

# Shiseido Modern Slavery Statement (Year ended December 31, 2018)

The statement below is the report for FY 2018 as of December 31, 2018. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY 2018 and the initiatives planned for FY 2019 and beyond.

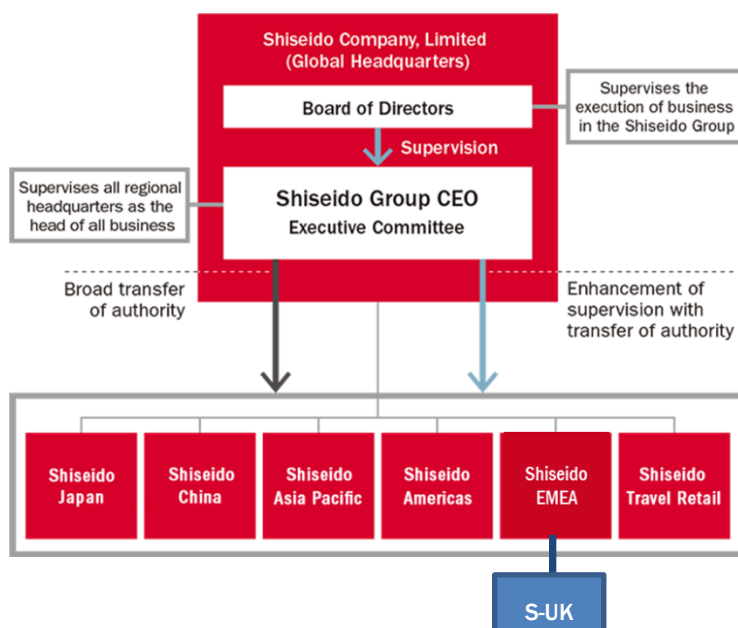
## 1 About This Statement

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 labor 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. 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 and today operates cosmetic businesses in more than 120 countries and areas with over 46,700 employees and a global turnover of 1,094.8 billion yen. In the UK, Shiseido currently sells cosmetics through its subsidiary Shiseido Group UK Limited.

The Shiseido Group management structure



### **3 Supply Chain**

Shiseido procures raw materials for its products through multiple business partners in the global market (hereafter “suppliers”). The Company requires first-tier suppliers doing business through direct contracts with Shiseido to comply with the Shiseido Group Supplier Code of Conduct described below in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135 packaging materials suppliers + OEM enterprises, 133 raw materials suppliers, and 28 promotional materials suppliers for a total of 296 companies (in 2018). In addition, Shiseido has recommended that its first-tier suppliers adopt the policies defined in the Shiseido Group Supplier Code of Conduct for second-tier suppliers and upstream suppliers in order to disseminate positive impacts on the wider supply chain. Shiseido believes such practices will mitigate the risk of slavery and human trafficking in its entire supply chain.

### **4 Policies in Relation to Slavery and Human Trafficking**

Shiseido is striving to ensure that neither its business nor the supply chain related to the business involves the practices of 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 Company’s department handling human rights issues at the Global Headquarters (hereafter “GHQ”), which is 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 reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure that slavery and human trafficking are not taking place anywhere in our supply chains and include the following:

- **Shiseido Group Policy on Human Rights**  
Adopted in 2017, the Shiseido Group Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights. This Policy applies to Shiseido and its business partners.
- **Shiseido Group Standards of Business Conduct and Ethics**  
Shiseido Group Standards of Business Conduct and Ethics stipulate the behaviors for 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.

- Shiseido Group Supplier Code of Conduct  
Shiseido applies this code as a prerequisite for selecting first-tier suppliers and Shiseido recommends that these suppliers request second-tier and upstream suppliers to also comply with the code. This code will apply to purchasing contracts in order to strengthen its solidarity and fulfill its social responsibilities together with its suppliers.
- Shiseido Group Sustainable Raw Material Procurement Guidelines (published on April 18, 2018)  
Through these new guidelines, Shiseido promotes the sustainable procurement of palm oil, a raw material associated with the risk of deforestation, with targets until FY 2020.

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**

As part of its initiative to identify and mitigate the risks to human rights in its business activities, Shiseido will continue to engage with stakeholders and advance the implementation of a program of human rights due diligence. Since engagement with its stakeholders and due diligence on human rights is crucial, Shiseido will deepen the understanding of the risks of human rights violations and labor issues through its interactions, in particular with human rights experts in Japan and overseas, NGOs, NPOs, and small-scale palm oil farmers. Shiseido also promotes the establishment of human rights due diligence along with these activities.

- Following FY 2017, Shiseido participated in a stakeholder engagement program (Japan) 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 Programme / Finance Initiative (UNEP FI) in FY 2018.
- In FY 2018, Shiseido participated in a stakeholder engagement program (Asia) in Indonesia organized by Caux Round Table Japan following the FY 2017 program held in Malaysia. Shiseido has gained more insight into the risks of human rights violations and labor issues from its interactions with local NGOs, NPOs, and small-scale palm oil farmers in Indonesia. Shiseido will reflect the dialogs with various stakeholders in the development of an ethical supply chain

so that the Company can fulfill its responsibility to respect human rights.

- In FY 2018, Shiseido also participated in a stakeholder engagement program (global) organized by Caux Round Table Japan in Tokyo, engaged in dialogs with domestic and overseas experts in which Shiseido reported on the programs in Indonesia and Japan and the cases of each industry, as well as exchanged views on matters that should be considered for further promotion of business and human rights activities.
- Furthermore, in FY 2018, Shiseido had an exclusive dialog with overseas experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) in Tokyo and exchanged opinions on issues that Shiseido should address in the field of business and human rights.

## 6 Risk Assessment and Management

While Shiseido recognizes the need for full transparency of the supply chain, it has not yet been made fully transparent in terms of its second-tier and subsequent supply chains, including certain suppliers directly managed by Shiseido. In future, Shiseido will assess and manage human rights risks in the supply chain using the following two approaches:

### ■ Approach 1: Risk identification in the supply chain as a whole

Shiseido will take advantage of the Sedex (Supplier Ethical Data Exchange) platform, which Shiseido joined in August 2017, and assesses the implementation status of suppliers' activities in accordance with the Shiseido Group Supplier Code of Conduct with the cooperation of suppliers.

- In 2018, Shiseido shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies following consultation with its first-tier suppliers about the use of the Sedex platform.
- For non-Sedex members, Shiseido will establish cooperative relationships to secure traceability and transparency and strive for human rights due diligence.

### ■ Approach 2: Direct approach in terms of raw materials

In addition to the activities described above, Shiseido will continue to follow the certification system and to participate in international initiatives as direct actions in regards to raw materials when Shiseido determines a high risk to human rights at that time.

- Shiseido will devise ways to reduce the risk associated with palm oil, which is widely known to carry human rights risks in the country of origin, by joining the

Roundtable on Sustainable Palm Oil (RSPO) and procuring raw materials certified by the RSPO in consideration of environmental protection and human rights in the place of origin. In February 2017, the Kakegawa Factory in Japan obtained RSPO Supply Chain Certification, followed by the Kuki Factory in Japan and factories in Vietnam, the United States, and Taiwan. Two factories in China have obtained the certification. In FY 2018, Shiseido sourced all palm oil that has the Book & Claim certification from the RSPO.

- Regarding mica (which is a raw material for cosmetics), Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in May 2017. The Company aims for traceability in the mica supply chain.

The Chief Social Value Creation Officer and Chief Supply Network Officer are responsible for dealing with this risk assessment and due diligence.

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

## **7 Performance Assessment**

The Company had been conducting surveys on compliance with the Shiseido Group Supplier Code of Conduct. From now on, based on the Sedex assessment results or on its original Self-Assessment Questionnaire for non-Sedex members, Shiseido will promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain.

### **■ Leveraging the Sedex platform**

In FY 2018, the Company discussed the use of the Sedex platform with first-tier suppliers and shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies.

### **■ 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.

## **8 Education and Training**

The Company provides training on the Shiseido Group Standards of Business Conduct

and Ethics and/or related policies and rules through various internal programs, such as position-specific training, in order to promote better understanding by all Shiseido employees.

- Japan Domestic Employees

The departments at the respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 268 people in 21 branch offices and business departments in the Sales Division and 83 departments other than the Sales Division). The Human Resources Department provides training for members, who then provide human rights training to other employees in their respective departments. In FY 2018, the Company also provided training on the theme “A jovial workplace without moral harassment” for all employees of Shiseido in Japan. (Participation rate in Japan: 95%)

- Non-Japan employees

For the overseas regional headquarters, the GHQ HR Department and the Sustainability Department convened meetings on human rights with the HQs in the United States, EMEA, SAPAC, and Travel Retail with the aim of sharing the awareness of the human rights policy and the statement of the UK Modern Slavery Act, as well as the need to respond to human rights issues.

- Supply chain

Shiseido held briefings on the theme “Initiatives for human rights throughout the business” for a total of 295\* suppliers which have dealings with the Purchasing Department of the GHQ. (\*in 2017) Shiseido also provided the documents described below. Specifically, Shiseido explained the intentions behind the revisions to the Shiseido Group Supplier Code of Conduct for the achievement of responsible procurement in the supply chain, and the effectiveness of Sedex.

## 9 For the Future

Shiseido will continue to take the perspective of the UN Guiding Principles on Business and Human Rights and strive to prevent the initiation of its involvement in human rights abuses in its own business and throughout its supply chain. In particular, in FY 2019, the Company will continue to revise the following policies and guidelines:

- Shiseido Group Policy on Human Rights (revision)

The Company revised the current policy based on its new corporate philosophy, The Shiseido Philosophy.

- Shiseido Group Sustainable Raw Materials Guidelines (revision)

The Company discloses the objectives of using sustainable paper, as well as palm oil, as materials associated with the risk of deforestation, and Shiseido will promote sustainable procurement. In addition, the Company will expand the acquisition of the RSPO Supply Chain Certification for palm oil to promote sustainable procurement.

As for human rights education efforts for employees, the Company will not only maintain the focus of its education programs on harassment, but also expand the issue to business and human rights. While providing the education programs to the group companies in Japan, the Company will develop the programs in major offices worldwide including the UK. The Company will also continue educating the purchasing division on business and human rights.

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  
President and CEO  
Shiseido Company, Limited  
May 30, 2019