

Shiseido Modern Slavery Statement (Year ended December 31, 2022)

The statement below is the report for FY2022 as of December 31, 2022. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2022 and the initiatives planned for FY2023 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 the “Slavery Act”) and discloses the measures implemented by the Company and its subsidiaries (collectively referred to as the Shiseido Group, hereafter “Shiseido”) to ensure that neither Shiseido’s business operations nor its supply chains 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 its business and supply chain operations. With 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. While the core of Shiseido’s business operations revolves around cosmetics, such as skincare, makeup, and fragrance, the scope of our business activities extends into a wide range of areas, including restaurants and education/childcare. Our desire and purpose is to contribute to society by beauty innovations that enriches the lives of our stakeholders globally. Shiseido currently operate cosmetics businesses in more than 120 countries and areas with approximately 39,000 employees and a global turnover of 1,067.4 billion yen in FY2022. In the UK, the Company currently sells cosmetics through its subsidiaries Shiseido UK Limited, Gallinée Ltd., and Drunk Elephant UK Ltd.

Business Overview: <https://corp.shiseido.com/en/company/business/>

Key Figures: <https://corp.shiseido.com/en/company/glance/>

The Shiseido Group management structure



3 Supply Chain

Shiseido is engaged in purchasing, factory production, and logistics in cooperation with the global headquarters and each region. Our relationship with our suppliers is based on the following philosophies stated in the Shiseido Group Procurement Policy: “Building a Good Partnership,” “Fair Purchasing Transactions,” “Toward Global Procurement,” “Performance of Contract.” “Promoting sustainable procurement”, and “Respecting diverse values”. Of these, we purchase production materials from over 800 Tier 1 suppliers around the world. Our Tier 1 suppliers are all required to follow the Shiseido Group Supplier Code of Conduct, and they are responsible for adapting it to their Tier 2 and upstream suppliers.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido is striving to ensure that neither our business nor the supply chain related to the business involves the practices of enslavement or human trafficking. This is done by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers, including Tier 1 and upstream suppliers. These policies were drafted by the person responsible for human rights at the GHQ and were approved by the Company’s Board of Directors. The Company’s Chief Strategy Officer is responsible for promoting the human rights policy, including human rights due diligence and risk assessment, and reports to the Sustainability Committee at its meetings to discuss sustainability-related issues. Designating an Executive Officer to be responsible for human rights issues identified through the

human rights risk assessment, and improvement activities are being implemented to stop, prevent, and mitigate negative impacts on human rights.

Shiseido's policies include the following:

■ **Shiseido Policy on Human Rights**

Adopted in 2017, the Shiseido Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights to prevent slave labour (e.g. child labour and forced labour) and other work under slavery and human trafficking. This Policy applies to Shiseido and its business partners.

<https://corp.shiseido.com/en/sustainability/human/pdf/policy01.pdf>

■ **Shiseido Code of Conduct and Ethics**

The Shiseido Code of Conduct and Ethics stipulate the mandatory behaviours expected of every individual working for Shiseido. The Company has established a specific code of conduct to address its business with high ethical standards, as well as to comply with the laws and regulations of the country, local government, and company rules. It declares the absolute prohibition of practices such as child labour, forced labour, human trafficking, and other activities that may lead to human rights abuses.

<https://corp.shiseido.com/en/company/standards/>

■ **Shiseido Group Procurement Policy**

Our procurement policy, which was updated in 2022, is based on a consumer-oriented perspective including the following principles:

- we carry out procurement activities to create better products, through co-creation with business partners

- we comply with all relevant laws and regulations, prioritizing respect for human rights and protection of the global environment

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/1.pdf>

■ **Shiseido Group Supplier Code of Conduct**

Updated in 2019, this code of conduct clearly states that the use of child labour, forced labour, and human trafficking is prohibited. Shiseido takes any abuses of the code seriously and does not hesitate to terminate such relationships where necessary. Shiseido applies this code as a prerequisite for selecting Tier 1 suppliers, and Shiseido recommends that these suppliers request Tier 2 and upstream suppliers to also comply with the code. This code applies to purchasing contracts in order to strengthen solidarity and fulfil social responsibilities together with suppliers.

<https://corp.shiseido.com/en/sustainability/pdf/partner.pdf>

■ **Shiseido Group Sustainable Raw Material Procurement Guidelines**

We created guidelines for palm-derived materials and paper, which

exacerbate environmental and human rights problems in the countries of origin.

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/2.pdf>

In addition to the above policies, in 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for Shiseido. Furthermore, in September 2010, the Company signed the Women's Empowerment Principles developed by UN Women and the United Nations Global Compact as a set of practical guidelines for private business and non-governmental organizations working for women's empowerment.

5 Human Rights Due Diligence

Shiseido took the following steps to identify and assess the apparent and potential impact of our activities relating to human rights in order to prevent or mitigate such activities.

■ Listing of human rights issues:

By referring to international codes on human rights, standards on non-financial disclosures, and the Corporate Human Rights Benchmark (CHRB), Shiseido has developed a list of human rights issues to be considered with the advice of human rights experts. This list includes not only issues related to modern slavery, such as forced labour and child labour, but also a wide range of issues related to human rights, such as freedom of association, the right to collective bargaining, and discrimination.

■ Assessed human rights risks:

Shiseido assessed the status of our activities for our listed human rights issues by interviewing stakeholders (consumers, business partners, employees, and society*) in Japan and other countries and by investigating internal documents such as but not limited to questionnaires, surveys and certain report materials (we also referred to external documents for potential impact on human rights). Based on the results of this investigation Shiseido assessed the severity and likelihood of both potential and apparent risks regarding impacts on human rights in Japan and abroad, as well as the status of preventive and corrective measures Shiseido has taken to address these impacts.

*Including women, children, indigenous people, migrant workers, and temporary workers, etc.

■ Human rights risk reduction activities:

As a result of risk assessment of human rights issues, we will identify areas in our value chain where human rights risks are assumed to be relatively high, and plan and promote improvement activities to stop, prevent, and mitigate

negative impacts. The status of the promotion of these activities has been confirmed, and activities to further reduce human rights risks are ongoing, as well as the progress reports and disclosures.

Through dialogues with domestic and global human rights experts, and various NGOs and NPOs, we have deepened our understanding of human rights abuses and labour problems, continuously.

- Since 2017, Shiseido has consecutively participated in a stakeholder engagement program operated by Caux Round Table Japan in Tokyo, Japan. In this program for 2022, we identified important human rights issues for each industry through discussions with experts, NGOs, and NPOs with reference to the human rights guidance tool produced by the United Nations Environmental Programme / Finance Initiative (UNEP FI). It was confirmed that there is a possibility of child labour and forced labour in the cosmetics industry supply chain. Through this activity, we recognised that the human rights risks of slavery (including child and forced labour) and other forms of labour under conditions of servitude exist upstream in our supply chain, including in the countries of origin of raw materials such as palm oil and mica. Shiseido continues to actively engage with human rights experts to prevent and take corrective measures to reduce such risks.

6 Risk Assessment and Management

Shiseido continues to assess and manage human rights risks in our supply chain using the following three approaches:

- Approach 1: Assess and manage risks through human rights due diligence
In order to prevent or mitigate the impact that our activities have or could have on human rights, we have identified and assessed that impact through the process described in "5. Human Rights Due Diligence". As a result, the areas in our supply chain where human rights risks were reported to be more likely are:
 - Harassment and discrimination
 - Violation of compliance/fair competition
 - Privacy invasion and personal/confidential information leakages
 - Occupational safety and health issues (work-related accidents)
 - Breach of working hours, breaks, and rest period (overtime-work)
 - Incomplete supplier management (in no particular order).

On the other hand, we found that "forced labour" and "child labour", which are closely related to modern slavery and human trafficking, had lower human rights risks compared to other areas. For each human rights area, Shiseido

will closely examine the risk level and the status of preventive and corrective measures that have already been introduced, and then assess the issues and take action according to the risk priority levels.

■ Approach 2: Risk identification in the supply chain as a whole

Shiseido assesses suppliers from the perspective of sustainability (human rights, occupational health and safety, the environment, and business ethics) and confirms compliance with the Shiseido Group Supplier Code of Conduct through EcoVadis/Sedex/ our original Self-Assessment Questionnaire (SAQ) once a year. We classify suppliers into three categories according to the degree of risk: low risk, medium risk, and high risk. And for high-risk suppliers, we conduct third-party audits and request corrective action for non-conformances identified during the audits. In the event of critical non-conformance, we confirm correction status through third-party audits again, and if the non-conformance is not corrected within a set period, we also consider suspension of business to reduce the number of high-risk suppliers.

■ Approach 3: Direct approach in terms of raw materials

In addition to the activities described above, as a direct action for raw materials that Shiseido has determined to have a high human rights risk, we have continued to promote the application of the certification system and participation in international initiatives.

• Shiseido has devised ways to reduce the risks associated with palm oil, which is widely known to carry human rights risks including child labour and forced labour in the country of origin, by joining the Roundtable on Sustainable Palm Oil (RSPO). The goal is to procure raw materials certified by the RSPO in consideration of environmental protection and human rights in the place of origin. We are targeting a switch to 100% mass balance or better certified oil by 2026.

• With respect to mica (which is a raw material for cosmetics), where the issue of child labour in India is becoming more apparent, Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in 2017. Shiseido participated in RMI's two activity groups, Traceability and Workplace Standards, and supported activities aimed at improving the traceability of the mica supply chain in India and responses to slave labour, including child labour.

7 Performance Assessment

Shiseido strives to prevent slavery (e.g. child labour and forced labour), other forms of labour under conditions of servitude, and human trafficking in its supply chain. We aim to establish traceability not only with Tier 1 suppliers but also Tier 2 and upstream

suppliers on a global basis. The assessment results were used to determine the status of risks in the supply chain related to labour rights, health and safety, the environment, business ethics, and to request corrective actions.

■ Approach 1: Human rights due diligence

For the six human rights issues identified by the 2020 activities, Executive Officers were designated to be in charge, and improvement activities were implemented in 2021 to stop, prevent, and mitigate negative impacts on human rights. One of the issues identified was "incomplete supplier management," and we promoted the introduction of a rigorous and objective risk identification and remediation process, including through the implementation of third-party audits, and process to monitor the progress of high-risk suppliers and reduce the number of them.

<https://corp.shiseido.com/en/sustainability/rights/activity.html>

■ Approach 2: Supplier assessment results

For 44 high-risk suppliers identified up until the previous year, we conducted self-assessment (EcoVadis/Sedex/Shiseido SAQ) and third-party audits in 2022 and reduced high risk suppliers to zero. We also conducted self-assessment for 28 strategic suppliers and there were no high-risk supplies identified. Furthermore, in 2022, we conducted self-assessment for upstream suppliers, Tier2 and beyond. This resulted in no high-risk suppliers being identified.

<https://corp.shiseido.com/en/sustainability/rights/procurement.html#08>

■ Approach 3: Direct action on raw materials identified as high human rights risk

•In regards to palm oil, the relevant teams in our global and regional headquarters have been working together to promote initiatives aimed at achieving this target, and in 2022, we replaced 36% of palm oil-derived raw materials (palm oil equivalent, weight basis) with RSPO's physical supply chain model.

•With respect to mica, the RMI to which we belong, in collaboration with non-governmental organisations and the Indian Government, implemented community empowerment programs for 16,500 households or mica-dependent 92,000 beneficiaries in 180 villages by 2022. The programs helped to improve living income and livelihood.

■ Business Partner Hotline

Shiseido established the Business Partner Hotline in 2013 to promote fair transactions that deepen understanding and mutual respect with suppliers. As posted on the corporate website, the Business Partner Hotline accepts comments and inquiries from suppliers in writing or via e-mail. In 2022, we did not receive any inquiries or feedback that indicated non-compliance.

8 Education and Training

The Company provides training on the Shiseido Code of Conduct and Ethics and/or related policies and rules through various internal programs, such as position-specific training, in order to promote the increase of knowledge and understanding of all Shiseido employees.

- Executive officers, vice president, and chief representatives

With the revision of the Shiseido Code of Conduct and Ethics in 2022, the Executive Officers, vice president, and office managers of both Shiseido Co., Ltd. and Shiseido Japan Co., Ltd. were briefed on the significance and key points of the revision.

- Employees

In the Shiseido Group in Japan, we conducted training on harassment prevention, and 158 newly appointed management positions participated in the training. In addition, we provided training to all employees, with a total of 15,482 participants (87% participation rate). We also conducted e-learning on "Unconscious Bias," "Diverse Sexualities," "Gender Equality," and "Disability Bias" as human rights awareness programs, with a total of 62,535 participants (78% participation rate). With the revision of the Shiseido Code of Conduct and Ethics in 2022, a total of 17,684 employees including the vice president and chief representatives of the Shiseido Group in Japan participated in training on the Code, and similar training was also conducted in all regions of Shiseido Group. We also made employees aware of the prohibition of discrimination, abuse, and harassment during this training.

- Supply chain

In order to implement responsible procurement, Shiseido provides various training programs for employees in the procurement department in terms of human rights, occupational health and safety, and the environment. In FY2022, we conducted training for buyers provided by EcoVadis, and a total of 90 people participated. In the training, the participants specifically learned about assessment methods, how to use a platform, and supplier engagement techniques.

9. For the Future

Shiseido continues to take the perspective of the UN Guiding Principles on Business and Human Rights and strives to prevent the initiation of its involvement in human rights abuses for its own business and throughout its supply chain. In FY2023, we will

continue with the improvement activities implemented in FY2022 to stop, prevent, and mitigate negative impacts on human rights risks.

To minimize sustainability risks in the entire supply chain, we plan to continue upstream supplier assessment and also expand assessment scope to include Indirect Material suppliers.

In addition to continuing to conduct supplier assessments, and for palm oil, which poses human rights risks, Shiseido will purchase and use RSPO mass-balance-certified oil in accordance with our target on palm oil, which will also improve traceability.

This statement was approved by the Board of Directors of the Company and signed on behalf of the board by the following person:

A handwritten signature in black ink, appearing to read 'Uotani', written in a cursive style.

Masahiko Uotani
Representative Director
Chairman and CEO
Shiseido Company, Limited
June 28, 2023