

## Message from the Deputy Chairman



A handwritten signature in black ink that reads "Motoo Ueno".

**Motoo Ueno**

Representative Director,  
Deputy Chairman

In charge of Sustainability Department,  
Audit Department.

### **We are evolving our efforts to create shared value by stepping up dialogue with stakeholders and factoring their hopes, expectations, and suggestions into the management of our business.**

#### **Progress toward Creating Shared Value**

Chugai's goal is to achieve advanced and sustainable patient-centric healthcare based on the creation of shared value with stakeholders. This is precisely the philosophy of the Sustainable Development Goals (SDGs), which Chugai has committed to supporting. Focusing on patient-centric value, namely outcomes, will enable Chugai to further promote collaboration with stakeholders who share our goals.

Under this policy, our mid-term business plan IBI 21 considered sustainability and growth strategies from the same perspective, and sustainability initiatives previously implemented by each department were incorporated into the management strategy. We also set targets for every Material Issue and implemented initiatives while clarifying our priorities.

As a result, we were able to exceed both the quantitative and qualitative targets in IBI 21 and made steady progress in Strategy 5, "Strengthen Sustainable Platforms." In quality management, for example, we established quality requirements for cross-divisional management of good practice guidelines and regulations (GxP) for pharmaceuticals, while for supply chain management, we are applying our evaluation system for comprehensive due diligence including environmental and human rights issues. In the area of environment, we conducted scenario analysis based on the

recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and published the results. I believe that Chugai's sustainability initiatives have evolved further thanks to the plan-do-check-act (PDCA) cycle, in which Chugai actively engages in dialogue both inside and outside the Company and uses the feedback to improve our activities. We have been recognized as a highly sustainable business by external audiences and selected for the first time as a constituent of DJSI World, an index of top global companies for environmental, social, and governance (ESG) investment.

#### **Formulating Sustainability and Growth Strategies through to 2030**

In the new growth strategy TOP I 2030, we have placed an even greater emphasis on shared value with stakeholders as part of our goal of becoming a top innovator in 2030. With the time span now set at 10 years, the growth strategy represents an evolution of our business strategy, moving away from thinking about sustainability and growth from the same perspective to developing an integrated approach.

Of particular note, in my view, is the fact that this strategy incorporates what we have learned from our experience in dealing with the unprecedented COVID-19 pandemic. In terms of the healthcare market and customers, the convergence on value-based healthcare (VBHC), which we have assumed

would occur over the medium to long term, has accelerated rapidly. Looking at the economy as a whole, this type of discontinuous change has reminded us of the importance of adapting flexibly to change as we move toward our Envisioned Future. We are rethinking all of our business activities and ways of working in this “new normal.” Sustainability initiatives will become even more important from the perspective of risk management and from a broader, long-term perspective. We are determined not to slow down the progress with ESG.

Based on this thinking, we reexamined our Material Issues again at the time of formulating the growth strategy. This process confirmed that there was no need to change our management policy of creating shared value, and that there would be no changes in our Material Issues, even in the face of the social transformation caused by the pandemic. The careful scrutiny of risk factors has also been prioritized. To manage strategic and operational risks in an integrated manner, we have formulated a Risk Appetite Statement and restructured our enterprise risk management (ERM) system to enhance management and operations.

**Future Sustainability Initiatives**

To develop the ESG aspects of TOP I 2030, we consider it particularly important not only to design and promote priority initiatives in each Material Issue, but also to innovate in the environmental area, which is taken up as a reform in “Foundation for Growth.”

Engaging more proactively with global issues will be key for Chugai, starting with measures to combat climate change, which is increasingly important, as well as progress in protecting biodiversity and promoting the use of renewable and recyclable resources. These are precisely our Material Issues. In our mid-term environmental goals for 2030 (2021–2030), we have increased the number of target items from four under the previous plan to 10 in order to meet the expectations and demands of society. To reduce CO<sub>2</sub> emissions, which requires long-term and large-scale

measures to decarbonize society, we have set a goal of zero emissions by 2050. This will not be easy to achieve, but goals that are simply an extension of the past will not lead to innovation. Particularly in the area of climate change, we will incorporate the evolution of technology, design strategies in conjunction with our sites and facility plans, and promote the investment of resources with a sense of urgency.

**Collaboration and Dialogue with Stakeholders**

In TOP I 2030, Open Innovation, meaning collaboration with stakeholders, is essential for the promotion of the Research & Early Development (RED) Shift and digital transformation (DX). But above all, we need to have a sense of shared values and ideas with our collaborators. The reality of these companies and organizations will be reflected in their sustainability initiatives. At Chugai, we will actively communicate our own ESG activities and work to promote understanding, and we will also emphasize sustainability when choosing partners. For the SDGs as well, we have identified 11 development goals where we are focusing our efforts, and we will share this policy with our partners.

Engagement with employees and dialogue with stakeholders will be even more important in the rapidly changing business environment. We aim to remain alert to changes in society, enhance information disclosure, and reflect the hopes, expectations, and suggestions of stakeholders into the management of the Company. To give one example of this, at an ESG briefing in 2020, we were able to understand the information needs of investors through interviews and questionnaires prior to the actual event. This provided a wide range of suggestions that led us to discuss our governance system for sustainability and our management methods for non-financial targets, which we had not previously disclosed.

As part of our vision of becoming a top innovator by 2030, we aim to be a global role model through our ESG activities, and we plan to step up our communication and dialogue on these issues even further. Thank you for your ongoing support.

**Chugai Contributions to 11 SDGs**



The top priority goal directly linked to our Mission (3)



Four goals required to achieve the top priority goal (8, 9, 12, and 17)



Six goals that form the basis of our business activities (5, 6, 10, 13, 15, and 16)