


Supplementary Materials for ESG Related Information

(July 30, 2020)

Innovation all for the patients



CHUGAI PHARMACEUTICAL CO., LTD.

 A member of the Roche group

Environment

1. Disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (DJSI 1.3.2)

	Summary	Item	Countermeasure of Chugai
Governance	Organizational governance of climate change-related risks and opportunities	Board supervisory system for climate change risks and opportunities	<p>The Board of Directors is responsible for the decision-making function regarding the most important management issues, including risks and opportunities related to climate change. And The Board of Directors supervises business execution by receiving quarterly reports on business execution status and reports on important decisions made by the Executive Committee. Important decisions regarding company-wide business strategy and business execution are made at the Management Committee and other meetings.</p> <p>One of the advisory committees for the Executive Committee is the EHS Promotion Committee (held twice a year) and the Risk Management Committee (held four times a year).</p> <p>After the EHS Promotion Committee has conducted sufficient deliberation on environmental health and safety (EHS), particularly important issues are submitted to the Management Committee.</p> <p>The Risk Management Committee plays a central role in the risk management process, that identifies risks affecting the entire company, develops countermeasures, and submits them to the Board of Directors.</p>
		The role of Management in assessing and managing climate change-related risks and opportunities	<p>Vice Chairman of the Board is appointed as Chief Sustainability Officer (CSO). The CSO is a member of the Board of Directors and the Executive Committee, and chairs the EHS Promotion Committee and the Risk Management Committee.</p> <p>The CSO receives reports on decisions made by the Executive Committee regarding EHS policies, risks and opportunities, business strategies, targets, action plans, and progress. The CSO supervises EHS promotion operations and risk management systems.</p>
strategy	The fact and potential impact of climate-related risks and opportunities on business, strategy, and financial planning (when important information)	Short-, medium- and long-term climate-related risks and opportunities identified by the organization	<p>Risk: No significant climate-related risks are recognized, such as the high-risk sectors defined by the TCFD, which would require significant business transformation or investment in the long run.</p> <p>However, as common climate-related risks in the manufacturing industry, continuous risk analysis of climate disasters, water shortage risks, carbon tax on the value chain, etc. related to manufacturing bases and procured products is necessary, and countermeasures will be considered.</p> <p>Opportunity: Although business opportunities such as increase of specific diseases due to temperature rises are possible, items with great potential such as renewable energy and EV are not recognized at this time.</p> <p>However, it is expected that the number of drug-resistant bacteria that are ineffective against current antibiotics will increase due to the rise of average temperature, precipitation, and floods, therefore there are opportunities for new research and development that will increase.</p>

		Impact of climate-related risks and opportunities on business, strategy, and financial planning for organization	<p>There is also a study that the GHG emission intensity of the pharmaceutical sector (Scope 1/2) is about 55% higher than that of the automobile sector. Hence, an attention should be paid to the regulatory trends with the possibility that new regulations will be strengthened in the pharmaceutical industry in the future.</p> <p>On the other hand, build a manufacturing process that reduces environmental impact, and strengthening climate resilience throughout the supply chain have great potential as the opportunities that apply to the general manufacturing industry.</p>
		Resilience of the organization strategy, taking into account considerations under various climate-related scenarios, including WB 2°C scenarios	<p>A scenario analysis was conducted based on 2°C and 4°C scenarios as climate change scenarios for domestic main product manufacturing and distribution bases.</p> <p>As a result, compared with the current assumption (3.96 billion yen/year), the amount of sales decrease under flood risk increased by 37% in the 2°C scenario (5.41 billion yen/year) and in the 4°C scenario. It is estimated to increase by about 60% (6.33 billion yen/year).</p>
Risk management	Status of identification, evaluation and management of climate-related risks	Process for identifying and assessing climate-related risks	<p>The Chugai Group creates global and national risk maps that include climate change risk and uses them as a risk management tool.</p> <p>The Risk Management Committee, which is one of the advisory committees of the Management Council, identifies the risks that have a significant impact on management among the risks identified in the risk map as company-wide risks and selects the corresponding departments. For risk, an inherent risk score is calculated from the degree of impact (financial impact) and the probability of occurrence (frequency of occurrence).</p> <p>Measures that have already been taken, the existence of systems that can take measures, the views of experts, etc. will be scored. The priority will be determined by the residual risk subtracted from the inherent risk. Residual risk that has 3.67 or higher is judged to have a significant strategic impact, and countermeasures are considered with priority.</p> <p>The residual risk is classified into three levels, high (3.67 to 5.00), medium (2.34 to 3.66), and low (1.00 to 2.33), and is treated in the order of high, medium, and low.</p>
		The process of managing climate-related risks	<p>Departments working on risk measures report to the Risk Management Committee every three months.</p> <p>The Risk Management Committee evaluates the content of the report and reports it to the Management Committee.</p>
		How the processes for identifying, assessing and managing climate-related risks are integrated into an overall risk management of organization	<p>Climate-related risks are included in 11 major risk categories when creating risk maps.</p> <p>Risk categories are 1. Natural disasters, 2. Political, economic, social, 3. Business structure, 4. Shareholders, investors, 5. Value chains, 6. Management, 7. Humans, 8. Environment and safety, 9. Other Compliance, 10. GxP; and 11. Other. Climate-related risks are mainly identified by the Risk categories of 1,5, and 8.</p> <p>The process of identifying, assessing and managing climate-related risks is integrated into the overall risk management of the organization.</p>

Indicators and Targets	Indicators and targets to be used for assessing and managing climate-related risks and opportunities (when important information)	Indicators used by an organization to assess climate-related risks and opportunities in the context of its strategy and risk management process.	<p>The Chugai Group promotes environmental conservation activities from a medium- to long-term perspective, and in 2014 set the following four items as mid-term environmental goals with 2020 as the final year.</p> <p><Climate change measures></p> <p>Energy consumption per employee: 20% reduction from 2010</p> <p>Abolished Use of specified CFCs (CFC, HCFC)</p> <p>Average fuel consumption of commercial vehicles: 16 km/L or more</p> <p><Resource circulation></p> <p>Zero waste emissions (waste recycling rate of 99% or more): 3 sites</p> <p>In addition, to achieve the medium-term environmental goals, we set annual goals for each item, evaluate the results of those activities, and reflect them in the next fiscal year to continuously promote environmental and safety activities.</p>
		Greenhouse gas emissions and related risks (Scope 1, 2, 3)	<p>Scope 1, 2 and Scope 3 emissions were 48,089 tons, 61,226 tons and 5,587 tons, respectively.</p> <p>Scope 1 emissions calculate direct emissions from energy sources that include gasoline, light oil, heavy oil, city gas, and LPG.</p> <p>Scope 3 category 4 emissions are GHG emissions associated with transportation from distribution warehouses to wholesale warehouses in transportation and delivery (upstream), and category 5 emissions are GHG emissions associated with the disposal and treatment of industrial waste. 6 Emissions are calculated as GHG emissions associated with the use of aircraft during business trips.</p>
		Indicators used by the organization to manage climate-related risks and opportunities and performance against targets	<p>There is no direct target for greenhouse gases as a medium-term environmental goal, but since energy consumption and greenhouse gas emissions are correlated, we are promoting reduction of greenhouse gases through reduction of energy consumption.</p> <p>By 2020, the energy consumption per employee is reduced by 20% compared to 2010, while in 2019 it was reduced by 9.9% compared to 2010. In addition, the average fuel consumption of business vehicles was 19.6 km/L in 2019 against the target of 16 km/L or higher.</p> <p>The single-year targets for 2019 were 2.2% reduction and 2.6% reduction, respectively, against the target of reducing energy consumption and CO2 emissions by 2% or more compared to 2018.</p>

2. Climate Change Countermeasures (Support to external organizations)

Chugai participates in the “Commitment to a Low Carbon Society” set by the Federation of Pharmaceutical Manufacturers’ Association of Japan and contributes to this commitment through our activities in the Japan Pharmaceutical Manufacturers Association.

3. Evaluation of Water Risk

Since all manufacturing plants owned by the Chugai group are located in Japan, the risk of water supply is considered to be lower than other countries. However, we have evaluated floods caused by abnormal weather conditions and conducted countermeasures such as securing multiple procurement routes and dispersing storage of products.

4. Monitoring of Water Consumed and Wastewater

Since the risk of water supply is considered to be low, monitoring is only conducted for the volume of water consumption and drainage.

https://www.chugai-pharm.co.jp/english/csr/environment/pollution_control.html

5. Environmental Reporting – Coverage (DJSI 2.1.1)

Major business operation is implemented in Japan. Within domestic Chugai group, Chugai Pharmaceutical Co., Ltd., which operates full functions excluding manufacture, and Chugai Pharma Manufacturing Co., Ltd., which is responsible for manufacture, have the largest and substantial impacts in light of environmental aspects. In addition, performance data of CPR (Chugai Pharmabody Research Pte. Ltd.) was included from FY2018 and these of CPTT (Chugai Pharma Technology Taizhou Co. Ltd.) was included from FY2019. When the coverage of business operations is related to headcount including domestic and overseas (CPR and CPTT), business operations account for 94 percent of the whole (94% = {6,794 [domestic] + 133 [overseas = 86 (CPR) + 47 (CPTT)] } / 7,394 [whole] x 100)

Social

1. Identifying and Addressing Human Rights Risks

As stated in the Chugai Group Code of Conduct, “We will respect human rights in every aspect of our business activities.” Accordingly, we identify and address human rights risks by means of risk management in every division/organization of the Chugai Group. Furthermore, clinical trials and drug-discovery research utilizing human-derived samples and information are executed with the highest regard for human rights.

2. Respect for the Rights to Freedom of Association and Collective Bargaining

We will respect the human rights of all people, including the rights to freedom of association and collective bargaining.

3. Payment of Minimum Wages

We will follow labor laws and pay employees above minimum wages.

4. Bioethics in R&D

To ensure that research using human-derived test materials, including embryonic stem (ES) cells, induced pluripotent stem (iPS) cells and tissue stem cells, is carried out appropriately, Chugai has established “Ethical Guidelines for Research That Uses Human-Derived Test Material” and a “Research Ethics Committee.” More than half of the members of this committee are from outside the Company, enabling fair evaluations from a pluralistic frame of reference. Moreover, we strive to ensure that research is conducted with respect for human rights by offering guidance to our researchers on the necessary ethical knowledge and standards required when conducting research on human-derived test material, including the Declaration of Helsinki and protection of personal information.

Especially for the stem cells, Chugai has established Rules for the Usage of ES Cells, iPS Cells and Tissue Stem Cells. The purpose of the rules is to ensure that human stem cell research conducted by Chugai conforms to current laws and guidelines. Ethical aspects are covered by the afore mentioned “Ethical Guidelines for Research That Uses Human-Derived Test Material” and “Research Ethics Committee.”

For the discovery, pharmacokinetics and safety research to develop innovative pharmaceuticals, Chugai performs and contracts out research using stem cells. Chugai utilizes iPS cells and somatic stem cells (e.g. hematopoietic and mesenchymal stem cells) derived from “non-fetal” tissues. Fetal “cell lines” such as HEK293 and WI-38 are also used for the development of therapeutic proteins. In addition, Chugai participates in external studies that use human stem cells. These studies involve the use of iPS cells and somatic stem cells derived from “non-fetal” tissues. However, neither human embryonic stem cells nor human fetal tissues are used for the research being performed or contracted out by Chugai. Chugai does not offer any technologies or products specifically on stem cells that isolates or regulates its growth and proliferation.

5. Median/Mean Compensation of all Employees & CEO Compensation (DJSI 1.1.15)

<FY2019>

Total annual CEO compensation: 209,000,000 JPY
Employee compensation (except CEO): Median: 9,038,590 JPY Mean: 9,190,590 JPY
The ratio between the total annual CEO compensation and the mean or median employee compensation: Ratio (vs Median): 23.12308 Ratio (vs Mean): 22.74065

- Mean Employee Compensation (9,190,590 JPY) is calculated by dividing the total remuneration of "Chugai Pharmaceutical Co., Ltd and Chugai Pharma Manufacturing Co., Ltd." by the total number of employees of "Chugai Pharmaceutical Co., Ltd. (4,362 persons) and Chugai Pharma manufacturing Co., Ltd. (711 persons)."

6. Diversity (DJSI 3.2.1)

<FY2019>

Diversity Indicator	Diversity Indicator
Female share of total workforce (%)	33.3% (consolidated)
Females in all management positions, including junior, middle and senior management (as % of total management workforce)	18.1% (consolidated)

7. Equal Remuneration (DJSI 3.2.2)

<FY2019>

Employee Level	Ratio (= Average Female Salary / Average Male Salary)
Executive level (Base salary only)	0.7887
Management level (base salary only)	0.97237
Management level (base salary + other cash incentives)	0.96741
Non-management level	0.90744

8. Freedom of Association (DJSI 3.2.3)

<FY2019>

% of employees represented by an independent trade union	56.5%
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The above data is Chugai Pharmaceutical Co., Ltd. and Chugai Pharma Manufacturing Co., Ltd. base.

9. Human Rights

- Chugai Group respects and supports the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the ILO Declaration on Fundamental Principles and Rights at Work and other international norms. Moreover, it respects and protects the human rights of patients and test subjects in compliance with the Ethical Principles for Medical Research Involving Human Subjects (Declaration of Helsinki) in the research and development of pharmaceutical products.
- Furthermore, the Group hereby sets forth Chugai Group Human Rights Policy based on the UN Guiding Principles on Business and Human Rights (UNGPs) to promote activities for the respect of human rights. The policy is based on the Chugai Group Mission Statement and promises activities for the further respect of human rights.
- We also seek business partners such as medical professionals to understand and support this policy, and are promoting efforts to respect human rights.

10. Human Rights – Disclosure (DJSI 3.3.4)

<Process to identify and mitigate risks>

- We have the following key efforts to respect human rights in our business activities, including vulnerable groups such as patients, employees, suppliers and business partners.
 - 1) Prohibition of discrimination
 - 2) Prohibition of harassment
 - 3) Respect for basic rights at work
 - 4) Respect for individual privacy
 - 5) Respect for diversity

- We have established a risk management program designed to systematically identify, assess, mitigate, and properly manage risks in our business activities, and apply human rights violation risk to those programs.
- Currently, we are considering building a new human rights due diligence system that is specialized for the risk of human rights violations within the company.
- Regarding human rights violation risk of suppliers, we incorporate human rights violation risk into the Supplier Code of Conduct created based on PSCI principles, conduct supplier human rights violation risk assessment, and ask for implementation of corrective action plans for findings.
- Human rights policies and the identified risks of serious human rights violations are reviewed and evaluated by the Compliance Committee, which is an advisory body to the Executive Committee.
- We have internal and external consultation desk to receive reports from all our employees (including contract employees, temporary employees, part-time employees) regarding human rights issues such as harassment. In addition, we have assigned area counselors to each branch office, plant, and research laboratory to make it easier for consulters to access. When responding, while respecting the wills of the consulters, we conduct fair investigations with confidentiality and resolve problems.
- Based on our corporate culture that "cherishes ourselves and our people", we conduct human right training for all employees once or twice a year, aiming to realize a workplace where each person values his or her own thoughts, recognizes each other's

values so that they can fully exercise their abilities, and respects diversity. The attendance rate in 2019 was 100% (excluding employees who cannot take classes due to company-recognized reasons such as maternity leave and childcare leave)

- Chugai group continuously receives opinions and advice from human rights experts. In May-October 2019, Chugai participated in the Stakeholder engagement program sponsored by Caux Round Table Japan. We engaged in creation of human rights risk map of pharmaceutical industry using human rights guidance tool by United Nations Environment Programme Finance Initiative (UNEP FI), and our sustainability staffs conducted assessment of Chugai’s business based on the risk map.

<The result of supply chain risk evaluation for Human Rights in 2019>

The number of sites evaluated	13
The number of sites with mitigation plans	3

<Numbers of findings given after the supply chain risk evaluation for human rights in 2019 and the percentages of the remediation actions implemented by issue of human rights>

As a result of the supplier EHS/compliance risk evaluation in 2019, all findings found were below “major”, none were found to be “critical findings”, and no suppliers were classified as "sustainability high-risk".

Issues	Findings	Remediation actions*
Freely Chosen Labor	0	NA
Migrant Workers	0	NA
Child Labor and Young Workers	1	100%
Non-Discrimination and Fair Treatment	0	NA
Wages, Benefits, and Working Hours	0	NA
Freedom of Association	0	NA

* These remediation actions are in progress.

11. Trend of Employee Engagement (DJSI 3.5.4)

	Unit	FY2016	FY2017	FY2018*	FY2019
Employee Engagement Overall	% of actively engaged employees	83%	Not conducted	73%	Not conducted
Female		86%			
Male		74%			
Data Coverage	% of total employees	98.5%		97.3%	

<Survey Methodology>

- Before FY2017, the results shown in the tables are from the question "As a member of the Chugai group, I will strongly pursue the goal of becoming a "Top Pharmaceutical Company"". The results after FY2018 show the percentage of "Favorable" responses to engagement questions, which are "Clear & Promising Direction," "Confidence in Leaders," "Quality & Customer focus," "Respect & Recognition," "Development Opportunities" and "Pay & Benefits."
- 6 point scale: "Strongly Agree," "Agree," "Neither Agree nor Disagree," "Disagree," "Strongly Disagree" and "Don't know/Not applicable." Within these 6 point scales, 5-point response options are organized into 3 groups, "Favorable" (Strongly Agree, Agree) / "Neutral" (Neither Agree nor Disagree) / "Unfavorable" (Disagree, Strongly Disagree).

* Based on the measurement method until FY2017, the results remained quite high level, and room for improvement was detected in a limited way. In order to specify the issues to be solved and to achieve the higher target, we have fully revised the measurement method. Therefore, the decreased number from FY2018 is mainly due to the effect of survey method revision, and does not indicate actual decrease in employee engagement levels.

12. Corporate Citizenship/Philanthropic Contributions (DJSI 3.6.3)

Type of Contribution	Total amount (JPY) in 2019
Cash contributions	76,000,000
Time: employee volunteering during paid working hours	16,000,000
In-kind giving: product or services donations, projects/partnerships or similar	26,000,000
Management overheads	49,000,000

(Note) Total amounts are rounded to the nearest million JPY.

13. Health & Well-being (DJSI 3.7.1)

Paid maternity leave in excess of legally required minimum:

The period of maternity leave is defined as six weeks before the expected date of birth and eight weeks of the date after giving birth in the Japanese Labor Standards Act. Although all female labors have the rights of maternity leave, there is no obligation of paid maternity leave. Chugai group gives the paid maternity leave for all female employees and the payment is exactly same as regular salary.

Paid paternity leave in excess of legally required minimum:

Although there is no obligation of paid paternity leave in the Japanese Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, Chugai group gives the paid paternity leave to the male employees met the conditions for continuous 14 days. The conditions are working at the company over a year, living together with their child less than 14 months, and having a will of continuous working after the leave.

14. Lost-Time Injury Frequency Rate (LTIFR) – Contractors (DJSI 3.7.4)

LTIFR	Unit	FY2019
Contractors	n/million work h	1.47
Data coverage	% of Contractors	100

From 2019, LTIFR of contractors has been aggregated at plants and research laboratories with dangerous or harmful work.

15. Occupational Illness Frequency Rate (OIFR) - Employees (DJSI 3.7.5)

OIFR	Unit	FY2016	FY2017	FY2018	FY2019
Employees	n/million work h	0	0	0	0
Data coverage	% of employees	100	100	100	100

Governance

1. Board Effectiveness (DJSI 1.1.5), Average Tenure (DJSI 1.1.6)

- Directors and Audit & Supervisory Board Members

(As from the election on March 28, 2019 until annual general shareholders' meeting on March 30, 2020)

	Name	Position and Responsibility in the Company	Attendance at Meetings	Number of years served (As of March 30, 2020)
Executive Directors	Osamu Nagayama	Representative Director & Chairman	100% (9 out of 9)	35 years
	Motoo Ueno	Representative Director, Deputy Chairman	100% (9 out of 9)	19 years and 9 months
	Tatsuro Kosaka	Representative Director, President & CEO	100% (9 out of 9)	10 years
Non-Executive Directors	Dr. Yasuo Ikeda	Outside Director	100% (9 out of 9)	10 years
	Masayuki Oku	Outside Director	100% (9 out of 9)	5 years
	Yoichiro Ichimaru	Outside Director	100% (9 out of 9)	3 years
	Dr. Christoph Franz	Director	100% (9 out of 9)	3 years
	William N. Anderson	Director	100% (9 out of 9)	1 year
	Dr. James H. Sabry	Director	88.9% (8 out of 9)	1 year
Audit & Supervisory Board Members	Mamoru Togashi	Full-time Audit & Supervisory Board Member	100% (9 out of 9)	3 years
	Atsushi Sato	Full-time Audit & Supervisory Board Member	88.9% (8 out of 9)	1 year
	Hisashi Hara	Outside Audit & Supervisory Board Member	100% (9 out of 9)	8 years
	Takaaki Nimura	Outside Audit & Supervisory Board Member	100% (9 out of 9)	5 years
	Dr. Yuko Maeda	Outside Audit & Supervisory Board Member	100% (9 out of 9)	1 year
Average board meeting attendance			98.4%	
Average tenure of board members				7.5 years

- Minimum of Attendance

Minimum attendance for all members required for the Board Meeting is "over 50%," in accordance with the Corporation Law (Japanese Companies Act).

2. Clawback Provision in the Restricted Stocks Compensation Plan (DJSI 1.1.9)

If CEO falls under any of the following during the Transfer Restriction Period, then Company shall take back restricted shares provided as stock compensation without cost: (1) The Board decides that CEO has violated laws or regulations and/or Company's internal regulations; (2) The Board decides that release of restriction of the shares could cause serious damage to Company; (3) the Board decides that it is reasonable for Company to take back the shares, in whole or in part, without cost.

3. Management Ownership (DJSI 1.1.10)

<FY2019>

Position	Name	Multiple of base salary (Company shares held / Base salary)
CEO	Tatsuro Kosaka	6.6
Average for other executive committee members	Motoo Ueno, Dr. Osamu Okuda, Shinya Unno, Dr. Hisafumi Okabe, Toshiaki Itagaki	32.9

(Note) Share price at the end of 2019 (i.e. 10,080 JPY) was used for the calculation.

4. Dual Class Shares (DJSI 1.1.14)

<FY2019> Amount of shares per voting category

Voting rights per 1 share	Votes per share	Amount of shares	Voting Power (=votes per share x amount of share)
No vote (excluding preferred and treasury shares with no voting rights)	0	0	0
One Vote	1	5,473,503	5,473,503
Total	-	5,473,503	5,473,503

- Please note that a voting right is given to 100 shares, which is a Minimum Trading Unit. Since values in "Votes per share" column could not be modified, we have entered 1/100 value of the number of shares into "Amount of Shares" column.
- Out of the Company's total number of shares issued (i.e. 559,685,889 shares), voting right was not granted to treasury shares (i.e. 12,162,300 shares) and odd shares (173,289 shares). Therefore, the remaining number of shares carrying voting right was 547,350,300 shares. As shown in the table, under the one-share-one-vote principle as well as share unit number of 100, voting power is calculated as $547,350,300/100=5,473,503$ units.

5. Preventing Bribery and Corruption

Chugai recognizes bribery and corruption as important risk factors which may significantly impair trust in the company. Chugai is committed to prevention based on the "Chugai Group Code of Conduct" (Code of Conduct) and the "Chugai Ethical Purchasing Standards," in addition to the "Anti-Bribery Policy," which intends to ensure that Chugai Pharmaceutical Co., Ltd. and its domestic and overseas subsidiaries avoid any acts related to bribery and conduct their business in an appropriate manner.

6. Employee Training for Bribery and Corruption

Annual training to all employees is conducted in order to ensure that the Chugai Group Code of Conduct is put into practice at the individual level, and instill corporate ethics, including anti-bribery and anti-corruption awareness.

7. Global Anti-Bribery Policy (an excerpt) (DJSI 1.4.3)

1. Purpose

The Anti-Bribery Policy ("Policy") intends to ensure that Chugai Pharmaceutical Co., Ltd. and its domestic and overseas subsidiaries ("Chugai Group") avoid any acts related to bribery and conduct their business in an appropriate manner.

2. Basic Principles

(1) Compliance to Laws and Regulations

The directors, officers and employees of any company in the Chugai Group ("We") shall comply with laws and regulations, industry standards, internal rules and any other applicable rules related to prevention of bribery and corruption in all countries and regions where the Chugai Group conducts its business activities.

(2) Prohibition of Providing a Bribe

We will not bribe any parties directly or through third parties (e.g., agents, agencies, consultants, contractors), irrespective of whether the party is a government official, public servant, or corporate personnel etc., and irrespective of whether it is a corporation or an individual. Any act that may raise concern in society regarding a potential bribe provided by the Chugai Group is also prohibited.

(3) Prohibition of Accepting a Bribe

We will maintain good faith and a fair attitude towards suppliers, and will not request or accept a bribe from the clients, customers, business partners or any others by taking advantage of our respective position in the respective company. Any acts that may raise concern in society regarding the potential acceptance of a bribe by the

Chugai Group is also prohibited.

(4) Measures to Prevent Bribery

The Compliance Officer in each subsidiary of Chugai Pharmaceutical Co., Ltd. shall carry out the following preventive measures of bribery in cooperation with the Corporate Social Responsibility Department of Chugai Pharmaceutical Co., Ltd.:

- 1) Develop an "Anti-Bribery Guideline" based on the Policy, disseminate it to all employees of his/her own company, ensure implementation and adherence, and conduct periodic reviews
- 2) Implement monitoring related to bribery
- 3) Plan and implement education and training for anti-bribery
- 4) Provide an initial response to any event related to bribery, and develop measures to prevent reoccurrences
- 5) Respond appropriately to consultations or reports received through the internal hotline

Date of the latest revision: April 1, 2019

8. Reporting on breaches (DJSI 1.4.7)

<Consultation/whistle-blowing and response status regarding code of conduct>

Chugai group have a contact point (called CCC Hotline) where all employees (including contract employees and temporary employees) can consult regarding the Code of Conduct and whistle-blow violations or suspected violations of the Code of Conduct. Issues reported are investigated impartially and with strict confidentiality to find a solution while respecting the opinion of the person who made the report. Company rules prohibit retaliation or any other disadvantageous treatment of employees who seek consultation or make reports via the hotline.

The following is the domestic status of consultations/whistle-blowing and responses regarding Code of Conduct in 2019.

- No. of reports/consultations : 115
- Types of reports/consultations : power harassment, human rights, environment of work place, sexual harassment, internal policies and rules, others
- Status of response : Of the consultations and reports received, we properly investigate the cases that we find necessary to investigate, and respond appropriately to cases in which violations were found. As a result of the investigation, in 2019, three disciplinary actions were imposed.

9. Contributions and Other Spending (DJSI 1.4.3, 1.5.1)

	FY2016	FY2017	FY2018	FY2019
Lobbying, interest representation or similar	12,800,000 JPY	12,500,000 JPY	12,500,000 JPY	12,500,000 JPY
Local, regional or national political campaigns / organizations / candidates	12,600,000 JPY	12,800,000 JPY	15,900,000 JPY	13,400,000 JPY
Trade associations or tax-exempt groups	118,000,000 JPY	141,100,000 JPY	146,400,000 JPY	136,500,000 JPY
Other	0	0	0	0
Total contributions and other spending	143,400,000 JPY	166,400,000 JPY	174,800,000 JPY	162,400,000 JPY
Data coverage (as % of Revenues)	99%	98%	99%	99%

(Note) "Lobbying, interest representation or similar" includes tax exempt groups that make policy recommendations related to all industries.

The data includes Donations and Membership fees. Values are rounded to the nearest "0.1 million yen."

10. Supply Chain Management

Advances in technology, changing social structures, rising expectations and requests of pharmaceutical companies, and other trends will make the role of supply chains increasingly important. To maintain quality and stable supplies, Chugai will continue to focus on optimizing purchasing activities and building sound relationships with business partners. In addition, to solve social issues in cooperation with business partners, Chugai is working to improve its supply chain management by conducting comprehensive supplier assessments that include elements such as the natural environment, work environment and human rights.

11. Awareness – Critical suppliers (DJSI 1.6.2, 1.6.6)

"Critical Suppliers" reflects the suppliers that apply to one of the following criteria.

- Essential business to implement our mission*
 - * Mission: Dedicate ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world
- Possibility to cause major impacts in terms of ethics, human rights, labor, safety and environment
- Non-substitutable suppliers
- High-volume suppliers

- Produce and supply critical component
- Supply exclusively for Chugai, using Chugai know-how or processes
- As a pharmaceutical company, to fulfill our responsibility of stably delivering high-quality products and services to patients, we define manufacturing contractors as Critical Suppliers, and we focus on evaluating EHS and compliance risks during the mid-term business plan, IBI21 period.
- To achieve our mission, we depend upon information exchange with medical community as a whole, including researchers, physicians, nurses, and patients. Integrity is indispensable in this interaction. In terms of interactions with Healthcare Professionals / Patients Organizations / Wholesalers of Ethical Drugs, we promote highly ethical corporate activities in accordance with industry codes.
- The number of Critical Suppliers

Critical tier 1 Suppliers	35
Critical non tier 1 Suppliers	53

12. Risk Exposure (DJSI 1.6.3, 1.6.6)

(1) Risk Exposure - Supply chain risk identification process (DJSI 1.6.3, 1.6.6)

- We ask our all suppliers to adhere to Chugai Group Supplier Code of Conduct (SCC), which contains principles on Human Rights, including ethics, labor, safety & health, environment, and management systems in line with principles of PSCI.
- We conduct due diligence by PSCI Self-Assessment Questionnaire for a supplier with potential EHS / compliance risk and the difficulty of selecting alternatives based on Guideline for EHS/Compliance Risk Evaluation of Suppliers.
- For critical suppliers, we conduct suppliers PSCI audits in order to support our suppliers and foster the mutual relationship, and advance supplier performance over time.
- Departments engaging with a supplier shall re-evaluate the EHS and compliance risk of suppliers at minimum once every three years.

(2) The result of supplier EHS/compliance risk evaluation (DJSI 1.6.3, 1.6.6)

	2019
Number of suppliers which have agreed with SCC*	45**
Number of suppliers evaluated for EHS/Compliance risks	13
Number of Suppliers discontinued based on audit results	0

* SCC : Chugai Group Supplier Code of Conduct

** : We have 6 new business partners in 2019, and all of them agreed with SCC.

13. Risk Management Measures (DJSI 1.6.4, 1.6.6)

Numbers of findings given after the supplier EHS/compliance risk evaluation and the percentages of the corrective actions implemented by assessment issues

- As a result of the supplier EHS/compliance risk evaluation in 2019, all findings found were below "major", none were found to be "critical findings", and no suppliers were classified as "sustainability high-risk".
- We re-evaluate the EHS and compliance risk of suppliers at minimum once every three years basically.

Assessment Issues	Findings	Corrective actions
Ethics	–	100%*
Human Rights and Labor	8	100%*
Safety and Health	38	100%*
Environment	12	100%*
Management System	7	100%*

* These corrective actions are in progress.

14. ESG Integration in SCM Strategy (DJSI 1.6.5, 1.6.6)

<Purchasing Policy>

The Chugai Group Purchasing Policy is intended to optimize purchasing activity while building fair and transparent relationships with business partners and strengthen cooperation with them.

- 1) Comply with social norms and the others as well as laws and regulations of each country to engage in fair purchasing activities.
- 2) Build fair and equitable business relationships with domestic and overseas business partners.
- 3) Consider the global environment by advancing a green procurement with the cooperation of business partners.
- 4) Seek high-quality products and services with the cooperation of business partners.

- 5) Advance lower costs by procurement at a fair price.
- 6) Fulfill faithfully obligations under the contracts with business partners, establish equally cooperative relationships and aim for mutual growth.
- 7) Protect confidential information learned through business transactions and establish relationships of mutual trust with business partners.
- 8) Assess and determine objectively and comprehensively from the perspective of their quality, price, delivery timing, associated information, stable supply and consideration towards social responsibility and the others in selecting suppliers.

<General supply chain strategy>

Reliably delivering products to patients is one of Chugai's most important missions. In order to achieve our mission, we mainly focus on five categories in supply chain strategies; Quality, stable supply, delivering timing, cost, and incidental information including intellectual properties (IP) based on Purchasing Policy.

- 1) Quality: We maintain and enhance our world-class level of quality, a key factor in the value of our products and services.
- 2) Stable supply: Using the lessons from the Great East Japan Earthquake, we maintain and enhance the stable supply of our products and services.
- 3) Delivering timing: We maintain and enhance the delivering timing to deliver our products and services to patients timely when they need them.
- 4) Cost: We advance lower costs by procurement at fair price in order to focus our resource on developing innovative products and services.
- 5) Incidental information (Financial, Contract, Intellectual property, Security): We pursue innovative values that have the potential to result in a competitive advantage by procurement.

<Sustainable supply chain strategy>

Cooperation with suppliers is becoming imperative for companies in their efforts to solve social issues such as increasing poverty and inequality, environmental problems, and deteriorating labor conditions.

In this context, Chugai reexamined how it should cooperate with suppliers to respond to the changes and needs of society, and is working to build a system for comprehensive assessment of suppliers.

We joined the PSCI (Pharmaceutical Supply Chain Initiative) in 2018 and enacted Supplier Code of Conduct that we request our suppliers to comply with. In addition, we formulated a guideline to evaluate suppliers in terms of ethics, labor, safety and health, and management systems in 2020.

We have added the categories of environment, health and safety (EHS) and compliance (including corporate ethics and human rights) to our assessment criteria for suppliers in addition to the five categories that we previously assessed – financial condition, supply, quality, contracts, and intellectual property and security – to establish a more comprehensive assessment system.

<Integration of ESG objectives in supply chain strategy>

We set supply chain management as a priority issue in “Strengthen Sustainable Platforms”, one of the five strategies of our mid-term business plan IBI21. We aim to contribute to the resolution of social issues through our business in cooperation with suppliers. We get the agreement to follow the Chugai Supplier Code of Conduct (“SCC”) from all suppliers as minimum quantitative/qualitative threshold required before we can do business with them.

The Key ESG Objectives of our supply chain management in IBI 21 is as follows:

	Description of ESG objective	Link to overall supply chain strategy
Key ESG Objectives 1	To conduct comprehensive supplier evaluation that incorporate new criteria of “EHS (Environment, Health and Safety)” and “Compliance” that covers corporate ethics and human rights, in addition to our five conventional viewpoints of Financial condition, Supply, Quality, Contracts, and Intellectual Properties and Security.	<ul style="list-style-type: none"> - Chugai's supply chain strategy is to continuously provide pharmaceutical products to patients. - We can not only achieve a stable supply of pharmaceutical products, but also reduce our reputation risk by requiring suppliers to formulate corrective action plans and strengthen their sustainability platforms according to the Guideline for EHS/Compliance Risk Evaluation of Suppliers in addition to risk assessment of them. - We can reduce the cost of a supplier's emergency response and lead to the creation of innovative pharmaceutical products by reducing supplier sustainability risks in advance. - We can not only reduce business

		operation risks of suppliers, but also contribute to the sustainable development of society, which forms platforms of corporate activities, by reducing supplier sustainability risks in advance.
Key ESG Objectives 2	To acquire consent from suppliers to SCC that stipulates the code of conduct that we request our suppliers to comply with regarding ethics, labor, safety, and environmental efforts in order to promote sustainable corporate activities. To obtain consent form from suppliers stipulated in "EHS/Compliance Risk Assessment Guidelines for Suppliers" (including existing suppliers) by 2021.	- Chugai's supply chain strategy is to continuously provide pharmaceutical products to patients. - We can reduce our reputation risk in addition to achieving a stable supply of pharmaceutical products by obtaining agreement to our supplier code of conduct. - We can not only reduce business operation risks of suppliers, but also contribute to the sustainable development of society, which forms platforms of corporate activities, by reducing supplier sustainability risks in advance.

15. Transparency & Reporting (DJSI 1.6.6)

(1) Supply chain spend analysis

Regarding manufacturing contractors that we need to focus on EHS/compliance performance, during IBI21 period, we conducted geographical risk analysis based on the payment amount from our company. We request manufacturing contractors, one of our most important business partners, to understand and comply with Chugai Group Supplier Code of Conduct.

Ratio of raw material costs and manufacturing consignment costs by region

Region	%
APAC (except for Japan)	4%
EU	20%
JP	61%
US	14%
Total	100%

* Items excluded from the above calculation

- Raw materials, APIs, and formulations from Roche Group (Roche, Genentech)
- Items other than raw materials, materials, containers and packaging materials used for direct manufacturing (Example of excluded items; Reagents, instruments, consumables used in laboratories, office supplies)

(2) KPI and Targets in supply chain management strategy

			2019
KPI 1	KPI: Percentage of new Critical Suppliers risk assessed in addition to existing Contract Manufacturing Organizations (CMOs)	Target: 100% Target year: 2021	new Critical Suppliers: 100%* CMOs: 12.5%
KPI 2	KPI: Percentage of new Critical Suppliers that sign a declaration on complying with Chugai Group Supplier Code of Conduct in addition to existing Contract Manufacturing Organizations (CMOs)	Target: 100% Target year: 2021	new Critical Suppliers: 100%* CMOs: 2.5%
KPI 3	KPI: Percentage of Critical Suppliers with potential EHS risk (in particular chemical and pharmaceutical production) audited	Target: 100% Target year: 2021	new Critical Suppliers: 100%* CMOs: 7.5%

* Since the enforcement of the Guideline for EHS and Compliance Risk Evaluation of Suppliers, for ALL newly trading critical suppliers, we have conducted risk assessment and obtained SCC consent, and we have conducted audits on all Critical Suppliers with potential EHS risk.

16. Information Security/Cybersecurity Governance (DJSI 1.8.1)

<Board Responsibility>

- Board member who oversees the cybersecurity strategy: Mr. Motoo Ueno
- Relevant experience:
 - (a) Chugai's Risk Management Committee chaired by a representative director, Motoo Ueno, monitors risk management in each division including information security /cybersecurity risks with a Company-wide perspective, evaluates reports from the Division Risk Management Committees, and submits reports to the Executive Committee as necessary.
 - (b) Motoo Ueno is in charge of Audit department as an Executive Director. The Audit department conducts internal audits of the status of business execution of the Chugai Group including "Information system audit."
- Previously held positions (An excerpt): 1984 Joined the Company; 1991 General Manager of London Representative Office; 1994 General Manager of Medical Information Div.; 1995 General Manager of Clinical Research & Development Division; 1996 Deputy General Manager of Research and Development Division; 2006 President of Chugai Pharma Manufacturing Co., Ltd.; 2012 Deputy Chairman (to present).

- Board member's membership in the committee which oversees cyber security strategy:
Risk Management Committee
 - Chugai has established the Risk Management Policy and Risk Management Regulations, and set up a Risk Management Committee chaired by a representative director, Motoo Ueno, as a corporate management committee, as well as Division Risk Management Committees in each division and at subsidiaries in Japan and overseas.
 - The Risk Management Committee monitors risk management in each division including information security /cybersecurity risks with a Company-wide perspective, evaluates reports from the Division Risk Management Committees, and submits reports to the Executive Committee as necessary. It also identifies Group-wide risk issues that may have a material impact on management, taking into consideration the status of response by the relevant divisions and trends in the industry and external environment, and submits progress reports on Company-wide measures to the Executive Committee.

Chugai Group Supplier Code of Conduct

Preface

The mission of the Chugai Group is “dedicating ourselves to adding value by creating and delivering innovative products and services for the medical community and human health around the world.”

With our mission, the Chugai Group continually endeavors to provide high-quality products and services that prove to be efficacious and safe, and faithfully engages in business activities in an eco-friendly manner with a strong sense of ethics.

As various social and environmental issues have exacerbated in recent years amid the globalization of corporate activities, companies are required not only to comply with relevant laws and regulations but also to resolve issues in a positive manner in order to achieve a sustainable society.

With regard to the contribution to the achievement of a sustainable society, it is essential to adopt an approach that involves Chugai’s entire supply chain, including suppliers, as its important partners.

Chugai Group Code of Conduct for Suppliers stipulates items that suppliers are required to respect and comply with when they conduct business with the Chugai Group. Based on Pharmaceutical Industry Principles for Responsible Supply Chain Management (PSCI Principles)* established by Pharmaceutical Supply Chain Initiative (PSCI), a non-profit organization consisting of global pharmaceutical companies, it stipulates matters that suppliers are required to comply with in terms of ethics, labor, health and safety, environment, and the related management system.

The Chugai Group is committed to complying with the PSCI Principles. We greatly appreciate suppliers understanding and complying with the following purpose and content of Chugai Group Supplier Code of Conduct.

Body

Ethics

Suppliers shall conduct their business in an ethical manner and act with integrity. The ethics elements include:

1. Business Integrity and Fair Competition

All corruption, extortion and embezzlement are prohibited. Suppliers shall not pay or accept bribes or participate in other illegal inducements in business or government relationships. Suppliers shall conduct their business consistent with fair and vigorous competition and in compliance with all applicable anti-trust laws. Suppliers shall employ fair business practices including accurate and truthful advertising.

2. Identification of Concerns

All workers should be encouraged to report concerns or illegal activities in the workplace without threat of reprisal, intimidation or harassment. Suppliers shall investigate and take corrective action if needed.

3. Animal Welfare

Animals shall be treated humanely with pain and stress minimized. Animal testing should be performed after consideration to replace animals, to reduce the numbers of animals used, or to refine procedures to minimize distress. Alternatives should be used wherever these are scientifically valid and acceptable to regulators.

4. Privacy

Suppliers shall safeguard and make only proper use of confidential information to ensure that company, worker, and patient privacy rights are protected.

Labor

Suppliers shall be committed to uphold the human rights of workers and to treat them with dignity and respect. The Labor elements include:

1. Freely Chosen Employment

Suppliers shall not use forced, bonded or indentured labor or involuntary prison labor.

2. Child Labor and Young Workers

Suppliers shall not use child labor. The employment of young workers below the age of 18 shall only occur in non hazardous work and when young workers are above a country's legal age for employment or the age established for completing compulsory education.

3. Non-Discrimination

Suppliers shall provide a workplace free of harassment and discrimination. Discrimination for reasons such as race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned.

4. Fair Treatment

Suppliers shall provide a workplace free of harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers and no threat of any such treatment.

5. Wages, Benefits and Working Hours

Suppliers shall pay workers according to applicable wage laws, including minimum wages, overtime hours and mandated benefits.

Suppliers shall communicate with the worker the basis on which they are being compensated in a timely manner. Suppliers are also expected to communicate with the worker whether overtime is required and the wages to be paid for such overtime.

6. Freedom of Association

Open communication and direct engagement with workers to resolve workplace and compensation issues is encouraged.

Suppliers shall respect the rights of workers, as set forth in local laws, to associate freely, join or not join labor unions, seek representation and join workers' councils. Workers

shall be able to communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment.

Health and Safety

Suppliers shall provide a safe and healthy working environment, including for any company provided living quarters. The Health and Safety elements include:

1. Worker Protection

Suppliers shall protect workers from over exposure to chemical, biological, physical hazards and physically demanding tasks in the work place and in any company provided living quarters.

2. Process Safety

Suppliers shall have programs in place to prevent or mitigate catastrophic releases of chemicals.

3. Emergency Preparedness and Response

Suppliers shall identify and assess emergency situations in the workplace and any company provided living quarters, and to minimize their impact by implementing emergency plans and response procedures.

4. Hazard Information

Safety information relating to hazardous materials - including pharmaceutical compounds and pharmaceutical intermediate materials - shall be available to educate, train, and protect workers from hazards.

Environment

Suppliers shall operate in an environmentally responsible and efficient manner to minimize adverse impacts on the environment including climate change. Suppliers are encouraged to conserve natural resources, to avoid the use of hazardous materials where possible and to engage in activities that reuse and recycle. The environmental elements include:

1. Environmental Authorizations

Suppliers shall comply with all applicable environmental regulations. All required environmental permits, licenses, information registrations and restrictions shall be obtained and their operational and reporting requirements followed.

2. Waste and Emissions

Suppliers shall have systems in place to ensure the safe handling, movement, storage, recycling, reuse, or management of waste, air emissions and wastewater discharges. Any waste, wastewater or emissions with the potential to adversely impact human or environmental health shall be appropriately managed, controlled and treated prior to release into the environment.

3. Spills and Releases

Suppliers shall have systems in place to prevent and mitigate accidental spills and releases to the environment.

Management Systems

Suppliers shall use management systems to facilitate continual improvement and compliance with the expectations of these principles. The management system elements include:

1. Commitment and Accountability

Suppliers shall demonstrate commitment to the concepts described in this document by allocating appropriate resources.

2. Legal and Customer Requirements

Suppliers shall identify and comply with applicable laws, regulations, standards and relevant customer requirements.

3. Risk Management

Suppliers shall have mechanisms to determine and manage risks in all areas addressed by this document.

4. Documentation

Suppliers shall maintain documentation necessary to demonstrate conformance with these expectations and compliance with applicable regulations.

5. Training and Competency

Suppliers shall have a training program that achieves an appropriate level of knowledge, skills and abilities in management and workers to address these expectations.

6. Continual Improvement

Suppliers are expected to continually improve by setting performance objectives, executing implementation plans and taking necessary corrective actions for deficiencies identified by internal or external assessments, inspections, and management reviews.

Note:

* Pharmaceutical Industry Principles for Responsible Supply Chain Management (PSCI Principles; <https://pscinitiative.org/resource?resource=1>)

This document outlines the Pharmaceutical Industry Principles for Responsible Supply Chain Management (the “Principles”) for ethics, labor, health and safety, environment and related management systems. The Principles may be voluntarily supported by any business in the pharmaceutical industry.

Companies supporting the Principles:

- will integrate and apply these Principles in a manner consistent with their own supplier programs.
- believe that society and business are best served by responsible business behaviors and practices. Fundamental to this belief is the understanding that a business must, at a minimum, operate in full compliance with all applicable laws, rules and regulations.
- are aware of differences in culture and the challenges associated with interpreting and applying these Principles globally. While companies supporting the Principles believe that what is expected is universal, it is understood that the methods for meeting these expectations may be different and must be consistent with the laws, values and cultural expectations of the different societies of the world.
- believe the Principles are best implemented through a continual improvement approach that advances supplier performance over time.

Established on June 7, 2019

Chugai Group's Approach to Tax

In accordance with Chugai Group Code of Conduct, item 3 "Acting with integrity", Chugai Group complies with tax regulations in each country and follows, as a member of the Roche Group, the Roche Group Tax Policy.

1. Alignment of operational and Tax Structures

Chugai Group's structures and transactions are documented in the Group's business processes which are based on economic substance and on the principle that taxes should be paid where economic value is generated. Chugai Group does not engage in artificial arrangements involving tax havens or secrecy jurisdictions. Chugai Group's structures are aligned with the business purpose and are not set up with the sole intention of avoiding taxes, such as transferring value created to low tax jurisdictions. This approach is in line with the goals of the OECD/G20 Base Erosion and Profit Shifting project.

2. Governance

Following Chugai Group's Finance and Accounting policy, the Group Finance is committed to complying with the local tax laws in the various countries where the Group operates. In complying with these laws, the Group also considers the spirit these laws are intended for. As a parent company of Chugai Group, Finance & Accounting Department in Chugai Pharmaceutical Co., Ltd is engaging in the Group's overall tax issue handling and risk management. The Head of Finance & Accounting Department is reporting those to the CFO.

Furthermore, application for advance pricing agreements with F. Hoffmann-La Roche Ltd, is considered in order to appropriately reduce tax risk.

3. Transfer Pricing - In line with OECD Guidelines

One of the basic principles for sustainable tax management is that taxes should be paid where economic value is generated. This is in line with the "OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations", first issued in 1995. In order to prevent or at least reduce the probability of double taxation, Chugai Group, as a member of Roche group, applies the OECD transfer pricing guidelines as an overarching

guiding principle.

Tax authorities primarily apply local, country specific, law. Cross-border transactions and related party product prices (so-called transfer prices) may be accepted by one country but not by the other. As a consequence, additional taxable income may be imposed on one party. If the tax authority of the other country does not adjust such income correspondingly, income adjustment leads to double taxation. Chugai Group minimizes potential taxation conflicts by applying arm's length basis transfer prices in line with the economic substance of the transaction. Transfer prices take into account functions performed, assets used and risks assumed as well as documentation of the arm's length nature of the prices. Arm's length prices are prices an independent party would pay to a non-related company under similar circumstances. Transfer pricing decisions are taken in a balanced manner considering the basic principle for sustainable tax management that taxes should be paid where economic value is generated.

4. Intellectual Property

The intellectual property related to our products is the key profit driver in Chugai Group and such profits belong to the respective owner. The owner is the company taking the entrepreneurial risk of investing in the intellectual property. The main entrepreneur and intellectual property owner in Chugai Group is the parent company, Chugai Pharmaceutical Co., Ltd.

5. Dispute Resolution

As described in the code of conduct, taxation conflicts may arise between different national tax authorities defending their national interests with the result that two authorities try to tax the same profit. Chugai Group reduces the probability of such conflicts and taxation risks by balanced pricing decisions for cross-border transactions. Such decisions are documented, in many cases by economic studies confirming the pricing and thus minimizing the exposure of reassessments by tax authorities. In the event of disputes, Chugai Group collaborates with the respective authorities in a positive spirit to find balanced solutions in accordance with the applicable laws.

6. Transparency – Country-by-Country Reporting (BEPS Action Point 13)

As a new minimum standard, the OECD/G20 requires countries to request multinational enterprises to prepare and file a Country-by-Country Report containing aggregate tax information per country relating to the global allocation of the income, the taxed paid, and certain other indicators. The OECD/G20 emphasizes that such new reporting will be helpful for high-level transfer pricing risk assessment purposes by tax administrations.

For Chugai Group, the Country-by-Country Report is filed with the Swiss Tax Administration by F. Hoffmann-La Roche Ltd for Roche Holding Ltd, the ultimate parent company of the Roche Group. The Swiss Tax Administration shares the reports under tax secrecy with other participating countries where Roche Group companies including Chugai Group companies operate. Chugai Group has established all the necessary processes and requests additional information from its affiliates to fulfill the Country-by-Country Reporting requirements and shares it with F. Hoffmann-La Roche Ltd.

Established on July 20, 2020