

# Targets and Progress in Material Issues

## Specification of Material Issues



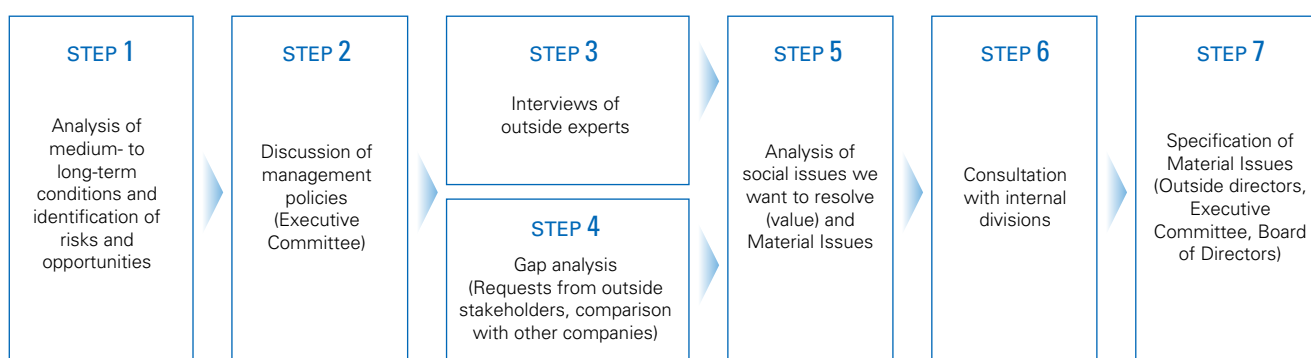
Chugai has adopted creating shared value with stakeholders as its basic policy. We identified 25 Material Issues that should be given priority.

In establishing Material Issues, we analyzed the future market environment, referred to the SDGs and other external initiatives and guidelines, and comprehensively identified the issues that society expects Chugai to address. We also scrutinized items for which Chugai is not sufficiently meeting expectations. We conducted an objective analysis that incorporated outside views, and narrowed the list of issues to those for realizing Chugai's Envisioned Future.

For each of the Material Issues, we have set a target to attain in the medium to long term and indicators to measure progress and the degree of achievement. The aim is to communicate to society Chugai's areas of focus as a starting point for dialogue going forward.

We will review the selected Material Issues regularly and adjust them in response to changing business environments and the evolution of Chugai's business activities. In 2020, we reexamined the Material Issues in light of the impact of the COVID-19 pandemic and the upcoming formulation of a new growth strategy, and confirmed that no changes were required.

## Process for Establishing Material Issues



## Targets and Progress up to 2020

5 strategies (IBI 21) **1** Value Creation **2** Value Delivery **3** Promote Advances in Personalized Healthcare (PHC)  
**4** Strengthen Human Capital and Conduct Fundamental Structural Reform **5** Strengthen Sustainable Platforms

Material Issue	Target	5 strategies	Indicators (2020 results)	Results during the period of IBI 21 (2019–20 performance)
<b>Sustainable Healthcare</b>				
Creation of innovative drugs and services	Creation of innovative drugs	<b>1</b> <b>3</b>	<ul style="list-style-type: none"> <li>Number of new products launched and additional indications (9)</li> <li>Number of projects and products based on PHC</li> <li>Number of projects added to portfolio</li> <li>Number of in-house projects achieving PoC</li> <li>Number of in-licensed projects progressing to LCM stage</li> </ul>	<ul style="list-style-type: none"> <li>Mid-size molecule project: Progressed as planned toward phase I launch in 2021</li> <li>Antibody project: Phase I started for next-generation switch antibody STA551</li> <li>Launch of global phase III for crovalimab/SKY59</li> <li>Approval of Enspryng and start of sales</li> <li>Total 5 progressing to pre-clinical stage</li> <li>Nemolizumab: Filing in Japan for approval for atopic dermatitis (Maruho Co., Ltd.), acquisition of breakthrough therapy designation for prurigo nodularis (Galderma S.A.)</li> </ul>
Provision of solutions for patients	Realize patient-centric healthcare	<b>2</b>	<ul style="list-style-type: none"> <li>Market share in therapeutic area (Oncology No. 1<sup>1</sup>, hemophilia No. 1<sup>1</sup>)</li> <li>Customer satisfaction (Oncology No. 1<sup>2</sup>, hemophilia No. 1<sup>3</sup>)</li> <li>Domestic sales per MR (No. 1<sup>4</sup>)</li> <li>Contribution to cancer genomic profiling (No. 1<sup>5</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Hemlibra: Market penetration in Japan and overseas, expansion of number of overseas approvals</li> <li>Tecentriq: Additional indications including three first-in-class designations</li> <li>Formulation of CHUGAI DIGITAL VISION 2030</li> <li>Progress of company-wide digital strategy and acceleration of AI drug discovery, etc.</li> <li>Steady market introduction of F1CDx, additional indications</li> <li>Filing for approval of F1L</li> <li>Filing for ROS1 indication of Rozlytrek using real-world data (RWD) as reference data</li> <li>Joint development of digital solution for objective evaluation of pain in endometriosis</li> </ul>
Fair marketing	Marketing in compliance with national guidelines	<b>2</b>	<ul style="list-style-type: none"> <li>No infringements of promotional code of conduct in overseas sales-related information provision activity (achieved)</li> <li>Formulation of information provision guidelines for prescription pharmaceuticals, etc., and conduct of employee education (achieved)</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of governance of overseas subsidiaries: Dissemination of understanding of Chugai Group management guidelines, enhancement of independent compliance system</li> <li>Establishment and strengthening of Chinese business structure: Strengthening of cooperation between affiliates, enhancement of Head Office support system</li> <li>Adaptation to change in Chinese Drug Administration Law</li> <li>Formulation of guidelines on sales-related information provision activity and upgrading of internal monitoring system</li> <li>Formulation of guidelines on information provision in response to requests from patients and their families, etc.</li> </ul>
Fair pricing	Pricing that reflects drug and service value	<b>2</b>	—	<ul style="list-style-type: none"> <li>Establishment of drug price reflecting value of new drugs (Rozlytrek, Enspryng, etc.)</li> </ul>
Adverse event management	Perform appropriate pharmacovigilance activities and promote proper drug use	<b>2</b>	<ul style="list-style-type: none"> <li>Customer satisfaction (Oncology No. 1<sup>2</sup>, hemophilia No. 1<sup>3</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Progress with digitalization of customer interface coordinated between three divisions</li> <li>Launch of adverse event database tool for healthcare professionals</li> </ul>
Quality assurance and stable supply of products	Ensure quality and stable supply of products and services	<b>5</b>	—	<ul style="list-style-type: none"> <li>Maintenance of stable supply system for products including Actemra during the COVID-19 pandemic</li> <li>Maintenance and enhancement of world-class quality including in handling of FMI and other new businesses</li> </ul>
<b>Corporate Governance</b>				
Corporate governance	Realize sustained growth and corporate value	<b>5</b>	<ul style="list-style-type: none"> <li>Review of Board of Directors effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Conduct of analysis and evaluation of effectiveness of Board of Directors by external third-party (law firm)</li> </ul>
Risk management	Perform risk assessment and evaluate responses	<b>5</b>	—	<ul style="list-style-type: none"> <li>Introduction of enterprise risk management (ERM) framework including strategic risk management</li> <li>Centralized company-wide management of risk information relating to IT systems</li> <li>Formulation of business continuity management (BCM) guidelines</li> </ul>

1. Copyright© 2021 IQVIA. Source: JPM 2020 (calendar year). Reprinted with permission. The scope of the market is defined by Chugai.

2. Source: INTAGE Healthcare Inc., CS Survey of Oncology, 2020. Based on a survey of overall assessments of companies by physicians, as defined by Chugai.

3. Source: INTAGE Healthcare Inc., CS Survey of Hemophilia 2020. Based on a survey of overall assessments of companies by physicians, as defined by Chugai.

4. Calculated by Chugai based on 2020 Pharmaceutical Marketing Strategy by Fuji Keizai Management Co., Ltd.

5. Copyright© 2021 IQVIA. Source: Survey of Degree of Customer Satisfaction with Cancer Genome Therapy. Overall Assessments of Companies by Physicians. Based on a survey of overall assessments of companies by physicians, as defined by Chugai. Survey target: "Internet survey of members of m3.com, a website specializing in medical information"

5 strategies (IBI 21) **1** Value Creation **2** Value Delivery **3** Promote Advances in Personalized Healthcare  
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Material Issue Target 5 strategies Indicators (2020 results) Results during the period of IBI 21 (2019–20 performance)

### Corporate Governance

Disclosure and engagement	Earn market trust through appropriate information disclosure	5	<ul style="list-style-type: none"> <li>Selection as component of DJSI World (achieved)</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of dialogue with stakeholders by holding annual ESG meeting</li> <li>Improvement of external evaluation of investor relations (IR)</li> </ul>
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### Ethics and Compliance

Compliance	Appropriately manage compliance risks	5	<ul style="list-style-type: none"> <li>Compliance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of state of progress of compliance action plans of organizations in Japan and overseas</li> <li>Conduct of monitoring survey to identify compliance status Company-wide including at affiliates in Japan and overseas</li> <li>Conduct of compliance awareness survey of all Group employees in Japan and overseas</li> </ul>
Code of conduct	Promote understanding and awareness of the Chugai Group Code of Conduct (CCC)	5	<ul style="list-style-type: none"> <li>CCC and human rights training in Japan: twice a year</li> <li>2019 participation rate: 100%<sup>1</sup></li> <li>2020 participation rate: 100%<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Revision of the Code of Conduct in line with the formulation of new management policies (Revisions to CCC)</li> <li>Provision of training to all Chugai Group employees</li> </ul>
Fair transactions	Ensure compliance with trading laws and regulations and build fair and transparent business relationships	5	<ul style="list-style-type: none"> <li>Formulation of related policies and regulations and conduct of employee education (achieved)</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of purchasing policy and purchasing-related regulations and rollout to subsidiaries</li> <li>Completion of incorporation in purchasing policy and purchasing-related systems and conduct of employee education</li> <li>Formulation of regulations relating to fair competition policy and conduct of employee education</li> </ul>

### Supply Chain Management

Supply chain management	Perform comprehensive supplier evaluations	5	<ul style="list-style-type: none"> <li>Risk assessment of major contract manufacturing organizations (CMOs)</li> </ul>	<ul style="list-style-type: none"> <li>Participation in Pharmaceutical Supply Chain Initiatives (PSCI)</li> <li>Formulation of supplier code of conduct, start of confirmation of consent from suppliers (31 confirmed in 2020)</li> <li>Formulation of supplier EHS compliance risk assessment guidelines, start of supplier risk assessment (86 assessed in 2020)</li> <li>Conduct of employee education on supplier EHS compliance risk assessment guidelines</li> <li>Holding of information exchange meetings with CMOs</li> </ul>
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### Global Environment

Climate change countermeasures <sup>2</sup> (energy, etc.)	Minimize impact on global environment	5	<ul style="list-style-type: none"> <li>Reduce energy consumption per employee by 20% vs 2010 (17% reduction<sup>3</sup>)</li> <li>Eliminate use of specific fluorocarbons (achieved)</li> <li>Fuel economy of sales vehicles: ≥16 km/L (27 km/L)</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of highly energy-efficient facilities and promotion of energy-saving measures through energy visualization system</li> <li>Ending of use by 2020 of all 4 tons of specific fluorocarbons held as of 2018</li> <li>Progress with introduction into sales fleet of hybrid vehicles and highly fuel-efficient vehicles</li> </ul>
Use of renewable/recycled resources <sup>2</sup> (water, waste, etc.)		5	<ul style="list-style-type: none"> <li>Zero waste emissions (≥99% recycling of waste): 3 sites (achieved at 2 sites)</li> </ul>	<ul style="list-style-type: none"> <li>Preferential selection of waste treatment operators for recyclable industrial waste and improvement of recycling rate</li> </ul>
Biodiversity protection (environmental burden mitigation)		5	<ul style="list-style-type: none"> <li>Wastewater measurement using whole effluent toxicity (WET) testing: 5 sites (implemented at 5 sites)</li> </ul>	<ul style="list-style-type: none"> <li>WET test conducted annually at all plants and research laboratories since 2013, with no issues identified</li> </ul>
Environmental management system		5	<ul style="list-style-type: none"> <li>Expand verification items and scope</li> </ul>	<ul style="list-style-type: none"> <li>Environmental performance data (emissions of atmospheric pollutants, Scope 3 all categories, Scope 1) and inclusion of overseas plants in collection of statistics</li> <li>Social performance data (incidence and severity of occupational accidents) and inclusion of contractor employees in collection of statistics</li> </ul>

Material Issue	Target	5 strategies	Indicators (2020 results)	Results during the period of IBI 21 (2019–20 performance)
<b>Human Resources</b>				
Employee job satisfaction <sup>4</sup>	Develop work environment where employees can continue their careers	4	<ul style="list-style-type: none"> <li>Rate of paid leave taken ≥ 80% (65.6%)<sup>5</sup></li> <li>Work-from-home (WFH) participation rate: 35%<sup>6</sup></li> <li>Employee awareness survey (Improvement in positive response rate in Employee Engagement and Environment for Utilizing Employees surveys)</li> </ul>	<ul style="list-style-type: none"> <li>Employee awareness survey—Improvement on 2018 results</li> <li>Design of new workstyles (smart working) to realize productivity improvement and work-life synergy (introduction in 2021)</li> </ul>
Development of employee potential	HR recruitment and training to realize strategic targets and accelerate innovation	4	<ul style="list-style-type: none"> <li>Increase in next-generation leader candidates, implementation of development programs</li> </ul>	<ul style="list-style-type: none"> <li>Selection and development of candidates for key positions (department manager level)</li> <li>Appointment of highly competent talent</li> <li>Review of plans for individual development of next-generation leader candidates and implementation of strategic allocation</li> </ul>
Diversity and inclusion (D&I) <sup>4</sup>	Create new value through diverse talents	4	<ul style="list-style-type: none"> <li>Ratio of female managers: 16% (14.6%)<sup>7</sup></li> <li>Ratio of female managers (With subordinates): 15% (13.0%)<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>Appointment of female executive officers</li> <li>Establishment of female manager (with subordinates) appointment promotion committee consisting of department managers including executive management</li> <li>Conduct of e-learning program on unconscious bias for managers (approx. 800 participants), who are key players in promoting D&amp;I</li> </ul>
<b>Human Rights</b>				
Human rights	Respect human rights of all persons involved in business	5	<ul style="list-style-type: none"> <li>Human rights due diligence on contractors</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of policy on respect for human rights</li> <li>Conduct of employee education on policy relating to business and human rights and respect for human rights</li> <li>Identification of human rights issues</li> <li>Formulation of guidelines for evaluation of supplier human rights, start of supplier risk assessment (86 assessments in 2020)</li> <li>Holding of individual dialogue with overseas experts on human rights initiatives</li> </ul>
Safety of clinical trial subjects	Conduct clinical trials under high ethical and scientific standards with safety	5	<ul style="list-style-type: none"> <li>Introduction of adverse event evaluation tool for direct use by patients</li> <li>Securing of safety of trial subjects using home-based devices</li> </ul>	<ul style="list-style-type: none"> <li>Completion of preparations for three phase I pilot studies in solid tumors and start of one study</li> <li>Measurement of safety indicators using home-based devices implemented in one study, issues identified, and other data collected</li> </ul>
<b>Social Contribution</b>				
Social contribution activities	Develop networks in key areas	5	<ul style="list-style-type: none"> <li>Cumulative number of para-transit vehicles donated to welfare services (263)</li> </ul>	<ul style="list-style-type: none"> <li>Support to healthcare professionals in Japan during the COVID-19 pandemic: Donation of total of ¥55 million to Japanese foundations, the Tokyo metropolitan government, and Kanagawa Prefecture</li> <li>Support for recovery: Donation of ¥10 million to areas affected by typhoon damage in 2019, and ¥10 million to areas affected by torrential rainfall in July 2020</li> </ul>
Improvement of access to healthcare	Improve access to healthcare including drug development	5	<ul style="list-style-type: none"> <li>Number of participants in team care workshop for health professionals at Children's Medical Center of Cambodia-based NPO Japan Heart (21)</li> <li>Number of locations and number of patients examined in treatment and support program for non-communicable diseases (NCDs) in rural areas of Myanmar (28 locations, approx. 2,500 patients)</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of early treatment and follow-up of NCDs in Myanmar</li> <li>Establishment of medical transport fund and provision of ultrasound diagnostic equipment for nursing and expectant mothers in Myanmar</li> <li>Provision of Hemlibra to developing countries through World Federation of Hemophilia (WFH)</li> <li>Start of partnership with City Cancer Challenge Foundation</li> </ul>

1. Excluding employees on secondment or leave 2. Target for December 31, 2020

3. We aim to reach a 20 percent reduction in non-renewable energy consumption by using renewable energy certificates. 4. Target for December 31, 2021

5. April 2019–March 2020 results 6. WFH adopted as norm during state of emergency

7. Calculated based on Chugai (non-consolidated) employees.

8. Calculated based on Chugai (non-consolidated) employees and its affiliates in Japan.