


# **Supplementary Materials for ESG Related Information**

**(February 20, 2025)**

Innovation all for the patients



**CHUGAI PHARMACEUTICAL CO., LTD.**

 A member of the Roche group

## Environment

### 1. Climate Change Countermeasures (Support to external organizations)

Chugai participates in “the Carbon Neutral Action Plan for 2050” set by the Federation of Pharmaceutical Manufacturers’ Association of Japan and contributes to this commitment through our activities in the Japan Pharmaceutical Manufacturers Association.

### 2. 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.

### 3. 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](https://www.chugai-pharm.co.jp/english/csr/environment/pollution_control.html)

### 4. Environmental Reporting – Coverage

Coverage of environmental reporting is 100% from FY2023. The changes in the group companies included in the report are as follows: 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. Other Overseas Group Companies, which are CPE (Chugai Pharma Europe Ltd.), CPUK (Chugai Pharma U.K. Ltd.), CPF (Chugai Pharma France SAS), CPEL (Chugai Pharma Europe Logistics S.A.S.), CPG (Chugai Pharma Germany GmbH), CPUSA (Chugai Pharma USA Inc.), CPCC (Chugai Pharma China Co., Ltd.), and CPT (Chugai Pharma Taiwan Ltd.), were included from FY2023.

### 5. Environmental Violations (DJSI 2.1.4)

	FY2020	FY2021	FY2022	FY2023
Number of significant* violations of legal obligations/ regulations	0	0	0	0
Amount of fines/ penalties related to the above. Currency: USD	0	0	0	0
Environmental liability accrued at year end. Currency: USD	0	0	0	0

\*By "significant" fines or penalties, we mean the fine/penalty individually costs more than \$10,000 USD (or equivalent when converted from local currency).

## 6. Waste Management Programs (DJSI 2.3.1)

### < Quantified targets to minimize waste >

The Chugai Group regards global environmental preservation as an important foundation that underpins all of its business activities, and has set challenging mid-term environmental goals 2030, based on the global environmental consensus, for the three issues identified as material: climate change countermeasures, use of renewable/recycled resources, and protection of biodiversity, and is actively addressing them. KPIs for Quantified targets to minimize waste are Industrial waste reduction and Plastic waste reduction.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/action.html>

### <Investment in innovation or R&D to minimize waste>

As part of investment in innovation to minimize waste, we disclose initiatives to introduce eco-friendly plastics for packaging materials.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/resource/package.html>

### <Waste reduction training provided to employee>

We disclose that we are working on education and training to train Associate Auditors who play a central role in environmental conservation activities.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/communication.html>

### <Waste diversion from landfill is certified by an independent accredited body>

We do not receive certification from any external organization for our waste diversion from landfill, but the waste recycling ratio, which is the basis for assessment, is 99.1%, and is at a level sufficient to achieve certification. In addition, the amount of waste generated and the amount of recycling, which form the basis of the values, are subjected to third-party assurance. For this reason, we have judged that there is an effort equivalent to the option "Waste diversion from landfill is certified by an independent accredited body," and therefore we tick the applicable option.

<https://www.chugai-pharm.co.jp/english/sustainability/data/policy.html>

## 7. Environmental Policy, Energy Management Programs (DJSI 2.1.1, 2.2.1)

### < EHS Promoting Activities System >

The Chugai Group has established an integrated management system for environmental protection, health and safety, and has promoted EHS activities effectively. Effectiveness is enhanced through the PDCA cycle of identifying risks and opportunities, prioritizing, and formulating, implementing and evaluating action plans under the EHS Promoting Activities System led by the Board of Directors.

### <Oversight System by Board of Directors for Environmental Risks and Opportunities>

We have introduced a Corporate Officer System to accelerate business execution and clarify executive responsibilities, separating the decision-making function for the most important

management matters from the business execution function. The organization responsible for the former is the Board of Directors. The latter is made by Executive Officers, to whom the Board of Directors has delegated authority to execute business operations. Decisions concerning business operations other than the most important business matters determined by the Board of Directors are made by the Executive Committee. The Board of Directors therefore has the function to make decisions on the most important management matters, including environmental issues. It receives periodic reports on the status of business execution on a quarterly basis and reports on important decisions made at management meetings and oversees business execution. The Executive Committee makes important decisions regarding company-wide management strategies and business operations related to sustainability, including environmental issues. In this system, all members of the Executive Committee are involved in and committed to executive responsibilities. Formulating strategies for more specific and specialized matters and supervising their promotion are undertaken by Corporate Management Committees, such as the EHS Committee (held twice a year) and the Risk Management Committee (held four times a year), as subordinate organizations of the Executive Committee. Issues related to the promotion of EHS (Environment, Health and Safety) are discussed by the EHS Committee on Environment, Health and Safety (EHS). The EHS Committee then presents these issues to the Executive Committee and reports to the Board of Directors. In regard to the management of EHS risks, the Risk Management Committee identifies risks that affect the entire company, including EHS, and devises measures and submits these to the Executive Committee and the Board of Directors. This Promotion framework was as of December 2023.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/system.html>

#### <Climate change Countermeasures>

The Chugai Group will create and promote new environmental measures in collaboration with business partners and academia to reduce greenhouse gas emissions and achieve more efficient energy use, with challenging goals based on international agreements and so forth.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/climate/index.html>

More detailed examples of climate change countermeasures are described in the following websites: Eco-Conservation at Chugai Life Science Park Yokohama

<https://www.chugai-pharm.co.jp/english/sustainability/environment/climate/lsp.html>

#### <Evaluation of progress in reducing energy consumption>

The EHS Committee discussed the introduction of an off-site PPA to achieve a stable supply of sustainable energy and address the increased costs associated with the electrification of fossil fuel facilities, and the introduction of a new heat pump using natural refrigerants as an energy efficiency improvement measure. These power plans and new equipment

proposals were approved by the Executive Committee and reported to the Board of Directors.

<Energy efficiency training provided to employees>

As part of cooperation and practice in energy conservation measures, we implemented the Cool Biz and Warm Biz, company-wide energy conservation measures by seasonal room temperature management. When the announcement of the Cool Biz and Warm Biz are released for all employees, Primary power-saving measures inside and outside the office are also announced for notice and education about energy saving.

## 8. Water Efficiency Management Programs (DJSI 2.4.1)

<Actions to reduce water consumption>

Below are screenshots of the CDP website pages regarding reduction of water consumption where responses for CDP2023 W1.2b can be found.

### W1.2b

(W1.2b) Please provide information on the total volume of water withdrawn, discharged and consumed across your operations, compared to the previous reported year and any expected changes.

	Volume (megaliters/year)	Comparison with previous reporting year	Main reasons for change/no change from previous reporting year	Five- year forecast	Main Basis for Future Forecasts	please explain
Total consumption	373	Significantly more	Other, please give specific answer. (This increase in water consumption is mainly due to a defect of the effluent flowmeter at the Fujieda plant.)	few	Other, please give specific answer (Fixing the defect of the effluent flowmeter at Fujieda plant and reduction activities to achieve the Mid- term Environmental Goals 2030)	Total consumption, 373 ML in 2022 was calculated by subtracting total discharge from total withdrawal (Total withdrawal = Total dis- charge + Total consump- tion). The increased 127 ML is 52% of the increase rate from the last year (246 ML) is assigned 'Much higher' (within 10%; About the same, greater/less than 10% and within 20%; Higher/Lower, greater/less than 20%; Much higher/lower). This increase in water con- sumption is mainly due to a defect of the effluent flowmeter at Fujieda Plant. In 2022, the amount of wa- ter discharge was underes- timated due to a defect in the effluent flowmeter at Fujieda Plant. Therefore, the amount of consumption, which is the difference be- tween the amount of water withdrawn and the amount of water discharge, became large. Future: Since this defect will be removed in 2023, the amount of water discharge is expected to increase, and the amount of consumption is expected to decrease. In addition, we will work on re- ducing water withdrawal to achieve the Mid-term Environmental Goals 2030 and one of the plans is to reduce the well water at the Fujieda Plant, which ac- counted for 32% (553 t) of the 2022 results.

<Actions to improve wastewater quality>

Below are screenshots of the CDP website pages regarding improvement of wastewater quality where responses for CDP2023 W8.1b can be found.

## W8.1b

**(W8.1b) Provide details of your water-related targets and the progress made.**

**Target reference number**

Target 1

**Category of target**

Water pollution

**Target coverage**

Company-wide (direct operations only)

**Quantitative metric**

Other, please specify

Increase in the number of sites where WET (total wastewater toxicity) tests are conducted at all domestic plants and research laboratories at least once a year

**Year target was set**

2015

**Base year**

2013

**Base year figure**

2

**Target year**

2030

**Target year figure**

5

**Reporting year figure**

6

**% of target achieved relative to base year**

133.3333333333

**Target status in reporting year**

Underway

**Please explain**

Even if each chemical substance is below the reference value, it cannot be ruled out that it may aggregate with other substances at the discharge destination and become a hazardous substance or be affected by unknown substances that are not subject to regulations. Therefore, the WET (Total Wastewater Toxicity) test was introduced to evaluate the aggregate toxicity of aqueous samples in wastewater in 2013. In 2013, the research was conducted at 2 facilities, Fujieda Plant and Gotemba Research Laboratory. We decided to perform the WET test in all plants and laboratories in Japan in 2014. This goal has been achieved since 2015 and will continue.

<Awareness training provided to employees on water efficiency management programs>

We disclose that we are working on education and training to train Associate Auditors who play a central role in environmental conservation activities.

<https://www.chugai-pharm.co.jp/english/sustainability/environment/communication.html>

## Social

### 1. Human Rights (DJSI 3.2.1)

- 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. - Specifically, the Group respects/prevents labor rights including human trafficking, forced labor, child labor, freedom of association, the right to collective bargaining, equal remuneration, and discrimination, etc. among stakeholders involved in our business activities and throughout the supply chain. 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 and suppliers to understand and support this policy, and are promoting efforts to respect human rights. Business partners include healthcare professionals, patient organizations, agents and other intermediaries, and consortia partners, governments, customers, NGO/NPO, and local communities.
- 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, power harassment, sexual harassment, discrimination, work environment, internal regulations. 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. In 2023, the topic for training was "Creating a Harassment-Free Workplace", the attendance rate was 100% (excluding employees who cannot take classes due to company-recognized reasons such as maternity leave and childcare leave)

## 1) Identifying and Addressing Human Rights Risks (DJSI 3.2.2)

- 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.
- 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.
- Furthermore, clinical trials and drug-discovery research utilizing human-derived samples and information are executed with the highest regard for human rights.

### 1)-1 Prohibition of discrimination

We will respect individual dignity and human rights both inside and outside the Company, and will not tolerate any discrimination based on race, ethnic background, gender, sexual orientation, gender identity, age, nationality, national origin, religion, beliefs or ideas, education, disability, illness, social status, family status or birth status.

### 1)-2 Prohibition of harassment

Sexual harassment, abuse of authority, bullying or any form of harassment not only harms an individual's personality and dignity, but also constitutes an infringement upon the right to work in a comfortable work environment and prevents a person from demonstrating his/her ability fully. We will never tolerate such actions.

### 1)-3 Respect for basic rights at work

#### a. Prohibition of Forced Labor and Child Labor

We respect international norms relating to human rights, including prohibition of forced labor and child labor, and comply with labor-related laws and regulations of each country to maintain proper labor standards.

#### b. Respect for the Rights of Freedom of Association and Collective Bargaining

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

### Freedom of Association (DJSI 3.1.5)

<FY2023>

% of employees represented by an independent trade union      60.0%

The above data is Chugai Pharmaceutical Co., Ltd. and its domestic affiliated companies base. Chugai group companies have signed collective labor agreements with the independent trade union.



c. Payment of Minimum Wages (DJSI 1.2.15)

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

Median/Mean Compensation of all Employees & CEO Compensation (DJSI 1.2.15)

<FY2023>

Total annual CEO compensation: 374,840,000 JPY
Employee compensation (except CEO): Median: 10,663,162 JPY Mean: 10,951,414 JPY
The ratio between the total annual CEO compensation and the mean or median employee compensation: Ratio (vs Median): 35.1528 Ratio (vs Mean): 34.22754

- Mean Employee Compensation (10,951,414 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. (3,745 persons) and Chugai Pharma manufacturing Co., Ltd. (1,112 persons)."

d. Equal Remuneration

We conduct equal pay for equal work. We respect individual dignity and human rights of all the people including women both inside and outside our company, and treat them in a fair and equal manner. We will also ensure equal opportunities in hiring, internal training, and promotion. In addition, we will ensure that there is no unreasonable disparity between permanent and fixed term employees or others.

1)-4 Respect for individual privacy

We will always keep in mind the importance of protecting personal information and will manage all information relating to the privacy of our employees and personal information obtained through business activities in a strict manner.

1)-5 Respect for diversity (DJSI 3.1.2, 3.1.3)

We value employee diversity. We will realize a workplace where all employees can perform at their full potential by creating a free, vigorous and open environment in which members respect each other's personalities and values, and personal growth and self-realization through work are actively supported.

## Workforce Breakdown: Gender (DJSI 3.1.2)

<FY2023 Actual>

Diversity Indicator	Diversity Indicator (consolidated)
Female share of total workforce (%)	36.9%
Females in all management positions, including junior, middle and senior management (as % of total management workforce)	22.6%
Females in junior management positions (%)	23.9%
Females in top management positions (%)	10.5%
Females in management positions in revenue-generating functions(%)	8.0%
Females in STEM-related positions(%)	36.2%

\*The above data is in a consolidated base.

< Target for women representation>

Key Performance Indicator	Actual	Target	
	End of FY2023	FY2023	FY2030
Females in all management positions*	17.2%	17%	30%

\* as % of female employees in management positions at Chugai and its domestic affiliates.

## Workforce Breakdown: Race/ Ethnicity & Nationality (DJSI 3.1.3)

Nationality	Share in total workforce (*1	Share in all management positions (*2
Japanese	98.8%	99.6%
Chinese	0.7%	0.2%
Korean	0.3%	0.2%
Others	0.2%	0.0%

\*1:as % of total workforce of Chugai Pharmaceutical Co., Ltd. and Chugai's domestic affiliates.

\*2:as % of total management workforce of Chugai Pharmaceutical Co., Ltd. and Chugai's domestic affiliates.

## 1)-6 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.

## 2) Human Rights Due Diligence Process (DJSI 3.2.2)

We carry out human rights due diligence on a regular basis based on “Chugai Group Human Rights Statement” and in accordance with the following procedure.

### Step 1

#### Identifying human rights risks

- Chugai participated in the Stakeholder engagement program sponsored by Caux Round Table Japan in 2023. 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 with support by consultancy company.

### Step 2

Conduct risk assessment of identified risks from the perspective of severity and possibility of occurrence

### Step 3

Formulation of the draft list of priority human rights issues

### Step 4

Interview with related departments

### Step 5

Finalization of the list of priority human rights issues

Formulation of a promotion system for priority human rights issues

### Step 6

Deliberation by the Compliance Committee

Approval by Management meeting

### Step 7

Regular review of identified priority human rights

## < Priority human rights issues >

### 1) Patient safety

Considering that we are creating pharmaceutical products that directly affect the human body, we must continue our effort to prevent negative effects from occurring, by viewing patient safety as a human rights issue that must be given the highest priority.

### 2) Personal information and privacy

The expansion of activities including "global clinical trials/clinical research" will require clinical trials to be conducted in various countries and regions, and compliance with the regulations in each country and region will be required. We use new personal and privacy information including genetic information to create innovative pharmaceutical products and it is necessary to continuously protect personal and privacy information.

### 3) Human rights in the supply chain

We evaluate how our suppliers address ethics, labor (including child labor, forced labor, and other human rights issues), health and safety, and the environment in the course of their business, based on the principles of PSCI\* (Pharmaceutical Supply Chain Initiatives). In addition, suppliers provide written consent to adhere to the Chugai Pharmaceutical Group Supplier Code of Conduct (SCC). In 2022, we have established a reporting and consultation center for external partners.

### 4) Human rights of employees in the workplace

Human rights themes in the workplace are wide-ranging, including freedom of association rights, collective bargaining, child labor, forced labor, employment/labor conditions, discrimination, and harassment. We respect the fundamental rights of

workers as well as the diversity of our employees. We offer harassment consultation via the following centers and services.

5) Access to healthcare

We think that this is likely to be an area that involves not only "respect for human rights" but also "promotion of human rights." The main issues are as follows.

Stable supply of medicine in emergencies

- ✓ Including pandemics, floods and earthquake disasters.
- ✓ Maintaining and guaranteeing supply when product supply plans are affected by accidents or problems at outsourcing partners or other pharmaceutical manufacturers.

Improving Global Health Initiatives

- ✓ Access to medicines and health infrastructure in developing countries.

Improvement of Healthcare Access

- ✓ Access to clinical trials (e.g., regional differences in access to advanced medical care)
- ✓ Access for vulnerable individuals and regions (e.g., patients in rural areas, remote islands, elderly living alone)

Access to health care information

- ✓ Including the expansion of the provision of additional information for the benefit of patients, in accordance with applicable rules.

<Target country / regions>

We carry out human rights due diligence for the human rights in the countries / regions to which we sell and operate, and the rights of patients and healthcare professionals who are our consumers all over the world.

<Countries / regions>

Japan, China, South Korea, Taiwan, USA, UK, Germany, France, Singapore

<Actual or potential human rights issues covered/identified>

We carry out human rights due diligence not only within the company but also for our entire value chain, including our business partners and customers, from the following perspectives.

Patient safety, protection of personal information and privacy, human rights of employees in our company and supply chain (discrimination, harassment, child labor, forced labor, human trafficking, freedom of association, the right to collective bargaining, wage, equal remuneration, labor hours, corruption, health & safety, environment, etc.), access to healthcare.

< Groups at risk of human rights issues covered/identified >

Own employees, Women, Children, Migrant workers, Third-party employee, Local communities, Patients, Patient's family, Healthcare professionals, Study subjects in clinical trials

\* The process of risk identification in new business relations including mergers, acquisitions, joint ventures etc. is under investigation.

### 3) Risk assessment for internal human rights (DJSI 3.2.4)

- We conduct the all-employee survey concerning awareness of human rights every three years in order to establish workplaces where co-workers value each other based on an organizational climate of respect for self and others. In 2020, we conducted the all-employee survey concerning the internal reporting system due to change of the system, and confirmed that the recognition and understanding of the internal reporting system is very high. Human Rights issues reported on the survey are investigated impartially and with strict confidentiality to find a solution. As a result, there was no issues which should be conducted remediation action. In 2021, we conducted the all-employee survey concerning two themes, Impact of changes in working styles due to COVID-19 on internal communication and awareness of human rights. In 2022, we conducted the all-employee survey concerning on the actual state of harassment in the workplace. In addition, we confirmed that the reliability and understanding of the internal reporting system is very high.
- We have established a point of contact that allows all employees (including contract and temporary employees) to seek consultation on matters concerning the Code of Conduct, including respect for human rights, and to report violations and 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 or consultation. Company rules prohibit retaliation or any other disadvantageous treatment of employees who seek consultation or make reports.

Status of handling in Japan in FY 2023 was as follows.

- Number of consultations and reports: 99
- Details of consultations and reports: power harassment, sexual harassment, discrimination, work environment, internal regulations, other
- Handling status: Of the consultation and reports that are received, cases that are determined to require investigation are properly investigated and cases for which a violation is found are handled appropriately.

Five cases occurred internally in FY 2023 that fell under harassment, which was conducted remediation action as a disciplinary action.

#### 4) Risk assessment for Supplier Human Rights (DJSI 3.2.4)

- 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.
- For more information on how to perform risk assessment for supplier human rights violations, see the "Supply Chain Management" section.

<The result of supply chain risk assessment for Human Rights in 2023>

The number of sites assessed	25
The number of sites with findings related to Human Rights	11
The number of sites with mitigation plans	11

<Numbers of findings given after the supply chain risk assessment for human rights in 2023 and the percentages of the mitigation actions implemented by issue of human rights>

As a result of the supplier EHS/compliance risk assessment in 2023, there were no suppliers were classified as "sustainability high-risk". In addition, there were no human rights violations requiring remediation actions in 2023.

Issues	Findings in 2021	Findings in 2022	Findings in 2023	Mitigation actions*
Discrimination	0	4	0	100%
Harassment	2	0	0	100%
Child labor	1**	0	0	100%
Forced labor	0	0	1	100%
Human trafficking	1**	0	0	NA
Freedom of association	0	0	0	NA
The right to collective bargaining	1	0	0	100%
Wage	2	0	0	100%
Equal remuneration	0	0	0	NA
Labor hours	0	0	0	NA
Corruption	0	0	0	NA
health & safety	99**	105	57	100%
environment	33**	37	34	100%
Others	2	3	5	100%

\* These mitigation actions are in progress.

\*\* The site does not have specific policies or statements relating to Prohibition of child labor and Anti-Human Trafficking. The reason why the number of findings related Safety and Health is that there are many questions related Safety and Health in the PSCI SAQ. The findings, which are relatively numerous, are as follows; exposure controls, maintenance of protective equipment, control of hazardous chemicals.

## 5) Engagement

In October 2022, Chugai participated for the third consecutive year in the international Business and Human Rights Conference in Tokyo, an event in its ninth year which is sponsored by the Caux Round Table Japan, where we engaged in individual dialogue with overseas experts. We received some opinions and pieces of advice on practical approaches for companies to further assess the risks before conducting the human rights due diligence to suppliers. The advice includes the methodologies and its processes on how to identify the salient human rights issues based on the results of the direct engagement between rights-holders and Chugai.

## 2. Training & Development Inputs (DJSI 3.3.1)

<FY2023>

Average hours per FTE of training and development	11.0(hours)
Average amount spent per FTE on training and development.	53,251(JP-Yen)

The above data is Chugai Pharmaceutical Co., Ltd. and Chugai Pharma Manufacturing Co., Ltd.

## 3. Human Capital Return on Investment (DJSI 3.3.3)

	FY2020	FY2021	FY2022	FY2023
a) Total Revenue	786,946,000,000	999,759,000,000	1,259,726,000,000	1,111,367,000,000
b) Total Operating Expenses	212,251,000,000	239,715,000,000	250,386,000,000	258,887,000,000
c) Total employee-related expenses (salaries + benefits)	101,554,000,000	105,652,000,000	110,067,000,000	119,301,000,000
Resulting HC ROI (a - (b-c)) / c	6.65901	8.19384	10.17023	8.14562

## 4. Hiring (DJSI3.3.4)

	FY2020	FY2021	FY2022	FY2023
Total number of new employee hires	276	295	294	387
Percentage of open positions filled by internal candidates (internal hires)	99.1%	100.0%	97.7%	98.9%

The above data is Chugai Pharmaceutical Co., Ltd. and Chugai Pharma Manufacturing Co., Ltd.

## 5. Type of Performance Appraisal (DJSI 1.5.4, 3.3.5)

### Management by objectives:

We conduct evaluations based on the management by objective (MBO) system. The MBO evaluation system is designed to clarify the evaluation criteria by setting two levels of goals: "Commit" (minimum level to be achieved) and "Target" (stretched level), to enhance the evaluators' understanding of the evaluation and to support challenges.



Furthermore, in Chugai, our standards which is expected as our human capital are defined, and it is the way of thinking and the competency of individual. They are also based and used for the individual performance appraisal to measure as to how individual achieved to the own objectives which is designed by the “Commit & Target”. For further details, the competency standards consist of three decision principles as well as the four action principles. The decision criteria measure not only customer-oriented perspective, global thinking, and being trusted by our internal and external stakeholders but also compliance whereas the action principles assess the strategic thinking, influencing and good collaboration, pursuing outcomes, and developing human capital.

The evaluation period is one year. The evaluation is conducted at the end of the year, based on the goals set at the beginning of the year. In addition, a "Quarterly Review" is conducted every quarter to check the progress of performance and the demonstration of competencies between supervisors and subordinates. We expect that the “Quarterly Review” will improve the transparency and acceptability of evaluations, improve communication between supervisors and subordinates, and provide an opportunity for human resource development.

**Multidimensional performance appraisal (e.g. 360 degree feedback):**

We conducts a "360 degree feedback evaluation" with some targets for the purpose of recognizing and developing leaders. In our company's “360 degree feedback evaluation,” persons in various positions such as the superior or peer of the person to be evaluated evaluate the management skills of the person to be evaluated from multiple perspectives. “360 degree” feedback provides a good opportunity for a leader to reflect on his or her own management style.

**Team-based performance appraisal:**

We translate company goals into divisional goals, and then translate divisional goals into Team goals. Finally, we incorporate these goals into the goals of each individual employee. It should be noted that leaders who run teams are measured not only in the achievement of their individual objectives but also in the achievement of their team objectives. The frequency of the assessments will be done annually at the end of the period.

**Agile conversations:**

We conduct "Quarterly Review" between supervisors and subordinates to discuss the progress of work and the status of competency demonstration. In addition, we have implemented "Check in" (1 on 1)to support the growth of subordinates and promote stronger dialogue between supervisors and subordinates, and we recommend that

"Check in" be conducted at least once a month. The "Check-in" is not only a short-term check of work performance, but also an opportunity for dialogue to support the growth of subordinates and the realization of their future careers, to align the company's vision with their work, and to check on their physical and mental condition. We value the growth of our employees through regular communication and feedback between supervisors and subordinates.

#### 6. Employee Turnover Rate (DJSI 3.3.8) (%)

	FY2020	FY2021	FY2022	FY2023
Full time staff total turnover rates	2.982	2.762	3.193	3.314
Full time staff voluntary turnover rates	1.276	1.389	1.939	1.831

Until FY2020, the total employee turnover rate and the voluntary employee turnover rate for only Chugai Pharmaceutical Co., Ltd. were calculated. In FY2021, the boundary of calculation for the total employee turnover rate and the voluntary employee turnover rate was expanded from only Chugai Pharmaceutical Co., Ltd. to the total of Chugai Pharmaceutical Co., Ltd. and Chugai Pharma Manufacturing Co., Ltd. As a result of the change in the boundary of calculation, the data coverage in FY2021 improved from 73.2% to 87.1%.

#### 7. Trend of Employee Wellbeing (DJSI 3.3.9)

	Unit	FY2020	FY2021	FY2022	FY2023
Employee Engagement Overall	% of actively engaged employees	76%	Not conducted	75%	Not conducted
Female		71%		71%	
Male		77%		76%	
Data Coverage	% of total employees	91%		89%	

##### <Survey Methodology>

- Chugai regularly conducts employee awareness surveys for all employees once every two years. Employee engagement surveys were not conducted in 2019 and 2021. The results after FY2019 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).

#### 8. Employee Support Programs (DJSI 3.3.7)

##### **Flexible working hours:**

The working hours are defined by monthly basis, but employees are free to decide on the starting/finishing times and working hours on a day-to-day basis. (We do not set a time band that employees must work in a day)

**Breast-feeding/lactation facilities or benefits:**

We have registered as a corporate member with Benefit Station which provides various benefits and welfare services. We can offer discount rates on equipment rental costs for breast-feeding and milking, and on child care services to our employees and their families using the membership. We are also affiliated with nursery facilities near our company. Furthermore, we offer subsidies for expenses of baby sitting and non-registered day care facility.

**Paid parental leave for the primary caregiver in excess of the minimum legal requirement:**

Act on Childcare Leave/Caregiver Leave allows parents to take leave until children are 1 year of age (approximately 52 weeks).

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. During the first Childcare Leave at Birth, salary will be paid for up to 14 days. Leave for Maternity Clinic Visits is also a paid leave which pregnant employees are entitled for. In principle, it can be taken once every 4 weeks until the 23rd week of the pregnancy, every 2 weeks during the 24th - 35th week, and every week from the 36th week onwards, and other required days if deemed necessary by a doctor, etc. (2 weeks in total).

\*60 weeks in total = 52 weeks of leave of absence specified by law + 2 weeks of paid hospital visits leave + 6 weeks of maternity leave before giving birth

**Paid parental leave for the non-primary caregiver in excess of the minimum legal requirement:**

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.

\*52 weeks = leave of absence specified by law (Act on Childcare Leave/Caregiver Leave)

\*14 days are included in the 52 weeks

**Sport & health initiatives:**

Chugai Group has introduced a health support app "& well" for employees to help them maintain and promote self-directed health by becoming aware of their health problems

and changing their behavior. The app allows employee to access various health programs from their personal smartphone.

The content covers a wide range of topics, including exercise, sleep, diet, health management, and women's health.

In addition, this app allows employees to participate in events related to themes as described above (ex, Team competition for steps).

If employees use “& well” contents such as self-check and participation in events, they will accumulate “ & well points.” The accumulated points can be exchanged for prizes, which motivates participation in events, etc.

## 9. Workforce Diversity Data (MSCI WIN)

	2023	2024
Total number of employees in senior management (managers & above)	1,371	1,387
Number of women in senior management :	266	277
Percentage of women in senior management :	19.40%	19.97%
Number of women directors on board :	2	2
Total number of directors on board :	9	8
Percentage of women directors on the board :	22.22%	25.00%
Total workforce :	4,903	5,026
Number of women employees in workforce :	1,571	1,642
Percentage of women employees in total workforce :	32.04%	32.67%
Total number of newly hired employees :	272	284
Number of women employees in new hires :	101	104
Percentage of women employees in new hires :	37.13%	36.62%
Average years employed by the company for female employees :	12.9	12.8
Average years employed by the company for male employees :	17.2	16.9
Percentage difference in average employment years for female to male employees :	-25.00%	-24.26%

\*Figures above are non-consolidated basis calculated based on the definition in the Company's Yuka Shoken Hokokusho (Securities Report).

10. Number of employees in Japan and other geographical areas (DJSI 1.8.2)

index		period	FY2019	FY2020	FY2021	FY2022	FY2023
geographical employees	Japan	End of period	6,823	6,945	7,047	7,153	6,981
	Asia		349	392	407	435	450
	Europe		232	232	226	202	185
	America		16	15	15	20	21

11. Policy, Management System, and Activities in Environment, Health and Safety (EHS), Environmental Policy & Commitments, OHS Policy (DJSI 3.4.1), and OHS Programs (DJSI 3.4.2)

Chugai EHS policy, which supports realization of our mission, was approved at January the first in 2017 by Bord of Directors according to our regulation.

The EHS policy comprehensively states our commitment and engagement on stakeholders out of Chugai group in the section “Communication with stakeholders”. It includes our efforts to reduce adverse impacts of such as noise and odor on residents around our facilities and to ensure occupational safety of contractors or individuals working at our facilities, for example.

We adopted EHS management system<sup>1)</sup> based on ISO 14001 and ISO 45001 (OHSAS 18001) and then we set qualitative (as possible) mid- or long-term targets and goals by conducting to identify materiality of EHS from results of gap and risk analyses.

We are continuously improving our EHS risks and issues to achieve those mid- or long-term targets and goals by setting single year quantitative or qualitative goals, prioritizing EHS programs, and implementing PDCA cycle (Fig. 1).

This system is conducted at not only company base but also at each facility. Namely, each facility sets its own EHS goals, conducts EHS risk analysis, and implements PDCA cycle to achieve its goals.

In EHS risk analysis, we would identify hazards which would cause harm to workers and evaluate risk scenarios of the found hazards to decide which hazards should be put into PDCA cycle as risk mitigation plans<sup>2)</sup>. In addition to these risk analyses and implementation of PDCA cycles, we investigate the cause of an incident or an accident and provided training to employees and/or other relevant parties to raise awareness and reduce operational HS incidents and accidents<sup>3)</sup>.

Chugai calls health and safety (HS) activities as those of “Health and Productivity” management. The promotion of “Health and Productivity” is implemented in EHS management system described above therefore priority items and goals of “Health and Productivity” were

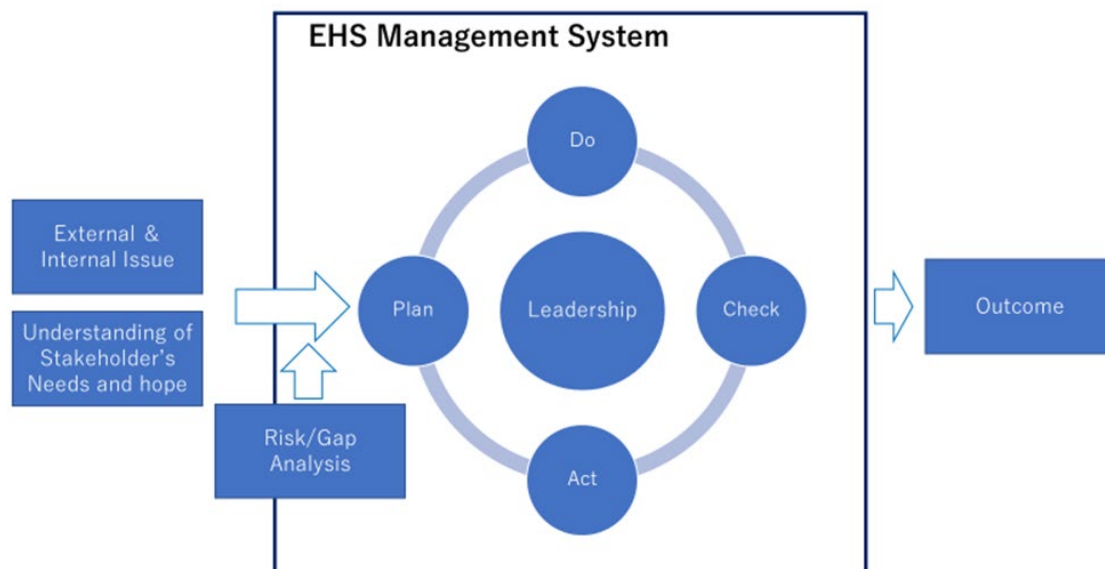
set from high HS risks identified by the risk analyses in the same way as environmental priority items and goals. Then we evaluate our HS programs in the PDCA cycle as in Fig.1 to continue improvement to achieve our HS targets.

<sup>1)</sup> <https://www.chugai-pharm.co.jp/english/sustainability/healthmanagement/system.html>

<sup>2)</sup> <https://www.chugai-pharm.co.jp/english/sustainability/healthmanagement/industrialaccident.html>

<sup>3)</sup> <https://www.chugai-pharm.co.jp/english/sustainability/healthmanagement/communication.html>

Fig. 1 ) EHS Management System in Chugai Group



## Governance

### 1. Board Effectiveness (DJSI 1.2.6)

- Directors and Audit & Supervisory Board Members (as of December 31, 2023)

	<b>Name</b>	<b>Position and Responsibility in the Company</b>	<b>Attendance at Meetings</b> (Mar., 2023 - Mar., 2024)	<b>Board Mandates/ Important Concurrent Positions</b>
Executive Directors	Dr. Osamu Okuda	Representative Director, President & CEO	100% (10 out of 10)	
	Dr. Hisafumi Yamada	Director, Executive Vice President	100% (10 out of 10)	
	Mr. Toshiaki Itagaki	Director, Executive Vice President, CFO	100% (10 out of 10)	
Non-Executive Directors	Dr. Mariko Y Momoi	Outside Director	100% (10 out of 10)	3 mandates/ Professor Emeritus of Jichi Medical University Visiting Professor of School of Medicine, Shinshu University Regent of Tokyo Medical University (part-time)
	Dr. Fumio Tateishi	Outside Director	100% (7 out of 7)	1 mandate/ Honorary Advisor of OMRON Corporation
	Mr. Hideo Teramoto	Outside Director	100% (7 out of 7)	2 mandates/ President of Dai-ichi Life Research Institute, Inc. Outside Director of Imperial Hotel, Ltd.

	<b>Name</b>	<b>Position and Responsibility in the Company</b>	<b>Attendance at Meetings</b> (Mar., 2023 - Mar., 2024)	<b>Board Mandates/ Important Concurrent Positions</b>
	Dr. Christoph Franz	Director	100% (10 out of 10)	3 mandates/ Chairman of the Board of Directors of Roche Holding Ltd. Vice-Chairman of the Board of Directors of Zurich Insurance Group Ltd. (Switzerland) Member of the Board of Directors of Stadler Rail Ltd. (Switzerland)
	Dr. James H. Sabry	Director	100% (10 out of 10)	1 mandate/ Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee
	Ms. Teresa A. Graham	Director	100% (7 out of 7)	1 mandate/ Global Head of Roche Pharma Partnering and Member of the Roche Enlarged Corporate Executive Committee
Audit & Supervisory Board Members	Yoshiaki Ohashi	Full-time Audit & Supervisory Board Member	100% (10 out of 10)	
	Dr. Shigehiro Yamada	Full-time Audit & Supervisory Board Member	100% (7 out of 7)	
	Mr. Takaaki Nimura	Outside Audit & Supervisory Board Member	100% (10 out of 10)	1 mandate/ Representative of Nimura Certified Public Accountant Office



	<b>Name</b>	<b>Position and Responsibility in the Company</b>	<b>Attendance at Meetings (Mar., 2023 - Mar., 2024)</b>	<b>Board Mandates/ Important Concurrent Positions</b>
	Mr. Kenichi Masuda	Outside Audit & Supervisory Board Member	100% (10 out of 10)	3 mandates/ Partner of Anderson Mōri & Tomotsune Outside Director of Bridgestone Corporation Outside Audit & Supervisory Board Member of Mercuria Holdings Co., Ltd.
	Ms. Yumiko Waseda	Outside Audit & Supervisory Board Member	100% (7 out of 7)	3 mandates/ Partner Attorney-at-Law/Partner Patent Attorney, Tokyo Roppongi Law and Patent Office Outside Audit & Supervisory Board Member of IHI Corporation Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation
Average board meeting attendance			100%	

- Directors Fumio Tateishi and Hideo Teramoto, Audit & Supervisory Board Members Shigehiro Yamada and Yumiko Waseda were elected and assumed office at the 112th Annual General Meeting of Shareholders held on March 2023.
- 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. Board Average Tenure (DJSI 1.2.7)

Directors (as of April 1, 2024)

	Name	Position and Responsibility in the Company	Number of years served
Executive Directors	Dr. Osamu Okuda	Representative Director, President & CEO	4 years
	Mr. Iwaaki Taniguchi	Director, Executive Vice President, CFO	0 year
	Dr. Hitoshi Ikura	Director, Executive Vice President	0 year
Non-Executive Directors	Dr. Mariko Y Momoi	Outside Director	4 years
	Dr. Fumio Tateishi	Outside Director	1 year
	Mr. Hideo Teramoto	Outside Director	1 year
	Dr. Christoph Franz	Director	7 years
	Dr. James H. Sabry	Director	5 years
	Ms. Teresa A. Graham	Director	1 year
Average tenure of Directors			2.6 years

Mr. Iwaaki Taniguchi and Dr. Hitoshi Ikura were elected and assumed office at the 113th Annual General Meeting of Shareholders held on March 2024.

## 3. Clawback Provision in the Restricted Stocks Compensation Plan (DJSI 1.2.10)

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. This clawback provision also applies to other senior executives.

## 4. Management Ownership (DJSI 1.2.11)

<FY2023>

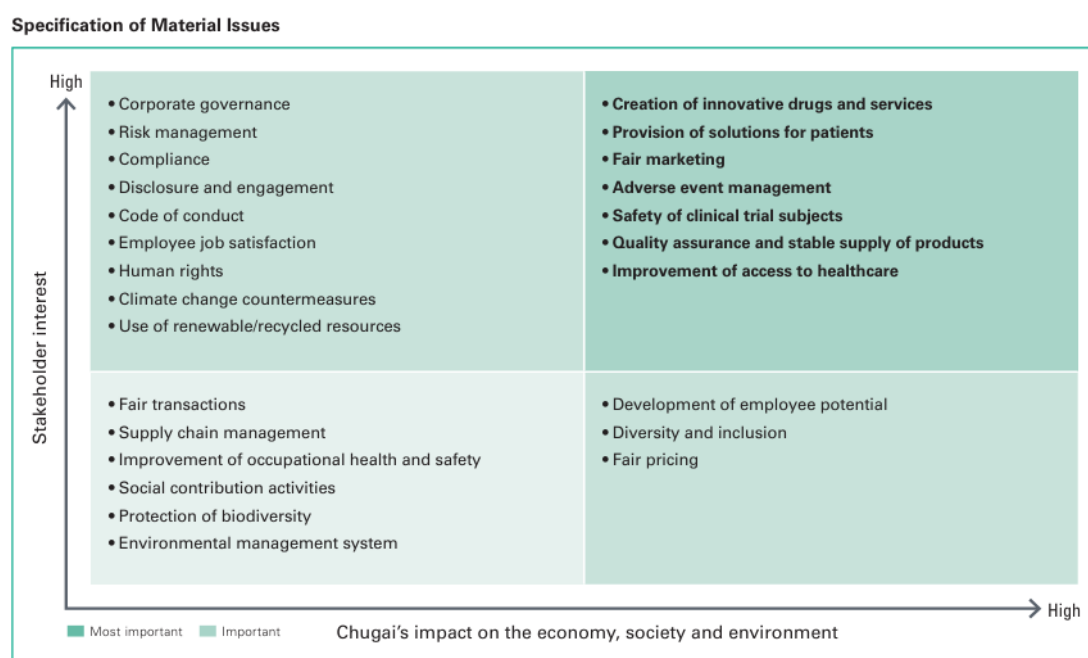
Position	Name	Multiple of base salary (Company shares held / Base salary)
CEO	Dr. Osamu Okuda	7.1
Average across other executive committee members owning shares	Dr. Hisafumi Yamada, Toshiaki Itagaki, Tetsuya Yamaguchi, Junichi Ebihara, Shinji Hidaka, Yoshiyuki Yano and Satoko Shisai	7.4

(Note) Share price at the end of 2023 (i.e. 5,342JPY) was used for the calculation.

## 5. Materiality Analysis (DJSI 1.3.1)

Chugai have performed the materiality analysis to get an insight for understanding of internal and external impact due to our activities, and to have a prioritization based on the matrix. The analysis also supports to understand our material issues from perspective of risks and opportunities with priority.

The materiality matrix is consist of 2 elements, 1) Stakeholder interest which represent the potential impact by planets and society to the company, and 2) Chugai's impact on the ESG aspects which represent the company' outward impact on the planet and society.



The materiality matrix shown above was implemented in 2019, and the materiality has been annually reviewed. The next review for materiality will be conducted in 2024.

## 6. Materiality Metrics for Enterprise Value Creation (DJSI 1.3.3)

Executive compensation:

In terms of executive compensation, it is composed by several reference indicators for performance-based Remuneration of executive directors, not only performance in financial aspects but also achievement of significant managerial matters such as progress of the environmental protection measures as a part of degree of achievement of ESG objectives (based on evaluation by expert organization, etc.), promoting a ratio of female in management and successor development as a part of talent management objectives, and organizational culture development objectives.

## 7. UN Global Compact Membership (DJSI 1.5.1)

Chugai Pharmaceutical signed the United Nations Global Compact (UN Global Compact, hereinafter "UNGC") which is the world's largest sustainability initiative and was registered as a participant on June 24, 2024.

## 8. 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.

## 9. Global Anti-Bribery Policy (an excerpt) (DJSI1.5.3)

### 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. Further, Chugai prohibits corruption, bribery, graft, and other corrupt acts in the [Chugai Group Code of Conduct \(CCC\)](#). For our anti-corruption and bribery policy, see "3. Acting with integrity", "5. Appropriate Partnerships" and each detailed explanation in the CCC.

### 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

#### 10. Donations/Grants and Sponsorships Policy (an excerpt) (DJSI 1.5.3)

##### 1. Purpose

The Donations/Grants and Sponsorships Policy (“Policy”) intends to establish basic principles relating to donations, grants (collectively referred to as “Donations”) and sponsorships made by Chugai Pharmaceutical Co., Ltd. and its domestic and overseas subsidiaries (“Chugai Group”), thereby enabling the Chugai Group to contribute to the betterment of society.

##### 3. Basic Principles

When making Donations and sponsorships, the Chugai Group and its directors, officers and employees (“We”) shall comply with all laws, regulations, international conventions/treaties, and industry standards applicable in relevant countries and regions (“Laws”), as well as our own internal rules. We shall follow the principles set forth below.

- (1) Donations and sponsorships by the Chugai Group shall be made to contribute to healthcare, social welfare, inclusive society, next generation development and local communities. Political donations may be made to the extent permitted by Laws.
- (2) Donations and sponsorships shall only be made to legal entities or organizations. Donations to individuals may be made to the extent permitted by Laws.
- (3) For Donations and sponsorships, the eligibility of each Donations and sponsorships shall be determined and implemented from viewpoint of their ethics, contribution and validity to society.
  - 1) We shall not use Donations and sponsorships to exercise influence over the independence of the receiving party.
  - 2) We shall act in good faith, and shall not make inappropriate provision of profit nor elicit maneuvering of profits.

- 3) The Chugai Group shall appropriately disclose information on implemented Donations and sponsorships to ensure transparency in accordance with Laws.
- (4) Each company of the Chugai Group shall develop a guideline (or relevant internal rule, etc.) describing the review and approval processes for Donations and sponsorships to be made by the company and ensure the retention of relevant records, other necessary measures and awareness by its employees. In the process of the implemented procedures, it shall be hereunder identified by confirming if such financial or non-financial support is either Donations or sponsorships, and thereafter the appropriate review and approval process shall be designed and implemented accordingly. As for the Donations, particularly, the pre-consultation process by the Chugai Pharmaceutical Co.,Ltd. prior to the local review and approval shall be designed and implemented in consideration of the risk which the financial or non-financial support of Donations may be regarded as an improper advantage or bribery.
- (5) The results of the Donations and sponsorships shall be reported to the ESG Dept.

Date of the latest revision: March 29, 2024

#### 11. Reporting on breaches (DJSI 1.5.5, DJSI 3.1.1)

1. Chugai did not incur any fines or settlements related to anti-competitive practices in the past four fiscal years and we are not involved in any ongoing investigations related to anti-competitive practices.
2. Chugai did not have confirmed cases of corruption and bribery during the past four fiscal years and we are not currently involved in any ongoing corruption and bribery cases.
3. 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 including discrimination and harassment, 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. In the event of a violation of the Disciplinary Rules, remediation, disciplinary actions, dismissal, or legal actions shall be considered as necessary. 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 2023.

- No. of reports/consultations : 99
- Types of reports/consultations: power harassment, discrimination, environment of work place, sexual harassment, internal policies and rules, personnel system, 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. The number of cases investigated regarding discrimination and harassment was 1 for discrimination and 27 for harassment. As a result of the investigation in 2023, 5 disciplinary actions related to harassment were imposed.

We report on following areas:

Reporting areas	Number of breaches in FY 2023
Corruption or Bribery	0
Discrimination or Harassment	5
Customer Privacy Data	0
Conflicts of Interest	0
Money Laundering or Insider trading	0

## 12. Contributions and Other Spending (DJSI 1.5.3, 1.6.1)

	FY2019	FY2020	FY2021	FY2022	FY2023
Lobbying, interest representation or similar	12,500,000 JPY	15,700,000 JPY	15,600,000 JPY	15,500,000 JPY	14,600,000 JPY
Local, regional or national political campaigns / organizations / candidates	13,400,000 JPY	12,700,000 JPY	12,100,000 JPY	13,800,000 JPY	16,000,000 JPY
Trade associations or tax-exempt groups	136,500,000 JPY	148,900,000 JPY	89,600,000 JPY	142,000,000 JPY	167,800,000 JPY
Other (e.g. spending related to ballot measures or referendums)	0	0	0	0	0
<b>Total contributions and other spending</b>	<b>162,400,000</b> JPY	<b>177,300,000</b> JPY	<b>117,300,000</b> JPY	<b>171,300,000</b> JPY	<b>198,400,000</b> JPY
Data coverage (as % of Revenues)	99%	99%	99%	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."

Only costs of Chugai Pharmaceutical Co., Ltd. are included. Chugai accounts for the majority of the Chugai Group's Revenues, and the percentage in fiscal year 2023 was 99%.

### 13. Largest Contributions & Expenditures (DJSI 1.6.2)

Contributing to the improvement of public health:

- According to the estimate, 8,600,000 yen was used in FY2023.

Issues in business community:

- The membership fee for the business subcommittee we are proposing to the government was 1,600,000 yen in FY2023.

Other Large Expenditures:

- The Pharmaceutical Manufacturers' Association of Tokyo: Total amount paid in FY2023 was 6,200,000 yen
- KEIDANREN (Japan Business Federation): Total amount paid in FY 2023 was 1,600,000 yen
- The Federation of Pharmaceutical Manufacturers' Association of Japan (also known as the FPMAJ): Total amount paid in FY2023 was 1,100,000 yen

### 14. Lobbying and Trade Associations - Climate Alignment (DJSI 1.6.3)

We have been reporting to CDP our company positions on public policies related to climate change that are consistent with the Paris Agreement, our direct climate-related lobbying activities, and our climate policy positions and the activities of industry groups. Below are screenshots of the CDP website pages where responses for CDP2023 C12.3a and C12.3b can be found. We were selected for the CDP's A-List by a global environmental non-profit CDP, being recognized its leadership for transparency and performance in the two categories of climate change and water security.

#### C12.3a

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**(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?**

**Specify the policy, law, or regulation on which your organization is engaging with policy makers**

Chugai group is a member of Japan Climate Initiative.

The Japanese government needs to make policy changes that enable it to halve emissions by 2030 and achieve net-zero emissions by 2050. In particular, to raise its 2030 renewable energy target to 40-50% and prompt phase out of coal-fired power generation will be necessary to achieve the targets. We are firmly convinced that expanding and accelerating efforts toward a decarbonized society and setting an example for international society will bring significant benefits to Japan itself.

In order to realize the goal of the Paris Agreement, Japanese non-state actors are making efforts to play active roles in pursuing more ambitious goals than the official commitment of the Japanese government. Many Japanese companies have already committed to "SBT" (Science Based Targets) and RE100. Local governments with a combined population of more than 100 million people have declared net-zero carbon emissions by 2050, set even more ambitious 2030 targets, and are introducing pioneering policies to achieve them.

We will enhance our efforts that contribute to realizing net-zero by 2050 to demonstrate global leadership in achieving the 1.5°C target through increasing energy efficiency, accelerating use of renewable energy in our own activities, and deepen collaborations among domestic and international non-state actors.



**Category of policy, law, or regulation that may impact the climate**

Climate change adaptation

**Focus area of policy, law, or regulation that may impact the climate**

International agreement related to climate change adaptation

**Policy, law, or regulation geographic coverage**

Global

**Country/area/region the policy, law, or regulation applies to**

<Not Applicable>

**Your organization's position on the policy, law, or regulation**

Support with no exceptions

**Description of engagement with policy makers**

In July 2018, Japan launched the "Japan Climate Initiative" as a network to strengthen information dissemination and opinion exchange among companies, local governments, NGOs, etc. that are actively working on climate change countermeasures. Established with the participation of 105 organizations, the number of participating organizations has expanded more than six times to date.

JCI welcome the participation of many companies, local governments, organizations, NGOs, etc. who support the declaration "Japan will join the front line of the world aiming for decarbonization" and are making serious efforts to realize a decarbonized society.

**Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation**

<Not Applicable>

**Have you evaluated whether your organization's engagement on this policy, law, or regulation is aligned with the goals of the Paris Agreement?**

Yes, we have evaluated, and it is aligned

**Please explain whether this policy, law or regulation is central to the achievement of your climate transition plan and, if so, how?**

Chugai agrees with the Declaration and Statement of the Japan Climate Initiative, and we will enhance our efforts that contribute to realizing net-zero by 2050 to demonstrate global leadership in achieving the 1.5°C target through increasing energy efficiency, accelerating use of renewable energy in our own activities, and deepen collaborations among domestic and international non-state actors.

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**(C12.3b) Provide details of the trade associations your organization is a member of, or engages with, which are likely to take a position on any policy, law or regulation that may impact the climate.**

**Trade association**

Other, please specify (The Federation of Pharmaceutical Manufacturers' Associations of Japan (FPMAJ) and Japan Pharmaceutical Manufacturers Association (JPMA))

**Is your organization's position on climate change policy consistent with theirs?**

Consistent

**Has your organization attempted to influence their position in the reporting year?**

Yes, we publicly promoted their current position

**Describe how your organization's position is consistent with or differs from the trade association's position, and any actions taken to influence their position**

We are on the board of the trade associations and the names of them are "the Federation of Pharmaceutical Manufacturers' Associations of Japan (FPMAJ)" and "Japan Pharmaceutical Manufacturers Association (JPMA)". The members of both organizations report industry trends and progress to executive vice president at the EHS Committee. In case that there would be a gap between goals of FPMAJ and Chugai, this issue will be discussed in the EHS Promotion Committee and the gap will be estimated the impact on our business as a risk. If this risk would be categorized into a corporate risk, we would conduct counter measures approved by the Executive Committee and report the progress to them at least quarterly.

Since CEO is a member of board of directors in JPMA, we consider that it is high possibility to be reflected our opinion as the trade associations' one. FPMAJ has climate change target that is CO2 emission zero by 2050. Chugai group belong to the Specialized Working Group, thus we would affect it through.

**Funding figure your organization provided to this trade association in the reporting year (currency as selected in C0.4)**

**Describe the aim of your organization's funding**

<Not Applicable>

**Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?**

Yes, we have evaluated, and it is aligned

On the other hand, in the policy speech given by Prime Minister Yoshihide Suga in the extraordinary Diet session on October 26, 2020, the Japanese government declared its aim to realize a carbon-neutral, decarbonized society by 2050. The Chugai Group supports the Japanese government's full-fledged efforts to realize decarbonization. In addition, we support the national government's Act on the Rational Use of Energy and the Act on the Control of Temperature, both of which are laws and regulations related to climate change, and submit a report once a year on energy consumption, the status of achievement of energy conservation targets, and greenhouse gas emissions to the government. We have supported the response to the TCFD proposal that the government is also promoting, and we have analyzed scenarios and disclosed information.

## 15. 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.

#### 15-1 Purchasing Policy (an excerpt)

1. Comply with social norms and others as well as the laws and regulations of each country, promoting fair purchasing activities in accordance with the following principles:
  - 1) Purchaser shall engage in transactions with business partners accredited by the Company.
  - 2) Purchaser shall select business partners appropriately.
  - 3) Those authorizing purchases shall verify the validity of orders prior to the orders being placed.
  - 4) Purchaser shall place orders in writing (individual contracts).
  - 5) Purchaser shall make payment after deliverables (goods or services) have been successfully accepted.
  - 6) The Purchasing function shall monitor the above (1) through (5).
2. Build fair and equitable business relationships with domestic and overseas business partners.
3. Promote contributions to a sustainable society by advancing 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. Faithfully fulfill obligations under 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.

Date of the latest revision: January 1, 2020

#### 15-2 General supply chain strategy

Reliably delivering products to patients is one of Chugai's most important missions. In order to achieve our mission, based on our purchasing policy, we specify five priority items in supply chain strategy; quality, stable supply, delivering timing, cost, and incidental information (Financial, Contract, Intellectual property, Security). While we focus on proper purchasing activities and maintain sound relationship with our business partners, we also carry out comprehensive supplier assessment to reduce risk and make continuous improvement. We analyze product-based supply risk for direct materials. In the short term, we increase inventory and store them in a distributed manner, and we promote stable product supply measures that combine multiple manufacturing bases in the medium to long term.

In recent unstable world situation, we strengthen communication with purchasing, manufacturing, and shipping suppliers/vendors to maintain sound relationship. We also promote activities to allow multiple selection of suppliers/vendors.

#### 16. 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.

##### 16-1 Integration of ESG objectives in supply chain strategy

We have selected supply chain management as one of Key issues in TOP I 2030 as a new growth strategy for achieving our vision of the top innovator we aim to become in 2030. 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 is as follows:

	Description of ESG objective	Link to overall supply chain strategy
Key ESG Objectives 1	Key ESG Objective 1 is to continuously conduct comprehensive supplier evaluation for critical tier 1 suppliers, that covers EHS(environment/health/safety) and compliance including corporate	If business partners do not take care of EHS and human rights related issues, it may lead to serious situations such as outflow of personnel, fallen credibility, and suspension of their business, which will result in disruption of supply.

	<p>ethics and human rights in addition to five items of finance, supply, quality, contracts and Intellectual property security, in the PSCI framework.</p> <ul style="list-style-type: none"> <li>➤ To promote sustainable business, we continuously acquire consent from suppliers to SCC, a code of conduct that requires compliance with ethics, labor, safety, and environmental initiatives.</li> <li>➤ For critical tier 1 suppliers, we carry out written evaluation and site audit in PSCI framework.</li> </ul>	<p>To establish and maintain a stable supply chain system for pharmaceutical products, it is important to evaluate risk on EHS and human rights.</p> <p>Comprehensive evaluation of suppliers based on PSCI framework and improvement activities contribute to establishing stable and solid supply chain system, by minimizing business risk of suppliers.</p>
Key ESG Objectives 2	<p>Key ESG Objective 2 is to evaluate critical tier 2 suppliers on EHS(environment/health/safety) and compliance (including corporate ethics and human rights) with respect to promoting sustainable business.</p> <ul style="list-style-type: none"> <li>➤ Based on PSCI principles, critical Tier 2 suppliers are identified and assessed using SAQs with the help of primary suppliers.</li> </ul>	<p>To promote sustainable business of critical tier 2 suppliers, evaluation on EHS and compliance (including corporate ethics and human rights) can reduce supply chain risk of primary suppliers, which will eventually minimize the supply chain risk of Chugai group, contributing to establishing stable supply chain system.</p>

## 16-2 Critical Supplier Identification (DJSI 1.7.3, DJSI 1.7.5)

“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
- ESG risks in the country where the supplier is located and risks specific to the industry of the supplier
- Non-substitutable suppliers
- High-volume suppliers
- Produce and supply critical component

- Supply exclusively for Chugai, using Chugai know-how or processes
- In the process of developing innovative medicines, pharmaceutical companies use harmful chemicals or synthesize compounds with unknown harmful properties. Therefore, exposure to or leakage of chemical substances may have a negative impact not only on our employees but also on all right holders in the supply chain and on the global environment. We sometimes contract out the manufacturing of drugs to contract manufacturing organizations (CMOs). It is difficult to find an alternative CMO, it is expensive to outsource manufacturing to CMOs, and CMOs use our company's know-how and processes. CMOs are essential suppliers for delivering innovative medicines to patients. CMOs also consume the largest amount of energy among our suppliers and require a large number of workers. For these reasons, we have defined all CMOs as Critical Suppliers (% of total spend on significant suppliers in Tier-1: 9.37%) regardless of the level of national risk.
- 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	44
Critical non tier 1 Suppliers	63

#### 16-3 Supply chain spend analysis

Regarding manufacturing contractors and suppliers of raw materials that we need to focus on EHS/compliance performance, we conducted geographical risk analysis based on the payment amount from our company. Approximately over half of the total spend was with suppliers in Japan. We request manufacturing contractors in all regions, one of our most important business partners, to understand and comply with Chugai Group Supplier Code of Conduct. We evaluate EHS/compliance risk not only for our Japanese suppliers, but also for those outside Japan in the same way.

#### Ratio of raw material costs and manufacturing consignment costs by region

Region	JPY	2023
APAC (except for Japan)	8,076,407,042	11%
EU	15,648,226,134	20%
JP	43,225,000,806	57%
US	9,464,847,546	12%
Total	76,414,481,528	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)

## 17. Supply Chain Risk Exposure & Risk Management Measures

### 17-1 Supply chain risk identification process (DJSI 1.7.2, 1.7.4, 1.7.6)

- 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 (desk or on-site) by PSCI Self-Assessment Questionnaire (SAQ) 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 on-site audits in order to support our suppliers and foster the mutual relationship, and advance supplier performance over time.
- We request suppliers to make corrective action plans for findings from due diligence and monitor them.
- We will preferentially select suppliers with better ESG performance.
- Departments engaging with a supplier shall re-evaluate the EHS and compliance risk of suppliers at minimum once every three years.
- If a supplier, who agrees to our supplier code of conduct, denies correcting their critical findings and minimum requirements, we will not conduct business with them.
- We assess bribery risk by filling in anti-bribery questionnaires for suppliers in relation to pharmaceutical business in countries that have a low rating in the Transparency International Corruption Index.
- We assess our suppliers by using the result of Corporate Credit Research reported from a credit research firm.

### 17-2 The result of supplier EHS/compliance risk evaluation (DJSI 1.7.2, 1.7.6)

	2022	2023
Number of suppliers which have agreed with SCC	249	131
Number of suppliers evaluated for EHS/Compliance risks	88	28
- Number of suppliers evaluated by SAQ only	74	19
- Number of suppliers evaluated by SAQ and site audit	14	9
Number of Suppliers discontinued based on audit results	0	0

Performance and issues of EHS/compliance risk assessment to management are regularly reported to the CFO, one of the members of board of directors meeting, who is in charge of purchasing, and measures are continuously reviewed.

### 17-3 Supply Chain Risk Management Measures (DJSI 1.7.4, 1.7.6)

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 2023, no critical\*<sup>1</sup> findings were found. We supported suppliers on implementation of corrective or improvement actions plan based on our activities.
- We re-evaluate the EHS and compliance risk of suppliers at minimum once every three years basically.

\*1: Critical Findings: Are very high risk findings that require immediate action to protect human life, the health of employees or the environment; May result in loss of license to operate or serious damage to reputation; Require immediate corrective action by the supplier; Need to be communicated to the audit sponsor prior to audit report finalization.

The findings issues and corrective actions of critical supplier (CMOs) EHS/compliance risk evaluation

Assessment Issues	Findings (2022)	Corrective actions in place	Corrective actions Completed	Corrective actions In progress
Ethics	6(2)* <sup>1</sup>	100%* <sup>2</sup>	75%	25%
Human Rights and Labor	7(4)* <sup>1</sup>	100%* <sup>2</sup>	100%	0%
Safety and Health	105(45)* <sup>1</sup>	100%* <sup>2</sup>	68%	32%
Environment	37(19)* <sup>1</sup>	100%* <sup>2</sup>	68%	32%
Management System	21(6)* <sup>1</sup>	100%* <sup>2</sup>	33%	67%

Assessment Issues	Findings (2023)	Corrective actions in place	Corrective actions Completed	Corrective actions In progress
Ethics	0* <sup>1</sup>	100%* <sup>2</sup>	100%	0%
Human Rights and Labor	1(1)* <sup>1</sup>	100%* <sup>2</sup>	100%	0%
Safety and Health	57(43)* <sup>1</sup>	100%* <sup>2</sup>	14%	86%
Environment	34(29)* <sup>1</sup>	100%* <sup>2</sup>	0%	100%
Management System	5(4)* <sup>1</sup>	100%* <sup>2</sup>	0%	100%

\*1 The numbers of CMOs in parentheses are not asking for corrective actions due to the pre-contract research due diligence.

\*2 These corrective actions are in progress. Chugai requires corrective actions to existing CMOs and CMOs that will make contract with Chugai. The reason why the number of findings related Safety and Health is that there are many questions related Safety and Health in the PSCI SAQ. The findings, which are relatively numerous, are as follows. Exposure controls, maintenance of protective equipment, control of hazardous chemicals. We support suppliers on implementation of corrective or improvement actions



## 18. KPI and Targets in supply chain management strategy

KPI 1	KPI: Percentage of risk assessments of new business partners defined as critical third parties in addition to contract manufacturing organizations (CMOs)	Target: 100%* Target year: 2030
KPI 2	KPI: Percentage of periodical risk monitoring of existing business partners defined as critical third parties	Target: 100% Target year: 2030
KPI 3	KPI: Define critical tier 2 suppliers and develop an evaluation methodology. Then, develop a risk-based evaluation plan.	Target: 100% Target year: 2023

\* 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.

## 19. Declaration of Partnership Building (DJSI 1.7.2)

We are also making a “Declaration of Partnership Building” in order to establish new partnerships, by promoting collaboration and mutual prosperity with all of our supply chain partners and businesses seeking to create value. Please see below for our Declaration of Partnership Building in English. Also, please see the following link for Japanese original version. <https://www.biz-partnership.jp/declaration/18152-05-24-tokyo.pdf>

### Declaration of Partnership Building

Chugai Pharmaceutical hereby declares that it will focus on the following items in order to build new partnerships by promoting cooperation, coexistence, and co-prosperity with its supply chain partners and value-creating businesses.

1. Coexistence and co-prosperity throughout the supply chain and new cooperation that transcends company size, affiliations, etc.

We will work to add value to the supply chain as a whole by encouraging our direct business partners to work with their business partners (from “Tier N” to “Tier N + 1”), and we will aim to build co-existence and co-prosperity with our business partners through collaboration that transcends existing business relationships, corporate scale, and other factors. In doing so, from the perspective of business continuity in the event of disasters, etc., and workstyle reform, we will also promote support such as advice on the introduction of telework and the formulation of business continuity plans (BCPs) for our business partners.

(Individual items)

Business-to-business collaboration

- We will focus on collaborating with external parties and utilizing external technologies, flexibly incorporating scientific and technological advances to create new innovation opportunities.

Greening efforts

- We will work to protect the environment through business and other activities in cooperation with our suppliers, including conversion to renewable energy electricity and green refrigerants.

## 2. Compliance with Promotion Standards

We will comply with desirable business practices between parent companies and subcontractors (Promotion Standards based on the Law for the Promotion of Small and Medium-Sized Subcontractors) and actively work to correct business practices and commercial practices that hinder the establishment of partnerships with business partners.

### (1) Price determination method

We will not make unreasonable cost reduction requests. In determining the transaction consideration, if a subcontractor requests consultation, we will respond to the request and hold sufficient discussions to include appropriate benefits for the subcontractor, such as taking into account the impact of increased labor costs. In concluding a contract, including the determination of the transaction consideration, the parent company shall clearly indicate and deliver the terms and conditions of the contract in writing.

### (2) Cost burden for mold management, etc.

We will promote the disposal of unnecessary molds and will not request subcontractors to store molds free of charge.

### (3) Terms of payment for bills, etc.

Subcontract payments will be paid in cash whenever possible. If payment is made in the form of a bill, the subcontractor will not bear any discount charges, etc., and will endeavor to keep the payment site within 60 days.

### (4) Intellectual property and know-how

We will not seek disclosure of know-how or free transfer of intellectual property rights by taking advantage of our position in a business transaction.

### (5) Impact of workstyle reforms, etc.

To ensure that suppliers are also able to respond to changes in workstyles, we will not place

orders to subcontractors for short delivery times or change specifications at short notice without appropriate cost burdens. In the event of a disaster, etc., we will not impose a one-sided burden on subcontractors in terms of business transactions, and when business resumes, etc., we will take care to continue business relationships, etc., as much as possible.

### 3. Other (optional)

We aim to establish sound business relationships with our suppliers as well as to optimize our purchasing activities.

October 5, 2022

Chugai Pharmaceutical Co., Ltd.

Representative Director, President and CEO      Osamu Okuda

## 20. Tax Reporting (DJSI 1.8.2)

Unit: Million JPY

Tax Jurisdiction	Income Tax paid
Japan	174,851
Other geographical areas	1,223
Total	176,074

## 21. Product Innovations (Healthcare) (DJSI 1.10.1)

Technological breakthrough - the percentage of our pipeline medical products/drugs with a "novel mechanism of action," which are considered as "first-in-class" in the scientific community (in clinical trial phase III or in regulatory approval process)	57%
Therapeutic potential - the percentage of medical products filings (drugs, diagnostics, medical devices, or vaccines) that have been guaranteed the FDA Priority Review/EMA Accelerated Assessment (or equivalent) during the last 5 years	27%

## 22. Healthcare Clinical Pipeline (DJSI1.10.2)

Innovation phase	Number of projects
Total	130
Pre-clinical development	52
Clinical trials/pathway to approval	65
- Clinical trials: Phase I	27
- Clinical trials: Phase II	6
- Clinical trials: Phase III	32
Launch	13

## 23. Product Recalls (Health Care) (DJSI 1.11.1)

### Class I Recalls

	FY2020	FY2021	FY2022	FY2023
Number of Class I recalls	0	0	0	0
Total value of recalled products Unit: USD millions	0	0	0	0

### Class II Recalls

	FY2020	FY2021	FY2022	FY2023
Number of Class II recalls	1	0	1	0
Total value of recalled products Unit: USD millions	0.81	0	0.99	0

## 24. Compliance to Regulatory Standards (DJSI 1.11.2)

Number of the production plant inspections by regulatory authorities was 11 in the last fiscal year.

## **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.

## Appendix 2

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. “Chugai Group's Approach to Tax” is approved by Executive Committee, of which Representative Director is a regular member. Board of Directors of Chugai Pharmaceutical Co., Ltd. delegates the supervisory responsibility for business execution to Representative Directors.

#### *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.

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