

Shiseido Modern Slavery Statement (Year ended December 31, 2017)

The statement below is the report for year 2017 as of December 31, 2017. Based on the statement of the previous fiscal year, this statement describes the actions taken in 2017 and the initiatives planned for 2018 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 “Slavery Act”), disclosing the measures taken by the Company and its subsidiaries (collectively referred to as Shiseido Group, hereafter “Shiseido”) to ensure that neither Shiseido’s business operations nor its supply chain involve practices amounting to slavery and/or labour 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.

In 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 business in more than 120 countries and areas.

In the UK, Shiseido sells cosmetics etc. through several local subsidiaries: subsidiaries located in the UK are Shiseido U.K. Co., Ltd, Bare Escentuals UK Limited and Gurwitch UK Limited.

3 Supply Chain

In regards to the sourcing of raw materials for our products, Shiseido procures through multiple business partners in the global market (hereafter “supplier(s)”). The Company requires first-tier suppliers doing businesses through direct contracts with Shiseido to comply with the “Shiseido Group Supplier Code of Conduct” to be described hereafter, in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135 (packaging materials), 135 (raw materials) and 25 (promotional materials), totaling 295 companies (in 2017). In addition, Shiseido has recommended our first-tier suppliers to adopt the policies defined in the “Shiseido Group Supplier Code of Conduct” for second-tier suppliers and upstream suppliers, in order to disseminate positive impact to the wider supply chain. Shiseido believes such practice will enable us to mitigate the risk of slavery and human trafficking in our entire supply chain.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido confirms that neither our own business nor the supply chain related to our business involves practices such as 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 Global Headquarters (hereafter “GHQ”) 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 include:

- “Shiseido Group Policy on Human Rights”
<https://www.shiseidogroup.com/sustainability/human/pdf/policy01.pdf>
Shiseido newly formulated, and ratified by a resolution of the 2017 Board of Directors Meeting, the “Shiseido Group Policy on Human Rights” based on the United Nations Guiding Principles on Business and Human Rights. This Policy will be applied to the Shiseido Group and its business partners.
- “Shiseido Group Standards of Business Conduct and Ethics”
<https://www.shiseidogroup.com/company/principle/way.html>
Operational guideline based on our corporate philosophy “Our Mission, Values and Way” that all Shiseido employees are expected to follow.
- “Shiseido Group Supplier Code of Conduct”
<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>
Each of the Shiseido companies is expected to use this code as prerequisite for selecting first-tier suppliers and we recommend these suppliers to ask second-tier suppliers and upstream suppliers for compliance with the code.

In 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for all Shiseido companies.

In December 2008, the Company joined the CEO Statement, a Global Compact initiative launched on the 60th anniversary of the Universal Declaration of Human Rights, declaring to the world our commitment “to respect and support human rights within our sphere of influence” and that “human rights are universal and are an important business concern all over the globe.”

Further, in September 2010, the Company signed “the Women’s Empowerment Principles – Equality Means Business” developed by UN Women and the United Nations Global

Compact as a set of practical guidelines for private business and non-government organizations working for women's empowerment.

In the process of formulating the 2016 MSA Statement, the Company recognized the insufficient presentation of its human rights policy and in June 2017, newly formulated the "Shiseido Group Policy on Human Rights," which was approved by the Board of Directors and announced.

5 Risk Assessment and Due Diligence

The risk of enslavement and human trafficking in Shiseido's business exists in part of our supply chain which Shiseido's management cannot directly reach.

While Shiseido recognizes the need for full visibility of the supply chain, it has not yet been revealed to the full at the moment. From now on, Shiseido believes that cooperation with suppliers is even more indispensable. Therefore, as the first step for supply chain risk assessment, Shiseido newly joined the Sedex (Supplier Ethical Data Exchange) platform in August 2017. Sedex registration of the Company's Kakegawa Factory was completed by the end of 2017. We will discuss with first-tier suppliers about utilizing this platform to secure traceability and transparency in our supply chain from now on, and we will carry out risk assessment using Sedex in collaboration with suppliers who joined it. For non-Sedex members, we will likewise establish cooperative relationships to secure traceability and transparency, and strive for human rights due diligence.

In addition to the above activities, Shiseido will revise "Shiseido Group Supplier Code of Conduct" (to be described hereafter) in 2018 to clarify the compliance of first-tier suppliers with the management of second-tier suppliers and also reflect them on purchasing contracts. In this way, we will strengthen our solidarity including contractual aspects, so that we can fulfill our social responsibilities together with suppliers.

The Chief Legal and Governance Officer and Chief Supply Network Officer of the GHQ are responsible for dealing with this risk assessment.

Meanwhile, the Company has begun social risk assessment of cosmetic ingredients in terms of raw materials. This is a project for identifying raw materials believed to be high-risk, utilizing [the Social Hotspot Database](#) which was developed by the nonprofit organization New Earth based on UNEP Guidelines for Social Life Cycle Assessment of Products (2009). Going forward, the Database will be used as a social hotspot screening tool in product development process.

At present, Shiseido will directly address palm oil and mica as ingredients determined to be high-risk. For palm oil, the Kakegawa Factory was RSPO certified in February 2017, and the Kuki and Vietnam factories will also be certified in 2018. Going forward, the Company will have more of its facilities obtain certification to prepare for the provision of

sustainable palm oil. Regarding mica, in May 2017 we joined the Responsible Mica Initiative, which strives to achieve a responsible Indian mica supply chain. From now on, the Company will aim for traceability and transparency of the mica supply chain.

In these ways, Shiseido is promoting risk assessment and human rights due diligence in two aspects: “risk identification of the supply chain as a whole” and “direct approach in terms of raw materials.”

We also recognize that engagement with stakeholders is important for human rights due diligence. In 2017, we participated in a stakeholder engagement program of Nippon CSR Consortium 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 Program / Finance Initiative (UNEP FI) (<http://crt-japan.jp/en/portfolio/human-rights-due-diligence-workshop/>). We would like to make it a basis for our future efforts aimed at human rights due diligence.

We participated in a stakeholder engagement workshop in Malaysia organized by Caux Round Table Japan and Global Compact Network Malaysia, and had a dialogue on issues such as migrant workers with government officials, companies, NGOs, and other stakeholders. Also, we engaged in a dialogue with Malaysian small-scale farmers of palm oil.

We also participated in a global stakeholder engagement program organized by Caux Round Table Japan in Tokyo, and had a dialogue with domestic and overseas experts, in which we reported on the programs in Malaysia and Japan and the cases of each industry, as well as exchanged views on matters that should be taken into consideration for further promotion of business and human rights activities.

Furthermore, we had an exclusive dialogue with overseas experts (the Danish Institute for Human Rights, Institute for Human Rights and Business and Sedex) in Tokyo and exchanged opinions on issues that we should address in the field of business and human rights.

For information on initiatives with stakeholders in regard to due diligence, see the following website: <https://www.shiseidogroup.com/sustainability/msa/>

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

6 Performance Assessment

The Company had been conducting questionnaires on compliance with Shiseido Group

Supplier Code of Conduct and addressing individual risk assessments based on the results, until 2016. From now on, based on Sedex assessment results, we will make efforts to promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain. 2017 was the transition period to Sedex, therefore we did not conduct the above questionnaires to suppliers.

- 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.

7 Education and Training

The Company conducts trainings on the "Shiseido Group Standards of Business Conduct and Ethics" and/or related policies and rules through various internal programs, such as position-specific trainings, in order to promote better understanding by all Shiseido employees.

Management level: human rights education / corporate ethics training is conducted once a year for our executive officers. Since 2015, the contents on business and human rights have been included in the trainings, and 25 executives participated in 2017.

Employees: departments at respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 258 people in 21 branch offices / business departments in the sales division and 86 departments other than sales division). The Human Resources Department conducts trainings for the members, who then give human rights trainings to other employees in their respective departments. In 2017, the Company had all of the employees of all the Group companies in Japan undergo a training session on eliminating harassment.

The Company asked 18 overseas offices for their opinions on matters such as awareness about human rights policies and MSA statements, and actions taken if any in regard to human rights issues. As a result, recognition on Shiseido Group Policy on Human Rights and Shiseido Modern Slavery Statement was as low as 30% or less, so we aim for an 80% recognition in 2018. Also, through this questionnaire, a problem of overtime at one workplace (China) was identified. Measures have already been taken to resolve it.

In August 2017, we held a study session at our head office regarding initiatives for "Responsible Procurement" based on "United Nations Guiding Principles on Business and Human Rights" for 28 staff members of the purchasing department and sustainability department of GHQ.

8. For the Future

The Company will continue to take the perspective of the UN Guiding Principles on Business

and Human Rights, striving to prevent the initiation of, or involvement in, human rights abuse in its own business and throughout its supply chain. Specifically, the Company has the following plans for formulation/revision of policies and standards during 2018:

- Shiseido Group Procurement Policy (new)
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)
Policy for achieving an ethical supply chain.
- Shiseido Group Sustainable Raw Materials Guidelines (new)
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)
Set targets until 2020 and promote sustainable sourcing of palm oil which is a raw material posing deforestation risk.
- Shiseido Group Supplier Code of Conduct (revision)
(<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>)
The Code will be revised to more appropriately reflect the demands of today's society. Business partners will be required to comply with laws and regulations, prevent corruption, respect human rights, provide safe and healthy working conditions, and practice environmental conservation.

The Company will continue its human rights education for employees. To date, the Company's education programs were geared mainly toward its Japanese workforce and focused on harassment. Going forward, the Company plans to conduct training programs on business and human rights in Japan and in major offices worldwide. The Company will also continue educating buyers.

This statement is approved by the Board of Directors of the Company and signed on its behalf by:



Masahiko Uotani
Representative Director
President and CEO
Shiseido Company, Limited
May 31, 2018