	2021 Results
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CO2 emissions	Carbon neutral*1	2026	18% reduction from 2019
Water	Water consumption reduced by 40%*2	2026	22% reduction from 2014
Waste	Zero landfill*3	2022	We achieved zero landfill waste at all 12 factories worldwide in 2020 ahead of schedule
Packaging	100% sustainable packaging*4	2025	Plan to disclose in 2022
Palm oil	100% sustainable palm oil*5	2026	27% (palm oil equivalent basis)*6
Paper	100% sustainable paper*7	2023	72% (paper weight basis)

*1 : At all our sites / Scope 1 and 2.

*2 : For all our sites, intensity per sales, compared with 2014.

*3 : For owned factories.

*4 : For sale of products with plastic packaging.

*5 : Physical supply chain options, identity preserved, segregated, and/or mass balance

*6 : The remainder continues to be covered by the RSPO Book & Claim model.

*7 : Such as certified paper and recycled paper.

Approval and support for international norms

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<p>2019</p>	<p>We expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) , which was established by the Financial Stability Board (FSB), and will commit to measures against climate change and promote disclosure of relevant information.</p>
<p>2010</p>	<p>We signed the Women's Empowerment Principles (WEPs) (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.</p>
<p>2008</p>	<p>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.</p>
<p>2004</p>	<p>We signed the United Nations Global Compact and support the ten principles in the four areas (Human rights, Labor, Environment, and Anti-corruption) together with all group companies. Please check Shiseido Modern Slavery Statement for the statement of support by the Chief Executive Officer.</p>



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