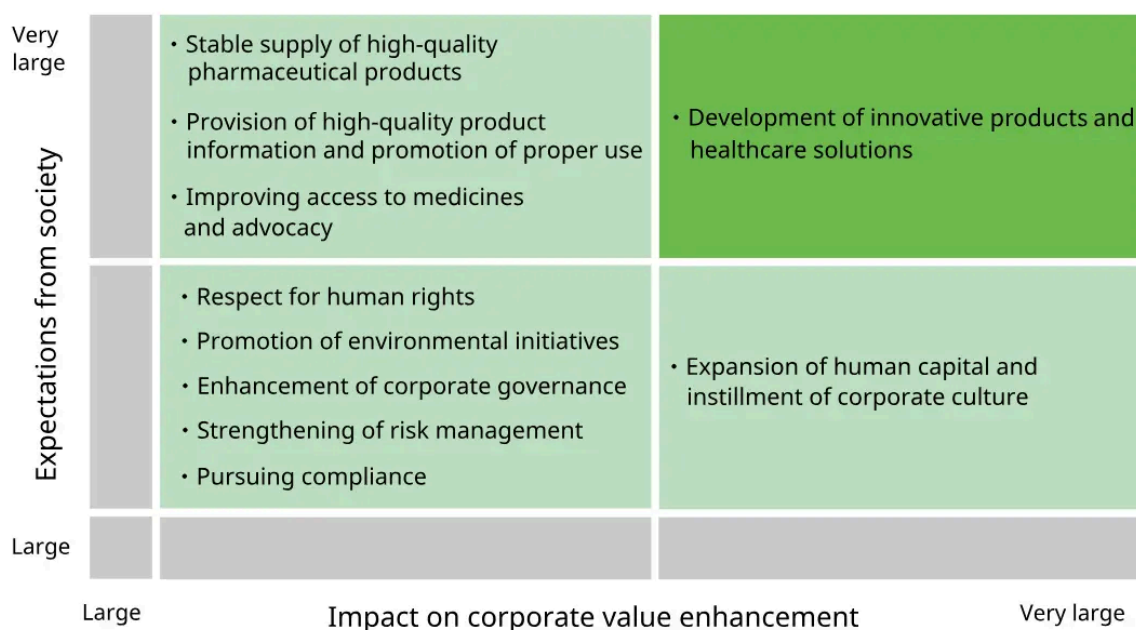


# Material Issues | FY2023 Archive

In order to realize both contribution to sustainable society and its own sustained growth, the Sumitomo Pharma Group will create value that only it can deliver by utilizing the Group's capital (strengths) in response to the diverse and changing social expectations and demands. To this end, in March 2023 we identified the key issues to be addressed as "Material Issues."

## Material Issues map



## Process for identifying Material Issues

### STEP 1: Create a list of social issues/needs and the Sumitomo Pharma Group's capital (strengths)

We have made a list of social issues/needs by referring to such things as the SDGs, Global Risk Reports, various frameworks (GRI Standards, SASB Standards, ISO26000, The Ten Principles of the UN Global Compact, etc.), and ESG survey evaluation items (DJSI, FTSE, and MSCI).

As for the Sumitomo Pharma Group's capital (strengths), we made a list based on internal interviews and by also taking into account information provided by institutional investors.

## STEP 2: Assessment of issues

Among the social issues/needs listed, we have extracted those issues related to the Sumitomo Pharma Group's capital (strengths). Then we have identified issues that are prioritized as Material Issues by setting the following two axes for these issues: "Expectations from society" and "Impact on corporate value enhancement," and we have assessed each of them on a three-point scale.\*

We conducted the assessment of issues by also referring to advice from external consultants on sustainability.

\* In terms of "Expectations from society," we assess these issues based on the factors of "the level of public interest in the issue" and "the level of expectations towards pharmaceutical companies in addressing the issue," and in terms of "Impact on corporate value enhancement," it is based on the factors of "consistency with the Mission" and "the impact on corporate value through addressing the issue."

## STEP 3: Finalization of Material Issues

We finalize Material Issues after deliberations at multiple meetings of Management Committee and approval by the Board of Directors.

## | Targets and KPIs for Material Issues

At the Management Committee, targets and KPIs have been set for each Material Issue every fiscal year. In order for the Group to both contribute to the sustainability of society and achieve our own sustained growth, it is important to regularly review the progress through KPIs and make necessary adjustments.

In the Group, we continually strive to enhance the effectiveness of Material Issues by reviewing the progress of each fiscal year during the following year's the Management Committee and the Board of Directors.

[Progress Status for fiscal 2023 \(PDF/303KB\)](#) 

## | Historical Changes of Material Issues

### Identifying Material Issues and Confirmation of Fiscal 2022 Progress (July 2023)

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[The targets and KPIs of Material Issues and the status at the time of Material Issues identification \(March 2023\)](#)

### Confirmation of Fiscal 2021 Progress and Partial Revisions of KPIs (July 2022)

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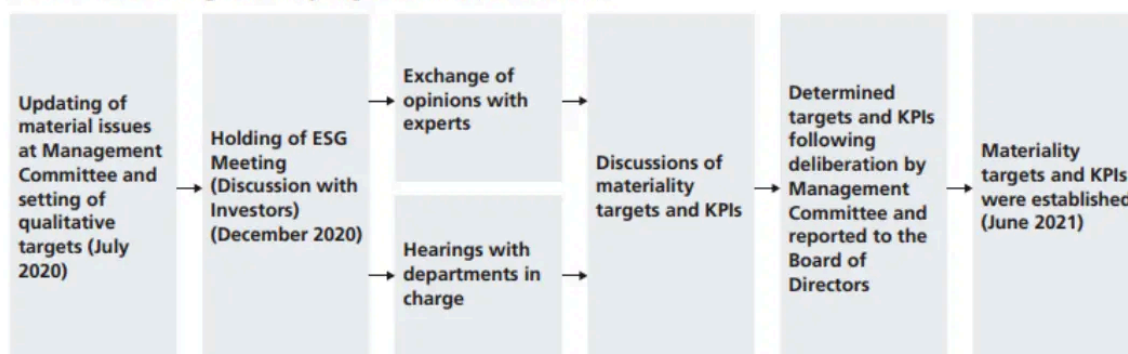
[Materiality targets, KPIs and fiscal 2021 progress](#) (Integrated Report 2022, P35-38)

## Establishing Materiality Targets and KPIs (June 2021)

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We verified each of the material issues based on the opinions we obtained from dialogue with our stakeholders. As a result, we didn't change any of the material issues, and we established targets and KPIs for each of the material issues. In establishing such targets and KPIs, we ensured that they are linked to our business plans and management issues and made them indicators that enable us to evaluate and analyze the progress of each material issue. By sharing our initiatives with the public, including non-financial information, we further promoted dialogue with our stakeholders.

Process of determining materiality targets and KPIs (FY2020-2021)



## Changes to Materiality (July 2020)

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### Changes to Some Material Issues

- ① There are no changes in the area of "Material issues linked to value creation." "Development of innovative products and healthcare solutions" referred to psychiatry & neurology, oncology, regenerative medicine/cell therapy, infectious diseases, and frontier business, but we have deleted the reference to specific areas given that we will also focus on other areas in addition to these five.
- ② In the area of "Material issues that form the foundation for business continuity," given rising global concern in human rights, we have made an adjustment to further address respect for human rights through all of our business activities, and divided "CSR procurement (respecting human rights)" into "Respecting human rights" and "CSR procurement."

For more information about our initiatives on human rights, please see "[Human Rights](#)."

### Establishing Materiality Qualitative Targets

## Changes to Materiality (August 2019)

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Based on stakeholder dialogue, we divided our materiality into the two categories below.

- ① Materiality linked to value creation, which is highly unique and vital for the sustained growth of Sumitomo Pharma
- ② Materiality that forms the foundation for business continuity, which is essential for the continuation of our business activities

Below are the reasons for the selection of the main material issues and how they are linked with value creation.

## **Development of innovative products and healthcare solutions, Contributing to the development of science**

The development of innovative products and healthcare solutions to address unmet medical needs is our business and the source of value creation. We can also contribute to the development of science through drug discovery and research, product development, and clinical development.

## **Training and development of employees, Work Style Innovation, Diversity & Inclusion**

A business is composed of its employees. Upgrading the capabilities of employees, improving labor productivity, and effectively utilizing human resources is essential for our sustained growth.

## **Contribution to global health Initiatives to improve access to medicines**

## **Initial Materiality Assessment Procedures (July 2018)**

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### **STEP 1: Compiling material issues**

By referring to information\* such as international guidelines and questionnaire factors evaluated by SRI assessment organizations, \* we reviewed global societal issues and trends in ESG expectations to compile material issues which we should consider.

\* The United Nation's Sustainable Development Goals (SDGs), GRI Standards, ISO26000, Dow Jones Sustainability Indices, FTSE4Good, MSCI, etc.

### **STEP 2: Narrowing down material issues**

We narrowed down the material issues based on the expectations obtained through dialogues with our stakeholders.

### **STEP 3: Prioritizing material issues**

The material issues were classified and prioritized in terms of their "Societal Significance (based on the expectations of various stakeholders and social demand)" and "Importance to Sumitomo Pharma's Business."

### **STEP 4: Deliberating and determining material issues**