

# Sustainability Management



Since I joined Shiseido in 1991, I have been engaged mainly in overseas business, having worked with many local employees. Although I was perplexed by differences in culture and custom at times, what was common to all countries was that all of them were proud of working for Shiseido. I believe this is because they have been working by identifying with and sharing the spirit of Shiseido, which, since its foundation, has been taking on challenges to discover and create the value of beauty, bringing joy and excitement to people's lives across the world through the power of beauty, and working to create social value through its core businesses in addition to economic value.

I myself have also been glad and proud to be part of Shiseido. Since I took office as President and COO of Shiseido in January 2023, we have been feeling the rapid changes in the market and the significance of their impacts. However, to take the difficult circumstances created by the changes as an opportunity for our future growth, we have been pressing ahead with a reform in a company-wide manner. Through this reform, each region and business will push forward with activities integrating business strategy and sustainability strategy of each, aiming to achieve our 2030 vision: Personal Beauty Wellness Company.

I would like to mention about environment, where expectations and demands from society are high. At Shiseido, we understand the importance of global initiatives and of cooperation with other companies in Japan, while also recognizing our own responsibility to lead the industry. Attaching importance to initiatives in the value chain in particular, we are driving three strategic actions: reducing our environmental footprint, developing sustainable products, and promoting sustainable and responsible procurement.

For climate change issues, we have set CO<sub>2</sub> reduction targets (SBTi) for the entire value chain toward 2030. We are proactive in taking measures to reduce CO<sub>2</sub> emissions, such as introducing renewable energy and sourcing sustainable raw materials, aiming to achieve net zero emissions by 2050. In 2023, we completed a transition to 100% renewable electricity at all 11 factories and Shiseido-owned distribution centers. In the China region, we have also completed the transition to 100% renewable electricity across all sites. We have positioned the reduction of Scope 3 CO<sub>2</sub> emissions, which accounts for the largest share of total emissions, as key actions for the future. We will enhance our collaboration with external stakeholders, including business partners.

We have also been proactive in taking initiatives on climate change and biodiversity. As a result of the 2023 survey by CDP, an international NPO that conducts environmental surveys and discloses information, Shiseido was selected as one of the companies in the A List, the highest-ranked group, in the fields of Climate Change and Forests. We were included in two A Lists for the first time. Regarding climate change and biodiversity, we disclosed the information in the Shiseido Climate/Nature-related Financial Disclosure Report this year again.

In product development, we will achieve sustainable value creation, which balances the results and high-quality design of our products with respect for and coexistence between people, society, and the global environment. In April 2023, we launched the BeauRing® project, a circular model project to collect and recycle plastic containers. To recycle collected containers into resources, we have started a pilot test by involving consumers, business partners, other companies, and other stakeholders who are important for building the collection scheme.

Sustainability has become even more important for corporate management than ever. I believe that, by taking this as a growth opportunity and integrating our business strategies with sustainability strategies, we can create value and new business opportunities. We will continue to work together with our diverse internal and external stakeholders to keep the transparency high and create social value through businesses.

We aim to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty toward 2030, along with our corporate mission: BEAUTY INNOVATIONS FOR A BETTER WORLD. For this, we will contribute to building a society where everyone respects diversity and can enjoy life to the fullest and making the global environment sustainable, with people living in harmony with the nature.

June 2024

Director

Representative Corporate Executive Officer,

President and COO

Kentaro Fujiwara



(Director, Representative Corporate Executive Officer, President and CEO from January 2025)

## Our Approach to Sustainability

Since the foundation of Shiseido in 1872, we have demonstrated our respect for people, society and nature and have worked to create social value. In order to realize our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we firmly believe our people to be the capital of value creation and invest them based on the PEOPLE FIRST philosophy. And we are promoting a culture where everyone, regardless of gender, age, or nationality can embrace diversity through respect and have constructive discussions on new value creation. As a beauty company, we are also working to address social issues through our unique approaches, aiming to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty towards 2030. We have set forth three strategic actions in the areas of society and the environment to create social value through our core business and to solve social and environmental issues.

Our actions for society are focused on addressing social issues, primarily through our diversity, equity and inclusion (DE&I) initiatives. These three strategic actions are: "Advancing gender equality," which we strive to nurture a society where everyone can feel empowered to live their life freely by having fair opportunities regardless of gender, "Empowering people through the power of beauty," which we strive to eliminate assumptions and prejudices associated with beauty for a world where everyone can celebrate each other's beauty; 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 footprint and contribute to realize a circular economy. To do so, we are taking the following three strategic actions: "Reducing our environmental footprint," "Developing sustainable products," which we work on together with various stakeholders throughout the entire value chain and "Promoting sustainable and responsible procurement" with consideration of the environment and human rights.

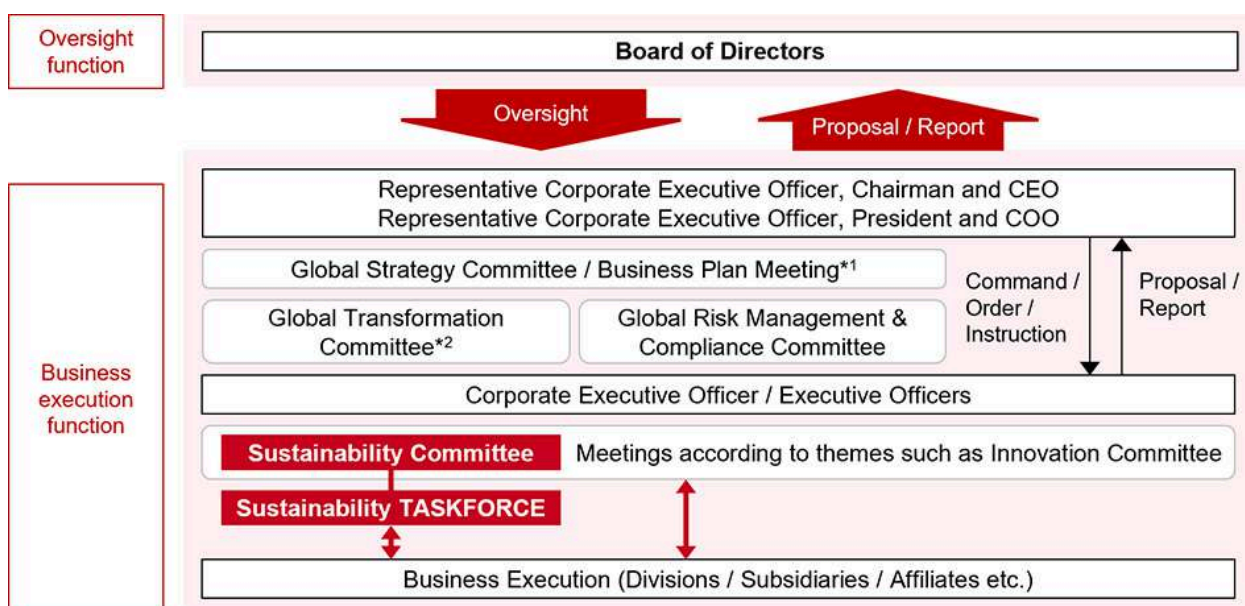
\*From a phrase in Chinese Yi Jing, the Book of Changes from the Four Books and Five Classics of Confucianism, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values."

## Sustainability Governance

At Shiseido, we work to promote sustainability across the entire Group, including our brands and regional businesses. Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group, the committee was held regularly in 2023. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as risks and opportunities related to climate change and the natural environment, and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the representative corporate executive officers and executive officers in charge of Corporate Strategy, Research & Development, Supply Network, Corporate Communications, and our Brand Holders, to discuss a range of issues from different perspectives. Important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors.

In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the Sustainability TASKFORCE, practical approaches to achieve our long-term targets are discussed with relevant functions, regional headquarters, and local subsidiaries as necessary.

## Sustainability Promotion Structure



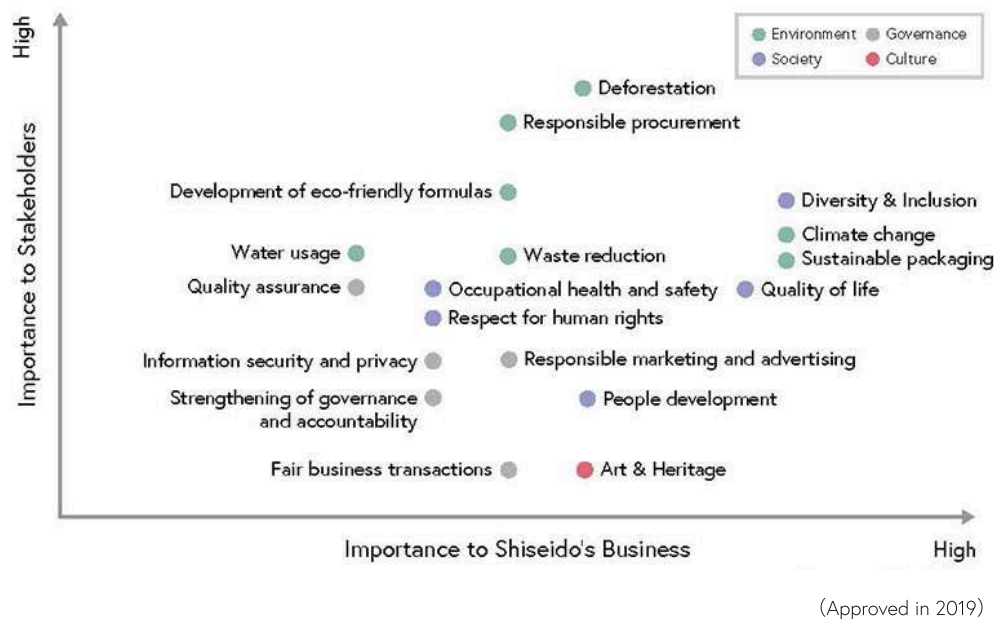
\*1 : Business plans and important issues are deliberated to ensure multifaceted consideration

\*2 : Progress management and review for structural reforms and growth strategies

In order to promote sustainability initiatives, we have a long-term incentive-type remuneration that incorporates multiple internal and external performance targets related to ESG including CO<sub>2</sub> emissions reduction and female ratio in managerial positions, for Directors (excluding external Directors and full-time members of the Audit Committee), Corporate Executive Officers, 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.

## Materiality

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 have extracted sustainability issues based on interviews, surveys, and dialogues 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, society, and the earth. Then, in 2019, we categorized and prioritized the issues along the two axes and defined 18 material issues. Additionally, in light of recent changes in the environment surrounding society and the industry, we are considering a review of our current materiality.



## How We Formulated Our Materiality

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 2021, it was "corporate officers".

## Strategic Actions & Corresponding SDGs

Shiseido has established three strategic actions based on the material issues we have defined in each area of society and the environment. We have allocated management resources on a priority basis in each department across the entire Group to implement these priority initiatives.

	Material Issues	Strategic Action	Corresponding SDGs
Environment	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Development of eco-friendly formulas</li> <li>• Sustainable packaging</li> <li>• Deforestation</li> <li>• Responsible procurement</li> <li>• Waste reduction</li> <li>• Water usage</li> </ul>	1. Reducing our Environmental Footprint	    
		2. Developing Sustainable Products	   
		3. Promoting Sustainable and Responsible Procurement	  
Society	<ul style="list-style-type: none"> <li>• Diversity, equity and inclusion (DE&amp;I)</li> <li>• Quality of life</li> <li>• Professional development</li> <li>• Occupational health and safety</li> <li>• Respect for human rights</li> </ul>	1. Advancing Gender Equality	 
		2. Empowering People Through the Power of Beauty	  
		3. Promoting Respect for Human Rights	 
Governance / Culture	<ul style="list-style-type: none"> <li>• Strengthening of governance and accountability</li> <li>• Fair business transactions</li> <li>• Quality assurance</li> <li>• Responsible marketing and advertising</li> <li>• Information security and privacy</li> <li>• Art and heritage</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world.</li> </ul>	

\*We do not disclose strategic actions related to governance materiality.

## Medium- to Long-term Targets and Results

Strategic Action		Targets		Target Year	2023 Results
1. Reducing our environmental footprint	CO <sub>2</sub>	Carbon neutral*1		2026	60% (compared with 2019)
		CO <sub>2</sub> emission reduction (SBTi, Scope 1+2)	46.2%*2	2030	Plan to disclose in 2025*4
		CO <sub>2</sub> emission reduction (SBTi, Scope 3)	55%*3	2030	
	Water	Water consumption reduction	40%*5	2026	46% (achieved in 2023)
	Waste	Zero landfill*6		2022	Achieved in 2022 (continued in 2023)
2. Developing sustainable products	Packaging	Switching to sustainable packaging	100%*7	2025	69%
3. Promoting sustainable and responsible procurement	Palm Oil	Replacement with sustainable palm oil	100%*8	2026	51%
	Paper	Replacement with sustainable paper	100%*9	2023	100% (achieved in 2023)

\*1 : At all our sites (including offsets)

\*2 : At all our sites (compared with 2019)

\*3 : Throughout our value chain, excluding Shiseido sites, economic intensity target, compared with 2019.

\*4 : Target revision application in progress due to transfer of business.

\*5 : For all our sites, intensity per sales, compared with 2014.

\*6 : For Shiseido owned factories.

\*7 : For sale of products with plastic packaging.

\*8 : Certified based on RSPO's physical supply chain model: identity preserved, segregation, and/or mass balance, palm oil equivalent basis.

\*9 : Such as certified paper and recycled paper, paper weight basis.

Strategic Action	Targets		Target Year	2023 Results
1. Advancing gender equality	<ul style="list-style-type: none"> <li>Ratio of women leaders at all levels in Japan</li> </ul>	50%	2030	Directors 45.5%*1
				Executive Officers 40.0%*1
				Managers in Japan 40.0%*2
	<ul style="list-style-type: none"> <li>Women's empowerment in Japan</li> <li>Supporting education and financial independence worldwide</li> </ul>	One million people (to reach directly)	2030	Achievement ratio 62%
2. Empowering people through the power of beauty	<ul style="list-style-type: none"> <li>Cultivating self-efficacy through the power of beauty</li> <li>Challenging the unconscious biases and prejudices that limit individual beauty</li> </ul>	One million people (to reach directly)	2030	Achievement ratio 13%

\*1 : As of April 1, 2024

\*2 : As of January 1, 2024

## Approval and support for international norms

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<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