

## SHIONOGI GROUP MODERN SLAVERY STATEMENT (Year ended March 2021)

### 1. Introduction

This statement has been published in response to Section 54 of the UK Modern Slavery Act 2015. It sets out the steps taken by SHIONOGI & CO., LTD. and SHIONOGI B.V. (“we”) in the fiscal year ended March 31, 2022 (FY2021) to prevent modern slavery and human trafficking in our business and supply chains.

### 2. Our business and supply chains

Since its foundation in 1878, the SHIONOGI Group has been committed to continuously creating innovative healthcare products and services to provide more comprehensive solutions to patients and society worldwide. The SHIONOGI Group consists of SHIONOGI & CO., LTD., 48 consolidated subsidiaries (including SHIONOGI B.V.), three associated companies and one joint venture operating in 9 countries across the globe. With a consolidated workforce of 5,693 employees (as of March 2022), of which the majority are based in Japan, we are engaged in research, development, manufacturing and distribution of pharmaceuticals, diagnostics, reagents and medical devices, centered on the ethical pharmaceuticals business.

More information on the Company and the SHIONOGI Group is available at

<https://www.shionogi.com/global/en/company.html>

In the U.K., Shionogi B.V. is responsible for the commercial and R&D operations for the U.K. and Europe. Shionogi B.V. has its registered office in the Netherlands (Kingsfordweg 151, 1043GR, Amsterdam, the Netherlands), and a U.K. branch office in London, United Kingdom.

With its core business in pharmaceuticals, we focus on procurement of active pharmaceutical ingredients, intermediates, raw materials, packaging and services through a global network of manufacturing sites and distribution centers. We also cooperate with a number of outsourcing partners in order to provide the best possible medicines needed to protect people's health at all times, and require that these business partners in the supply chains also address human rights issues appropriately in accordance with the policy described in the following section.

### 3. Policies in relation to modern slavery and human trafficking

## Codes of Conduct

- Code of Conduct (SHIONOGI Group/regional)

Codes of Conduct, both at group level and across the regions in which we operate, set out the core standards and behaviors we expect all our employees and contractors to apply in their daily behavior. The Codes embed the need to understand and respect human rights and labor rights, across all our business activities.

The Group's management teams pledge to lead by example, acting out the spirit of the Code, educating all SHIONOGI Group members thoroughly with respect to the Code, and asking our business partners to accept and agree to the Codes.

<https://www.shionogi.com/global/en/company/business.html>

- SHIONOGI Group Business Partner Code of Conduct

The SHIONOGI Group is committed to realizing a sustainable and healthier society by working with business partners throughout the value chain. Therefore, we ask all our business partners to follow this Code. The SHIONOGI Group Business Partner Code of Conduct has been formulated based on the United Nations Global Compact and the PSCI (Pharmaceutical Supply Chain Initiative) principles. It stipulates the elimination of modern slavery and child labor, non-discrimination, fair treatment, observance of fair wages and reasonable working hours and freedom of association under "2. Human Rights and Labor". If it emerges that any activity has violated this Code of Conduct, we will take prompt action to remedy it.

<https://www.shionogi.com/global/en/company/policies/shionogi-group-business-partner-code-of-conduct.html>

## Policies

- SHIONOGI Group Human Rights Policy

We recognize our responsibility to respect the human rights of all those affected by our business activities and established the SHIONOGI Group Human Rights Policy in March 2021 based on the UN Guiding Principles on Business and Human Rights which sets out our commitment to promote respect for human rights. SHIONOGI Group Human Rights Policy is available at

<https://www.shionogi.com/global/en/company/policies/shionogi-group-human-rights-policy.html>

The policy covers all individuals and groups that may be affected by our business activities and business relationships. This commitment applies to all board members and employees of the SHIONOGI Group, and we will continue to encourage our business partners involved in the Group's products and services to support this policy. The policy expresses our commitment to adhere to the United Nations International Bill of Human Rights (specifically the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights), the ILO Declaration on Fundamental Principles and Rights at Work, international human rights standards for workers adopted in conventions on such matters as wages and working hours, and United Nations Declaration on the Rights of Indigenous Peoples, and respect Ten Principles set forth in the United Nations Global Compact and the Ethical Principles for Medical Research Involving Human Subjects (Declaration of Helsinki). The Company has signed up to the United Nations Global Compact from August 2019.

The policy has received the approval of our Board of Directors and the signature of our CEO.

- SHIONOGI Group Procurement Policy

The SHIONOGI Group conducts procurement activities based on honesty, accuracy, fairness, and transparency in order to maintain and enhance the health, safety, and daily comfort of people around the world and to realize a sustainable and healthier society. Supporting and respecting international standards, including the Ten Principles of the United Nations Global Compact, the Pharmaceutical Supply Chain Initiative (PSCI) principles, and ISO20400 (Guidance on Sustainable Procurement) as the basic approach to procurement, the Group promotes procurement that respects the human rights of all people in consideration of the working environment and safety and health, in accordance with relevant international norms.

<https://www.shionogi.com/global/en/company/policies/shionogi-group-procurement-policy.html>

- SHIONOGI Group Anti-Corruption/Anti-bribery Policy

There is a proven link between modern slavery and corruption. We have strict policies both at the Group level and at the regional level to prohibit the giving or

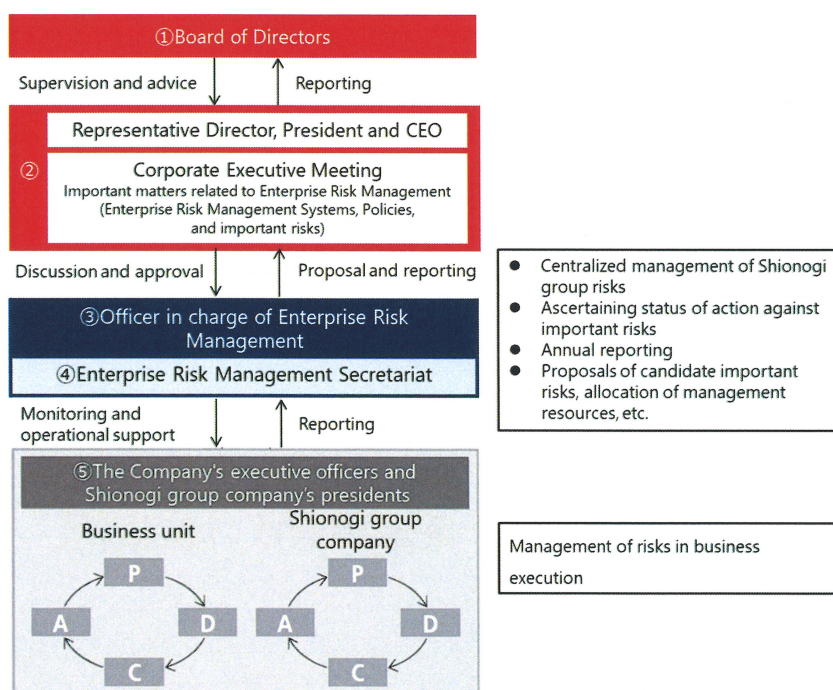


receiving of bribes.

<https://www.shionogi.com/global/en/company/policies/shionogi-group-anti-corruption-anti-bribery-policy.html>

#### 4. Governance structure for ensuring respect for human rights

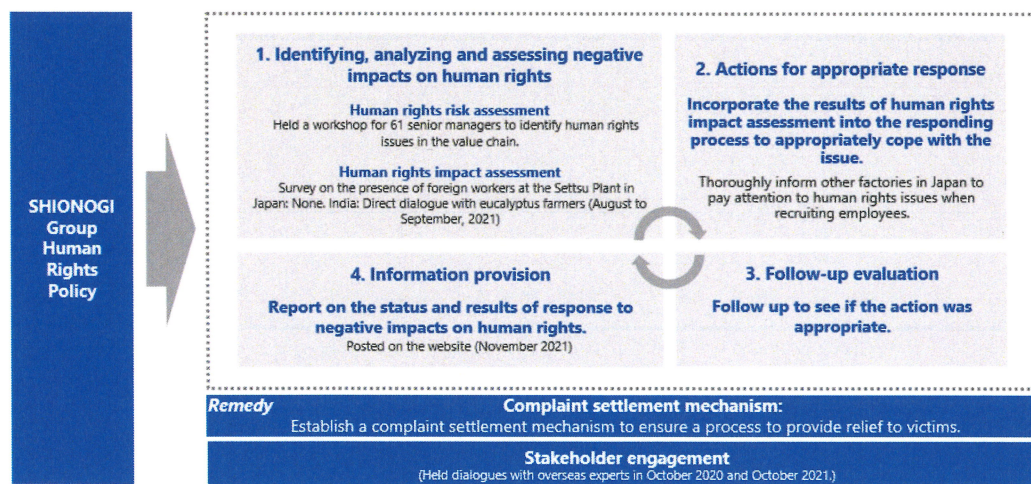
In July 2021, the SHIONOGI Group reorganized its Sustainability Management Office to create a specific group with oversight of ESG related matters including human rights, including modern slavery. In combination with the company wide risk management process, this has helped ensure that we as a company, including the Corporate Executive Committee and the Board, maintain a focus on these important topics.



#### 5. Due diligence process

We have established the following mechanism for human rights due diligence in accordance with the processes detailed in the UN Guiding Principles on Business and Human Rights and been working to ensure the due diligence process.





### SHIONOGI Group Due Diligence Process

## 6. Human rights impact assessment

In FY2020, we conducted a human rights risk assessment across all businesses of the SHIONOGI Group, narrowing down the areas where risks should be more precisely identified.

### (1) Conducting human rights risk assessment

We identified potential human rights risks that the SHIONOGI Group's business activities might have with the support of Caux Round Table Japan (CRT Japan), a third-party organization.

After researching human rights issues and industry-specific risks through desktop research and engagement with experts, we held a workshop on November 4, 2020. 61 senior managers discussed potential human rights risks and risk response situations in our value chain and risk items were organized by rights-holder and value chain. We also held workshops and interviews on November 26 and December 21, 2020 on specific human rights risks with personnel from relevant departments and shared examples of initiatives and opinions on potential human rights risks. The risk assessment results identified human rights themes requiring more precise risk identification from a human rights perspective.

### (2) Human rights themes for more precise risk identification

We have an important responsibility to ensure a stable supply of products and services, safety and quality, as well as respect and pay due consideration to the human rights of patients, healthcare providers and Group employees. We have established a dedicated

department within the Group to address these themes based on appropriate management cycles, which we continue to focus on. In addition, the following two points in the supply chain were recognized as important human rights themes for the SHIONOGI Group, and therefore were a prioritized focus in FY2021.

- (i) Labor situation of foreign workers
- (ii) Labor situation in the production areas of raw and other materials

(i) Labor situation of foreign workers

In FY2021, we conducted a survey to identify the actual situation in the workplace environment of foreign workers. In addition to confirming that there is no vulnerable foreign worker community in our Group, we expanded the scope of the survey to cover outsourcing companies in our plants in Japan and conducted a questionnaire survey regarding the employment of technical intern trainees to confirm that no technical intern trainees were employed. Furthermore, we conducted dialogues with three outsourcing companies related to one of our production plants and we confirmed with CRT Japan that no technical intern trainees were employed. As a result, we conclude that the human rights risk associated with technical intern trainees in the SHIONOGI Group at present is very low.

We asked outsourcing companies to ensure legitimate recruitment practices that do not violate human rights when employing technical intern trainees. We informed existing and new contractors of related policies, and added "Business and Human Rights" as an item to be reviewed when outsourcing. Also, we further notified employees of a whistleblowing system.

(ii) Labor situation in the production areas of raw and other materials

Based on the assessment report (Material-specific Human Rights & Environmental Impact Assessment) by PSCI and research by CRT Japan, we set aluminum, glass, cellulose, and ethanol as SHIONOGI Group important items in terms of the significance of their impact on the Group's business and the degree of potential risk recognized by society, and decided to conduct a human rights impact assessment. In FY2021, we launched an assessment on cellulose and conducted top-down interviews on the status of human rights initiatives with seven suppliers selected on the basis of transaction value and volume. Since we could not obtain sufficient information on the supply chain from the interviews, we switched to a more traceable bottom-up approach and conducted a human rights impact assessment in order to make the supply chain more transparent and to understand the labor situation in upstream



supply chain. In regard to eucalyptus, one of the raw materials for cellulose, we held three online dialogues (August 23, August 25, and September 3, 2021) with eucalyptus farmers in two regions in southern India and one region in northern India to confirm local labor conditions and further understand the human rights issues of eucalyptus farmers.

The impact assessment revealed no significant human rights violation risks such as forced labor or child labor among eucalyptus farmers in India. In addition, the assessment confirmed that eucalyptus farmers also grow crops other than eucalyptus and earn more than minimum wage. On the other hand, it became clear that brokers who buy the timber are in a stronger position than farmers, leaving no opportunity for price negotiation. In addition, the potential for reduced production in the future has been identified, due to the environmental impact of a low groundwater level on the livelihoods of the local population and other crop production as a result of the high water absorption of the eucalyptus, as well as low profitability of the eucalyptus. We then shared the results of the online dialogues with one of our primary cellulose suppliers. As a result, we confirmed that this supplier's cellulose is not made from eucalyptus and is made from raw materials under controlled conditions in North America and Europe, and therefore has little relevance to the issues of concern in India. Furthermore, we have received a commitment from the supplier to continue working with us and respecting human rights.

We will continue to maintain a management system that allows us to take prompt action to remedy the situation and to assess the human rights risks in the supply chains regarding the SHIONOGI Group's important items.

## **7. Procurement initiatives**

In addition to on-site audits, we regularly conduct written audits of our suppliers of critical pharmaceutical raw materials using the Self Assessment Questionnaire (SAQ) provided by PSCI to identify risks in each category, including modern slavery and human trafficking. 35 suppliers have endorsed the basic principles adopted for the PSCI to date and we have conducted written audits using the SAQ. In FY2021, we conducted on-site audits at two companies and have now completed on-site audits at 20 of the 35 suppliers. Supplier management level and auditing items are available at <https://www.shionogi.com/global/en/sustainability/society/supply-chain-management.html>

In FY2021, we implemented EcoVadis for fairer and more objective CSR evaluations, and we are conducting evaluations sequentially starting with business partners with the



highest priority. Although the number of on-site audits decline since FY2020 due to COVID-19, EcoVadis has enabled us to complete assessments for 26 companies in FY2021 and 43 companies in total since FY 2019.

We manage our key suppliers in the above approaches.

#### **8. Engagement with external stakeholders**

We participate in the Human Rights Due Diligence Workshop, organized by Nippon CSR Consortium with CRT Japan serving as secretariat, to discuss human rights issues in the pharmaceutical industry. In FY2021, we participated in the workshop from July to September 2021. The workshop brings together different stakeholders, including companies, NGOs/NPOs, and experts, to exchange views on promoting human rights due diligence initiatives. After issues are raised by NGOs/NPOs and experts, the participating companies discuss and identify human rights issues in the pharmaceutical industry, referring to the Human Rights Guidance Tool developed by the United Nations Environment Programme Finance Initiative (UNEP FI). We refer to the result of this engagement in our human rights initiatives.

We will systematically promote human rights initiatives in accordance with the Guiding Principles on Business and Human Rights, while considering the views of external experts obtained from the above engagements.

#### **9. Measuring with appropriate performance indicators**

In FY2021, as in the previous fiscal year, we held a dialogue with Institute for Human Rights & Business and World Benchmarking Alliance, leading experts in the field of “business and human rights” as part of our efforts to verify the effectiveness of the SHIONOGI Group's human rights due diligence process and results and to consider the future direction of our efforts. The experts commended the workshop involving management and employees in the human rights risk assessment and collection of reliable primary information through direct dialogues with farmers in the human rights impact assessment. In addition, we received advice from the experts on the things that need attention in advancing our efforts to respect human rights. Based on these, we will advance our efforts in FY2022.

The detail of the dialogue 2021 is available at

[https://www.shionogi.com/global/en/sustainability/society/respect-human-rights/dialogue\\_2021.html](https://www.shionogi.com/global/en/sustainability/society/respect-human-rights/dialogue_2021.html)

In order to assess the effectiveness of the steps we are taking to ensure that slavery and

human trafficking are not taking place in the SHIONOGI Group's business or supply chains, we will continue to (i) conduct the human rights due diligence assessment periodically, (ii) review the results of supplier audits and (iii) monitor the number and the contents of reports received through the whistleblowing procedures from employees, suppliers or others who raise concerns about modern slavery and human trafficking. We evaluate the effectiveness of these efforts, incorporating third-party perspectives.

#### **10. Grievance mechanism**

The SHIONOGI Group has established a variety of mechanisms, both internal and external, which all workers and those external to the company can use to raise concerns. These include the ability to report anonymously. We have a strict policy on non retaliation for reports received in good faith and have mechanisms in place to ensure the privacy of the reporter is respected. In FY2021, there were no cases of human rights-related reporting to this contact point.

#### **11. Training to eradicate forced labor and human trafficking**

We provide education to raise awareness of human rights risks, including modern slavery and human trafficking to ensure that each Group employee understands the importance of respect for human rights and that they embed the understanding into their day-to-day business operations.

#### **12. Plan for the next year and onward**

In accordance with the UN Guiding Principles on Business and Human Rights, we are committed to ensuring that our operations and supply chains do not cause or contribute to human rights violations. To achieve this, we will specifically focus on the following.

(1) Conduct human rights impact assessments

Conduct human rights impact assessment, prioritizing the SHIONOGI Group important items, through interviews with our suppliers, and disclose the results on our website.

(2) Conduct human rights risk assessments at suppliers of COVID-19 related products

Conduct a questionnaire survey on modern slavery among suppliers in Japan related to COVID-19 vaccines and therapeutics. Focusing on foreign workers in Japan, who are considered to be at high risk of human rights violations, we will conduct a questionnaire survey with the aim of confirming the presence of foreign workers at suppliers and their employment and working conditions. Furthermore, for suppliers which are identified as

high risk based on the results of the questionnaire, interviews will be conducted to ascertain the actual situation.

(3) Establish a grievance mechanism

Consider expanding the "Contact Point for Reporting Regarding Compliance" currently in operation to fulfill the grievance mechanism requirements detailed in the UN Guiding Principles on Business and Human Rights.

This statement was made by SHIONOGI & CO., LTD. on behalf of itself and SHIONOGI Group (including SHIONOGI B.V.) and has been approved by the Board of Directors of SHIONOGI & CO., LTD. on September 5, 2022.

September 26, 2022



Chairman of the Board and Representative Director, President and CEO  
Shionogi & Co., Ltd.