

# Aiming for sustained enhancement of corporate value by strengthening corporate governance

## Masayo Tada

Member, Board of Directors, Chairman



### Initiatives to enhance the effectiveness of the Board of Directors

Sumitomo Dainippon Pharma regards corporate governance as one of the most important factors for sustained growth and enhancement of corporate value over the medium to long term, and we have been investing considerable efforts into development of rules and systems related to corporate governance. As a part of such efforts, since fiscal 2015 we have evaluated the effectiveness of the Board of Directors. At the end of each fiscal year, a questionnaire survey is conducted with all members of the Board of Directors, including the Outside Directors. Based on an analysis of the results of the questionnaire, the major matters that need to be focused on in the following fiscal year are identified, and efforts are undertaken in cooperation with the executive officers to enhance the effectiveness of the Board of Directors.

In fiscal 2020, based on the evaluation of the analysis of the previous fiscal year, three issues were identified as key challenges and initiatives aimed at addressing them have been carried forward: improvement of discussions for enhancing corporate value in the medium to long term; ideal future composition of the Board of Directors; and further improvement of the quality of deliberations by the Board of Directors—.

With regard to the first issue of improvement of discussions for enhancing corporate value in the medium to long term, members of the Board of Directors discussed management issues from a medium- to long-term perspective, in a total of four times. Going forward, a venue will be provided where even deeper discussions can take place.

Regarding the second issue, ideal future composition of the Board of Directors for the future, based on the Company's "Vision for 2033" and other initiatives, the Nomination and Compensation Committee had two discussions to consider the areas of expertise and perspectives required of the members of the Board of Directors. From the aspect of ensuring diversity of the Board of Directors, the appointment of women or members based outside of Japan to the Board of Directors may, for example, be brought up as an issue for discussion; however, the goal must go beyond simply fulfilling a head count to have meaning. Additionally, we understand the importance of training and developing candidates in-house who contribute to realizing diversity for the Board of Directors, while keeping in mind criteria for the ideal candidates of the future.

With regard to the third issue, further improvement of the quality of deliberations by the Board of Directors, efforts were made to enhance explanations for Outside Directors and to not only improve the quality of the materials

but also distribute them early, in addition to setting an appropriate amount of time for deliberation according to content of the inquiries.

With these initiatives, which were the result of the evaluation of the effectiveness of the Board of Directors in fiscal 2020, it was confirmed that the effectiveness of the Board of Directors of the Company has been ensured in general. Moreover, based on analysis of the questionnaire survey results, additional key matters were identified to be addressed in fiscal 2021: further enhancement of discussions for risk management; provision of the appropriate number of agenda items and appropriate time for deliberation; and enhancement of training. In this regard, I look forward to continuing our efforts to further improve the functions of the Board of Directors.

### Addressing the revised Corporate Governance Code

Sumitomo Dainippon Pharma has made efforts to realize effective corporate governance, including taking diversity into consideration in the appointment of and increased numbers of Independent Outside Directors.

In June 2021, Japan's Corporate Governance Code was revised for the first time in three years.

These revisions are broadly described in three points. The first point is to fully utilize the functions of the Board of Directors. As mentioned earlier, ongoing efforts are being carried out regarding this matter, with one Independent Outside Director being added to the Board of Directors in fiscal 2021. As a result, the number of Independent Outside Directors now stands at four, with Independent Outside Directors now making up 44 percent of the Board of Directors.

The second point places importance on ensuring the diversity of the Company's core human resources. Aligned with this point, there are three women and two members from outside Japan (one of whom is one of the aforementioned women.), among the executive officers who are members of the Management Committee. Having diverse perspectives at the executive level plays a significant role in decision-making, and I believe this involvement will lead to the nurturing and development of the next generation of talent and leadership to benefit our organization.

The third point places even greater

importance on initiatives concerned with medium- to long-term sustainability, including Environmental, Social, and Governance (ESG) elements. The Company is proactively carrying forward initiatives aimed at improving the sustainability of every aspect of ESG. Particularly with regard to the issue of climate change, which is a pressing issue for all of humanity, it is the policy of the Company to engage in activities to obtain SBT (Science Based Targets) certification, and endorse the TCFD (Task Force on Climate-related Financial Disclosures) proposal, as well as analyze and evaluate risks and opportunities for disclosing information related to the proposal, in order to realize the reduction of greenhouse gas (GHG) emissions (Scope 1+2) to net-zero by fiscal 2050, based on the Basic Environmental Policies, which underwent revision in May 2021.

Besides these three main points, with regard to the group's governance, the revisions also require development of Corporate Governance systems protecting the interests of minority shareholders in listed companies which have a controlling shareholder. As Sumitomo Dainippon Pharma is a listed company which has a parent company, the Supervisory Committee for Conflict of Interests in Transactions between Group Companies established as an advisory body to the Board of Directors in April 2020 and composed of all the Independent Outside Directors, deliberates on material transactions with the parent Company's Group from the perspective of protecting the interests of minority shareholders.

Through these initiatives, Sumitomo Dainippon Pharma pursues the sustained growth and the enhancement of corporate value over the medium to long term by continuously strengthening corporate governance, while taking into consideration the demands made by society on the Company.



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