

SHIONOGI's Material Issues

In fiscal 2023, we reviewed the risks and opportunities in light of changes in the internal and external environments and confirmed that the risks and opportunities as well as material issues identified in fiscal 2022 remain unchanged. On the other hand, for the following reasons, the material issues were partially revised and new indicators for each were established and approved by the Board of Directors.

- "Contribute to sustainable social security" was integrated into "Improve access to healthcare" because it is a necessary element to realize "Improve access to healthcare."
- "Create innovation" was added, as continued innovation is necessary to achieve "Protect people from the threat of infectious diseases" and "Contributing to a healthy and prosperous life."

The Material Issue Identification Process

Identification of Issues

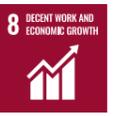
- Assessment of Risks and Opportunities**
 - Organize opportunities and threats based on perceptions of internal and external environmental changes
 - Evaluation on three axes: social, business, and internal
 - Consideration of ISO 26000 and ESG disclosure standards
- Category**
 - Organized into three elements based on implications: value creation, contribution to a sustainable society, and infrastructure

Interviews with stakeholders

- Interviews were held with external stakeholders such as investors and experts, as well as internal departments, to confirm validity.

Identification and monitoring of material issues

- Priority Ranking of Identified Items**
 - Evaluation of each of the three elements on two axes: impact and likelihood of occurrence
 - Impact: Consider expectation values derived from stakeholder engagement
 - Occurrence and feasibility: Consider time frames
- Board of Directors Approval**
 - Approval by the Board of Directors after discussion at the Executive Officers' Meeting
- Monitoring**
 - Based on environmental changes and assessments of risks and opportunities, the Corporate Executive Management Committee periodically examines whether or not material issues need to be reviewed.
 - If a review is required, it will be submitted to the Board of Directors.

Material issues	Indicators	Results of Main Initiatives	SDGs we contribute to particularly		
Material issues to create value by solving healthcare social issues	Protect people from the threat of infectious diseases > P.16, P.48, P.54, P.58, P.62, P.66	<ul style="list-style-type: none"> • Promote the appropriate use of infectious disease drugs to control antimicrobial resistance (AMR) and other issues • Growth/sales of drugs for the treatment of infectious diseases • Realization of a total care platform for infectious diseases, and global expansion and sales of vaccines • Initiatives for priority infectious diseases*1 to prepare for future pandemics 	<ul style="list-style-type: none"> • Sales of infectious disease drugs: ¥82.9 billion (Japan) • Infectious disease drug pipeline: 13 • Pipeline of vaccines to prevent infectious diseases: 6 • Number of activities to disseminate correct knowledge about infectious diseases using webinars and other means: 17 	    	
	Contributing to a healthy and prosperous life > P.48, P.54, P.62, P.66	<ul style="list-style-type: none"> • Growth/sales of QOL disease drugs • Realization of a total care platform for QOL diseases, and penetration of DTx into medical care • Provision of appropriate information and support to children, parents, and workers 	<ul style="list-style-type: none"> • Sales of QOL disease drugs*2: ¥68.2 billion (Japan) • Pipeline of drugs for the treatment of QOL diseases: 24 • Number of participants in awareness-raising seminars to promote understanding of developmental disorders: 2,398 		
	Create innovation > P.62, P.66	<ul style="list-style-type: none"> • Creation of technology/innovation and social implementation • Number of drugs newly migrated to Phase 2/3 • Number of drugs in Phase 2/3 • Creation of solutions other than pharmaceuticals 	<ul style="list-style-type: none"> • Number of drugs in pipeline: 43 • Healthcare solutions other than pharmaceuticals and vaccines: 7 		
	Improve access to healthcare > P.22, P.54, P.62	<ul style="list-style-type: none"> • Provision of products and services to LICs/LMICs • Strengthening of regional infrastructure and information provision to improve access to healthcare • Ensuring of access to pharmaceuticals where products have yet to be approved 	<ul style="list-style-type: none"> • Number of countries where ensitrelvir can be provided through partnership with MPP: 117 • Number of countries where cefiderocol can be provided through partnerships with GARDP and CHAI: 135 • Inclusion in the WHO Model Lists of Essential Medicines • Number of countries where ViiV provides dolutegravir/cabotegravir: More than 140 countries • Total number of people who received medical services through the Mother to Mother SHIONOGI Project: 160,151 (October 2015 to November 2023) 		
	Supply socially responsible products and services > P.84	<ul style="list-style-type: none"> • Avoidance of customer disadvantages caused by quality issues • Realization of high-quality and stable supply through the development of continuous manufacturing technology for multiple products and DX • Zero serious health hazards caused by products and services 	<ul style="list-style-type: none"> • Promotion of activities such as fostering a Quality Culture • Management supervision through audits of plants 		
	Strengthen supply chain management > P.82	<ul style="list-style-type: none"> • Creation of a system to achieve zero product shortages • Ongoing critical supplier assessments and dialogues 	<ul style="list-style-type: none"> • Assessment by FY2023 Questionnaire or EcoVadis: 68 • Multi-sourcing of suppliers and production plants • Establishment of a system of cooperation with suppliers for stable supply • Number of companies SHIONOGI has engaged through interviews or briefings: 29 		
	Respect human rights > P.85	<ul style="list-style-type: none"> • Continued implementation of human rights due diligence 	<ul style="list-style-type: none"> • Statement based on the Modern Slavery Act • Implementation of human rights impact assessments 		
	Protect the environment > P.86	<ul style="list-style-type: none"> • Achievement of the SHIONOGI Group EHS Action Targets (environment) 	<ul style="list-style-type: none"> • Greenhouse gas (GHG) emissions (Scope 1 & 2: market-based): 72,023 t-CO₂ • Total energy consumption: 333,595 MWh • Percentage of electricity from renewable energy: 40.8% 		
	Material issues to reduce negative impacts on customers and society	Develop and secure human resources to support growth > P.74	<ul style="list-style-type: none"> • Securing of a competitive and diverse workforce • Development of global human resources • Diversification of management personnel • Achievement of the SHIONOGI Group EHS Action Targets (Health and safety) • Achievement of health and productivity management targets 		<ul style="list-style-type: none"> • Completion of employee skill assessment • Education and training expenses per person: ¥81 thousand • Utilization rate of self-investment support: 46.5% • Ratio of female managers: 14.7% • Frequency rate: 0.24 • Health checkup reception rate: 100% • Percentage of employees who smoke: 3.2%
		Ensure compliance > P.102	<ul style="list-style-type: none"> • Monitoring of compliance and promotional activities 		<ul style="list-style-type: none"> • Implementation of Global Compliance & Quality Week • Implementation of compliance awareness survey of all employees and provide related feedback to all organizational units
Strengthen governance > P.90, P.92		<ul style="list-style-type: none"> • Evaluation of the effectiveness of the Board of Directors and implementation of continuous improvement measures 	<ul style="list-style-type: none"> • Skill matrix reviews • Performance review of the President by the Nomination Advisory Committee • Dialogue between shareholders/investors and outside directors 		
Material issues to support the realization of a sustainable society and the growth of SHIONOGI					

*1 Infectious diseases in which it is necessary to ensure the availability of medical countermeasures (MCM) including pharmaceuticals and medical devices that are of high importance to crises, such as saving lives, controlling epidemics, and maintaining social activities, in public health crisis management.

*2 Domestic prescription drug sales, excluding sales of infectious disease drugs.