

Sustainability Management



I believe Shiseido has a unique role as a Japanese company that brings joy and excitement to people's lives across the world through the power of beauty. I have always been proud to be part of Shiseido. I became President and COO in January 2023, and in line with our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed towards 2030 to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. To realize our mission and become an essential company globally, I believe it is important to set social value at the core of our value creation.

At Shiseido, we see sustainability as encompassing the environment, society, economy, as well as corporate entities like us. In 2022, we incorporated functions to embed Shiseido Group's overall sustainability approach into our Corporate Strategy department. We also established new sustainability functions within our major departments to drive the strategic actions we are taking to solve material issues.

In regard to "Society", we see diversity and inclusion (D&I) as a key part of our corporate strategy. We aim to create a society where people from different backgrounds and environments respect each other and can live their own unique lives. In Japan, gender equality is seen as particularly challenging. Here, we are actively working to promote women's empowerment through a range of initiatives, including support for a better work-life balance, mentoring programs, and our 'New Leadership for Women' development program. As a result of these actions, I am pleased to say that the percentage of managerial positions filled by women rose to 37.6%*. We contribute to advancing gender equality by sharing best practices to the Japanese society. As a company, Shiseido has also promoted the "Shiseido Life Quality Beauty" initiative. It helps people of all ages, people with diseases, and people with disabilities take unique steps forward by expressing and enjoying their own beauty. We have been using cosmetics to empower people in Japan who live with cancer. In 2022, we started to extend the program to four other countries and areas: China, Singapore, Thailand, and Taiwan to make change globally.

For "Environment", as part of our initiatives to help mitigate climate change, we are switching to renewable energy and reducing CO₂ emissions at our domestic and overseas sites. In 2022, we obtained certification for our science-based targets to reduce CO₂ emissions by 2030 throughout the entire value chain. We also joined RE100, a global initiative that brings together companies committed to transitioning to 100% renewable electricity in business operations. When it comes to products, we promote sustainable procurement by working with suppliers to improve the traceability of raw materials connected to environmental and social issues. We are also reducing CO₂ emissions and plastic volume by expanding the use of 'refillable' packaging and raising awareness among consumers. Furthermore, in 2022, we initiated partnerships with companies from diverse industries, leveraging their expertise. Additionally, in 2023, we launched 'BeauRing', a pilot project aimed at testing the circular model for plastic packaging.

Finally, as part of our sustainability through business, we have issued "Sustainability-Linked Bonds". These are tied to our Sustainability Performance Targets in the areas of environment and society, and they help achieve our goals in these important areas. A key strategic action in environment and society has been to set up evaluation indices focused on "Reducing Our Environmental Footprint" and "Advancing Gender Equality", respectively. These will be used to assess and measure the impact of our activities moving forward.

There is no doubt that sustainability is increasingly important for our business. By recognizing sustainability as a new opportunity, we are making a commitment to create social value through our business for the growth, while maintaining absolute transparency towards our stakeholders, both internally and externally.

*As of January 2023 in Japan.

Representative Corporate Executive Officer,
President and COO
Kentaro Fujiwara



Shiseido's Strategic Actions Toward Sustainability

Shiseido has established 6 strategic actions based on different material issues, three each in the areas of environment and society, in order to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

Our strategic actions for society focus on addressing social issues, primarily through our diversity and inclusion (D&I) initiatives. These three strategic actions are: "Advancing Gender Equality", which we will implement by leveraging our strengths as a beauty company; "Empowering People Through the Power of Beauty", which will help people shine in their own ways; and "Promoting Respect for Human Rights", which underlies all our activities.

Our actions for the environment are based on the idea of *banbutsu shisei** the phrase from which our company name "Shiseido" originates. We are working to develop technologies and business models that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: "Reducing our environmental footprint", "Developing sustainable products, and "Promoting sustainable and responsible procurement".

*From a phrase in Chinese Yi Jing, the Book of Changes from the Four Books and Five Classics of Confucianism, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values."

Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment through value creation, as we have done since our founding. To select social and environmental 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*.



(Approved in 2019)

*Materiality will be reviewed every few years based on the external environment and stakeholder requirements.

How We Formulated Our Material Issues

The following process was implemented to define material issues.

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

- Experts in environmental and social fields globally
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations (GRI, SASB, SDGs etc.), and investor feedback
- Executive officer* and employee feedback

Step2> Shortlist the identified issues based on their relevance to our businesses and make a more informed analysis

- Issues are narrowed down to those highly relevant to our businesses through discussions with executive officers* and various internal divisions.
- Issues are then selected by scoring them based on the two axes of importance to our businesses and importance to the entire company's stakeholders (employees, consumers, business partners, shareholders, society, and the earth).
- The questions and strategic actions surrounding these issues are then confirmed by the executive officers*.

Step3> Submit the finalized list of material issues to the Sustainability Committee for approval

*Until the end of FY 2021, it was "corporate officers".

Strategic Actions & Corresponding SDGs

Shiseido has established 6 strategic actions based on different material issues, 3 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.

Material Issues	Strategic Action	Corresponding SDGs
<ul style="list-style-type: none"> • Climate change • Development of eco-friendly formulas • Sustainable packaging • Deforestation • Responsible procurement • Waste reduction • Water usage 	Reducing our Environmental Footprint	
	Developing Sustainable Products	
	Promoting Sustainable and Responsible Procurement	
<ul style="list-style-type: none"> • Diversity and inclusion • Quality of life • Professional development • Occupational health and safety • Respect for human rights 	Advancing Gender Equality	
	Empowering People Through the Power of Beauty	
	Promoting Respect for Human Rights	
<ul style="list-style-type: none"> • Strengthening of governance and accountability • Fair business transactions • Quality assurance • Responsible marketing and advertising • Information security and privacy • Art and heritage 	<ul style="list-style-type: none"> • We are committed to maintaining and improving the transparency, fairness, and speed of management initiatives by enhancing corporate governance as well as maximizing corporate and shareholder value over the medium term through dialogue with all stakeholders—consumers, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder. • We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world. 	

*We will disclose strategic actions related to governance materiality.

A System for Promoting Sustainability

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. In 2022, the Sustainability Committee met regularly to ensure timely management decisions related to sustainability and their implementation. The committee decides on Group-wide sustainability strategies and policies, discusses specific topics such as TCFD reporting and human rights actions, and monitors the progress of medium-to-long-term goals. The committee consists of the representative directors 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, allowing us to discuss a range of issues from different perspectives. In addition, the Global Strategy Committee

and the Board of Directors are specifically consulted when a decision is needed on important matters related to business execution. We also publish an annual sustainability report for our global stakeholders in which we disclose the medium-to-long-term targets we have for actions we can take toward sustainability in our core business, as well as the progress toward those goals. Furthermore, in order to promote sustainability initiatives, we have introduced a long-term incentive-type remuneration that incorporates multiple internal and external performance targets related to ESG including CO₂ emissions reduction and female ratio in managerial positions, for Directors (excluding external Directors and Auditors), Executive Officers and leaders in critical positions in Japan and overseas. The actual value of this incentive remuneration increases or decreases depending on the achievement against each individual target.

*Until the end of FY 2021, it was "corporate officers".

Medium-to-Long-term Sustainability-related Targets

Strategic Action	Environment	Targets		Target Year	2022 Results
1. Reducing our environmental footprint	CO ₂ Emissions	Carbon neutral*1		2026	45% (compared with 2019)
		CO ₂ emission reduction (SBTi, Scope 1 and 2)	46.2%*1	2030	Plan to disclose in 2024
		CO ₂ emission reduction (SBTi, Scope 3)	55%*2	2030	
	Water	Water consumption reduction	40%*3	2026	37% (compared with 2014)
2. Developing sustainable products	Packaging	Sustainable packaging	100%*4	2025	64%
3. Sustainable and responsible procurement	Palm Oil	Sustainable palm oil	100%*5	2026	36%(palm oil equivalent basis)
	Paper	Sustainable paper	100%*6	2023	97%(paper weight basis)

Strategic Action	D&I	Targets		Target Year	2022 Results
4. Advancing Gender Equality	in Shiseido	• Ratio of female leaders at all levels in Japan	50%	2030	Directors and A&SB Members 40.0%*7 Executive Officers 35.3%*8 Managers in Japan 37.6%*9
	in Society	• Empower women at workplaces in Japan • Support education and financial independence for socially vulnerable women worldwide	1 million people(to reach directly)	2030	Related indicators are posted on the Sustainability page of our corporate website
5. Empowering People Through the Power of Beauty	in Society	• Cultivating Self-Efficacy Through the Power of Beauty • Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty	1 million people(to reach directly)	2030	

*1 : At all our sites (compared to 2019)

*2 : Throughout our value chain, excluding Shiseido sites Economic Intensity Target (compared to 2019)

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

*4 : For sale of products with plastic packaging.

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

*6 : Such as certified paper and recycled paper.

*7 : As of April 1, 2023, Directors and Audit & Supervisory Board Members

*8 : As of April 1, 2023

*9 : As of January 1, 2023

Approval and support for international norms

Approval and support for international norms

2019	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.
2010	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.
2008	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.
2004	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.



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