

Shionogi Group's material issues (Materiality)

Our vision in the updated SGS2020 Medium-Term Business Plan is “to grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare.” To make that vision more tangible, we have carried out a materiality assessment to identify priority issues for the Shionogi Group. To grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare, we have identified and categorized material issues that matter most to Shionogi that provides value to four stakeholder groups – customers, local communities, shareholders and employees. To mark the start of Japan's new Reiwa era, we revisited the basic tenets of our business and identified material issues to help the Group refocus on the importance of growing sustainably contributing to a more vigorous society through improved healthcare.

Companies in the pharmaceutical sector and many other industries are grappling with rapid developments in the operating environment. Under those conditions, companies have to work with stakeholders to improve foresight, reduce business risk and harness their strengths to create new business opportunities that drive growth. Given that need, Shionogi has conducted dialogue with shareholders to identify material issues based on the Group's strategic direction, challenges, and demands from society. Shionogi will continue to focus on three priority material issues, while also contributing to the creation of sustainable society and driving the Company's growth by responsibly addressing and stepping up its response to various ESG issues. Based on that approach, Shionogi will make a concerted effort to be a relevant company for all stakeholder groups well into the future.

Materiality assessment process

STEP 1

Select social issues as materiality candidates

- ▷ We selected social issues through various channels of stakeholder engagement, referencing requirements in international guidelines and criteria used in assessments for socially responsible investment.

Main guidelines used as reference

Sustainable Development Goals (SDGs), GRI, ISO 26000, SASB

STEP 2

Prioritize social issues

- ▷ Led by the Corporate Strategy Division (Corporate Planning Department, Finance & Accounting Department, Corporate Communications Department), Human Resources & Administration Department, Corporate Social Responsibility Department and the Government Affairs Department, we created a materiality map to identify and categorize material issues from two perspectives – Importance to Society and Relevance to Shionogi's Business.
- ▷ Relevance to Shionogi's Business was assessed based on the updated SGS2020 Medium-Term Business Plan.

STEP 3

Conduct hearings with stakeholders

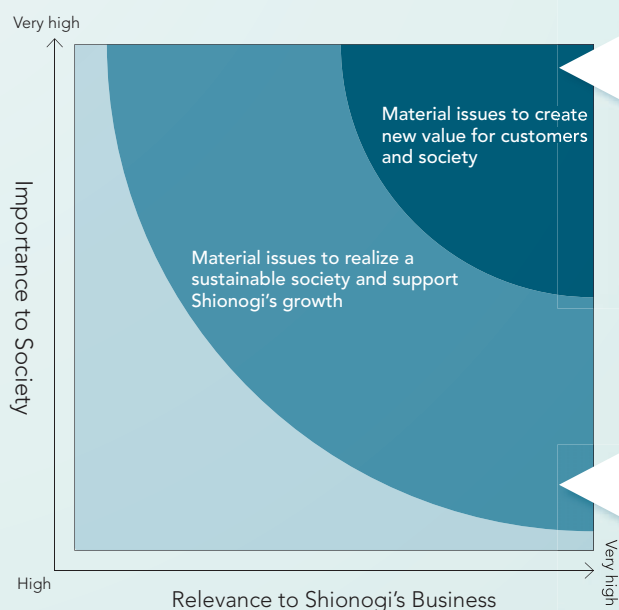
- ▷ We conducted hearings with investors, experts and other external stakeholders and with related internal departments to confirm the suitability of the materiality map.

STEP 4

Identify material issues

- ▷ Material issues were identified after discussions about the suitability of materiality by the Corporate Executive Committee and the Board of Directors
- ▷ We plan to regularly review material issues in line with revisions to business plans, progress with initiatives and changes in the social environment.

Materiality Map



Drive innovation	<ul style="list-style-type: none"> • Create new medicines that take into account economic efficiency in healthcare • Actively use diverse partnerships
Protect people worldwide from the threat of infectious diseases	<ul style="list-style-type: none"> • Address the problem of antimicrobial resistance (AMR) • Tackle the world's three major infectious diseases • Promote proper use of anti-infectives
Creating a more vigorous society	<ul style="list-style-type: none"> • Help end suffering from pain • Tackle psychological and CNS disorders • Support environments for more creative and vigorous lives • Create new value in the healthcare field

SDGs that Shionogi can help to achieve



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| <ul style="list-style-type: none"> ◆ Improve access to healthcare ◆ Supply socially responsible products and services ◆ Secure human resources to support growth ◆ Respect human rights ◆ Reinforce supply chain management | <ul style="list-style-type: none"> ◆ Protect the environment ◆ Strengthen corporate governance ◆ Ensure compliance |
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Dialogue with experts

As part of the materiality assessment process, we actively incorporated the views and insights of experts and other stakeholders, as well as internal feedback and hearings, to ensure our material issues reflected society's expectations and demands. During the process and checks on the suitability of materiality, we conducted dialogue with outside specialists about the future direction of our activities, receiving valuable advice based on a broad range of expertise.

Feedback from experts

Our view is that companies should conduct their business activities based on identified material issues in order to contribute to the creation of a sustainable society and develop their businesses in a sustainable way. In this case, Shionogi appears to have used an appropriate process to identify materiality.

Shionogi has identified three priority material issues – drive innovation, protect people worldwide from the threat of infectious diseases and create a more vigorous society. All three issues are extremely important for both Japan and the world, making them ideal for materiality.

Materiality enables companies to define strategies that they should focus on, but it should also be linked to concrete actions. In the next phase, materiality should be folded into specific initiatives with KPIs, guiding sustained efforts to resolve the issues. We look forward to seeing Shionogi create value that contributes to society through business activities that address material issues.



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Dialogue process

The dialogue process underscored our belief that Shionogi can meet the expectations of all stakeholders by providing value to society by tackling material issues. Going forward, we will disclose concrete initiatives and KPIs related to materiality to further step up our activities.