

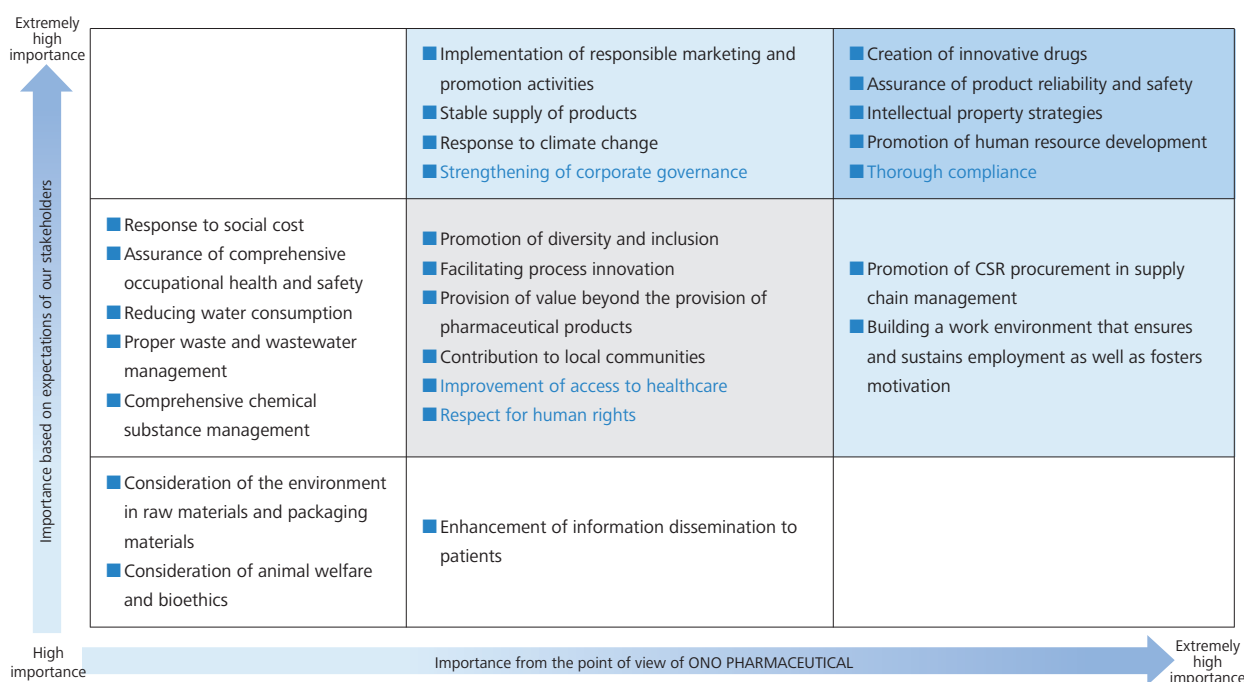
# About ONO's Materiality

In FY2018, we redefined our materiality (important CSR issues) to clarify CSR themes which we should emphasize. ONO actively engages in CSR according to the new materiality that we have established.

## Process of Determining Materiality



In FY2021, we reviewed the importance of each item in light of external information obtained from discussions with stakeholders and changes in the business environment surrounding us. As a result, we changed our materiality map as described below.



### Thorough compliance

- **Change:** This item has been raised by one level on the vertical axis "Importance based on expectations of our stakeholders."
- **Reason:** Based on the fact that some of our employees were convicted of bribery, we maintain efforts to ensure legal and regulatory compliance as the most important issues.

### Strengthening of corporate governance

- **Change:** This item has been raised by one level on the vertical axis "Importance expected of us by our stakeholders." Also, the title was changed from "Strengthening of governance for globalization" to "Strengthening of corporate governance."
- **Reason:** As requirements for strengthening corporate governance are increasing, we are also expected to strengthen corporate governance with our anticipation of global business development.

### Improvement of access to healthcare

- **Change:** This item has been raised by one level on the horizontal axis "Importance from the point of view of ONO PHARMACEUTICAL."
- **Reason:** Improvement of access to healthcare has become more recognized as a social issue because of novel coronavirus infection (COVID-19) and has become more important for us, as we aim to become a more global company.

### Respect for human rights

- **Change:** This item has been raised by one level on both the vertical axis "Importance expected of us by our stakeholders" and the horizontal axis "Importance from the point of view of ONO PHARMACEUTICAL."
- **Reason:** Human rights issues are among the conventional social issues, and companies are expected to actively contribute to the resolution of human rights issues.

The process of determining materiality is provided in detail on ONO's sustainability website.

<https://sustainability.ono-pharma.com/en/themes/100#898>

## Materiality and Relevant Sustainable Development Goals (SDGs)

We report and manage the progress of each materiality target semi-annually at the Management Meeting.

Targets for FY2020		Progress results in FY2020	Targets for FY2021	
<b>Creation of innovative drugs</b>				
Medium- to long-term targets		Contribute to the health of people all over the world by satisfying unmet needs through the discovery and manufacture of innovative pharmaceutical products		
		Relevant SDGs		
		  		
① Speed up the drug discovery process and shorten each phase of research and development	Ono Venture Investment, a new system for open innovation, was established	Use open innovation to expand the development pipeline focusing on key areas of research including cancer, immune diseases, central nervous system diseases and specialty domains		
② Use open innovation to expand the development pipeline focusing on key areas of research including cancer, immune diseases, central nervous system diseases and specialty domains	Please refer to pp.19-20 for details of our development pipeline and its progress	KPI ✓ Number of approvals/clinical studies/preclinical studies/in-licensed drugs		
<b>Intellectual property strategies</b>				
Medium- to long-term targets		In addition to uncovering company-internal intellectual property, strengthen product lifecycle management from the standpoint of maximizing intellectual property value		
		Consider proactive utilization of intellectual property in order to improve healthcare access		
		Relevant SDGs		
		 		
① Spread awareness of the crucial nature of intellectual property by holding talks and exchanges of views in each department to uncover new company-internal intellectual property, with the aim of continuing to develop innovative pharmaceutical products while respecting others' patents	· The department in charge of intellectual property conducted awareness-raising sessions on intellectual property within relevant departments and held 29 discussions · No intellectual property of others was violated	① Maximize the value of intellectual property by holding talks and exchanges of views in each department to spread awareness of the crucial nature of intellectual property and uncover new company-internal intellectual property		
KPI ✓ Hold talks and exchanges of views at least 10 times a year ✓ There are no cases where we have infringed on others' intellectual property rights		KPI ✓ Our intellectual property is actively used. Its value is not damaged		
② Consider and formulate specific lifecycle management plans for all products and compounds under development, including plans to improve drug formulation, from the perspective of intellectual property	Lifecycle management strategies of all projects were examined and made from the perspective of intellectual property	② Enhance analysis, design and promotion of intellectual property strategies for all products and compounds under development from the perspective of lifecycle management		
③ Engage in external information exchange to build a foundation for intellectual property utilization in order to improve healthcare access	Relevant institutions and cases in the pharmaceutical industry were investigated and possible measures were organized	③ Continue collecting external information to build infrastructure for intellectual property utilization to improve healthcare access, extract issues to be addressed for global business development and make a medium- and long-term strategy		
KPI ✓ Collect information from relevant institutions (such as the World Intellectual Property Organization) ✓ Consider the expectations of stakeholders for enhancing access to pharmaceutical products and possible measures we can take, and establish a policy to respond to their expectations		KPI ✓ The medium- and long-term strategy is made to improve healthcare access		
<b>Assurance of product reliability and safety</b>				
Medium- to long-term targets		Raise awareness in each and every employee about the importance of the reliability and safety of products by properly promoting quality management and safety management operations		
		Relevant SDGs		
				
① Keep the rate of incidents in safety management operations below a certain level	The compliance rate for reporting to regulatory authorities within the prescribed period is 100%	① Keep the rate of incidents in safety management operations below a certain level		
KPI ✓ The compliance rate for reporting to regulatory authorities within the prescribed period is at least 99.9%		KPI ✓ Compliance rate for reporting to regulatory authorities within the prescribed period: At least 99.9%		
② Keep the rate of incidents and recurrence of problems in quality management operations below a certain level	· Zero product recall · The quality claim rate is below 0.01%	② Keep the rate of incidents and recurrence of problems in quality management operations below a certain level		
KPI ✓ Zero product recall ✓ The quality claim rate is below 0.01%		KPI ✓ Zero product recall ✓ The quality claim rate is below 0.01%		
③ Conduct internal training · Quality management training: CMC-Production Division and Quality Assurance Department · Safety management training: Other programs to be undertaken by implementing departments in addition to employees companywide	Four quality management training sessions and about 30 safety management training sessions were conducted as scheduled	③ Train and raise awareness of relevant departments to improve compliance with GXP (GVP, GQP, GPSP)		
		KPI ✓ Safety management training for all employees, plus additional programs for GVP/GPSP education, RMP and product education to be undertaken by implementing departments ✓ Quality management training for CMC, Production Division and Quality Assurance Department		

## Targets for FY2020

## Progress results in FY2020

## Targets for FY2021

## Promotion of human resource development

## Relevant SDGs

Medium- to long-term targets

Develop human resources able to actively participate on the world stage, so that each and every employee can take their own initiative in their duties and career and take action as passionate challengers to deliver better pharmaceutical products to patients



<p>① Continue to engage in activities to raise awareness about our mission statement</p> <p><b>KPI</b></p> <p>✓ Rate of employees who are highly aware that our mission statement is their principle for taking action: At least 50%</p>	<p>Rate of employees who are highly aware that our mission statement is their principle for taking action: 47%</p>	<p>① Continue to engage in activities to raise awareness about our mission statement</p> <p><b>KPI</b></p> <p>✓ Rate of employees who are highly aware of our mission statement in taking action: At least 65%</p> <p>✓ Rate of employees of overseas subsidiaries (excluding expatriate employee) who are highly aware of our mission statement: At least 40%</p>
<p>② Conduct cross-sectional training for seven ranks of employees, from new employees to managers, in order to develop human resources that behave according to the behavioral characteristics required of each rank, with the aim of facilitating changes in their behavior</p> <p><b>KPI</b></p> <p>✓ Rate of behavior change recognized in the evaluation made by their superiors after the training: At least 80%</p>	<p>Rate of behavior change recognized in the evaluation made by their superiors after the training: 79%</p>	<p>② Conduct cross-sectional training for seven ranks of employees, from new employees to managers, in order to develop human resources that behave according to the behavioral characteristics required of each rank, with the aim of facilitating changes in their behavior</p> <p><b>KPI</b></p> <p>✓ Rate of behavior change recognized in the evaluation made by their superiors after the training: At least 85%</p>
<p>③ Develop human resources that can act independently by expanding elective training in which employees can choose to participate, and enhancing support for self-improvement of employees. ONO also nurtures a climate of growth where employees are stimulated by learning from each other</p> <p><b>KPI</b></p> <p>✓ Attendance rate for self-improvement programs: At least 33%</p>	<p>Attendance rate for self-improvement programs: 32%</p>	<p>③ Increase opportunities of self-learning and social learning of employees</p> <p><b>KPI</b></p> <p>✓ Attendance rate for self-improvement programs: At least 40%</p>
<p>④ Develop human resources and build an organization able to adapt to harsh environmental changes worldwide</p> <p><b>KPI</b></p> <p>✓ In the global skills assessment (BISA test) after the global development programs, 80% of the attendees reach at least 700 points (a level that allows for overseas assignment)</p> <p>✓ Rate of behavior change recognized in the evaluation made by their superiors after the future top management candidate training: At least 80%</p>	<p>· In the global skills assessment, 83% of persons were assessed after training to be competent to work abroad</p> <p>· Rate of behavior change recognized in the evaluation after the future top management candidate training: 69% and 52% for two ranks, respectively</p>	<p>④ Enhance training of and increase the number of candidates for top management</p> <p><b>KPI</b></p> <p>✓ Training additional 40 candidates for top management</p> <p>✓ Training 20 persons who are competent to work abroad (target number of persons who are competent to work abroad by the end of FY2024: 200; 121 persons already trained)</p> <p>⑤ Deepen employees' understanding of independent career development</p> <p><b>KPI</b></p> <p>✓ Employees' understanding of career development: 50%</p> <p>✓ Attendance rate of e-learning for career development: At least 85%</p> <p>⑥ Discover core persons in charge of innovation</p> <p><b>KPI</b></p> <p>✓ Number of participants in discovery programs: At least 60</p> <p>✓ Temporary transfer to ventures</p> <p>⑦ Train persons in charge of digital transformation</p> <p><b>KPI</b></p> <p>✓ Number of persons with IT passport: 35</p>

## Thorough Compliance

## Relevant SDGs

Medium- to long-term targets

Improve awareness about organizational compliance and strengthen auditing systems in an effort to eliminate any regulatory or compliance violations



<p>Implement the following initiatives with the aim of maintaining no occurrence of significant compliance violations*</p> <p>* Compliance violations that have a great impact on sales and profits</p> <p><b>KPI</b></p> <p>✓ Number of significant compliance violations: Zero</p>	<p>Number of significant compliance violations: 1</p> <p>* Case charged with bribery in February 2021 (and judged guilty in June 2021)</p>	<p>Implement the following initiatives with the aim of maintaining no occurrence of significant compliance violations*</p> <p>* Compliance violations that have a great impact on sales, profits and the society</p> <p><b>KPI</b></p> <p>✓ Number of significant compliance violations: Zero</p>
<p>① Conduct all department leader training based on the legislation covering prevention of power harassment</p> <p>· Conduct an employee awareness survey on compliance and harassment to incorporate survey results on the formation of measures by each department</p> <p>· Conduct sales department training (rules, guidelines, code of conduct)</p> <p>· Conduct e-learning training (twice a year)</p> <p>· Distribute an email magazine on compliance</p> <p><b>KPI</b></p> <p>✓ Training attendance rate: 100%</p>	<p>Training attendance rate: 100%</p>	<p>1. ① Hold a compliance meeting in which members of company management participate every quarter to work through the companywide compliance PDCA cycle</p> <p>② Conduct compliance training (e-learning twice a year)</p> <p>③ Conduct training and follow-up training of new employees</p> <p>④ Conduct an employee awareness survey on compliance and harassment</p> <p>⑤ Give feedback to and train each department based on the result of ④</p> <p>⑥ Conduct training about rules, guidelines, and the code of conduct for employees at the Sales and Marketing Department (twice a year)</p> <p>⑦ Ensure that all employees (100%) receive the above training as required and are checked and assessed for their understanding after training</p> <p>⑧ Dispatch a monthly email newsletter (ONO Compliance Report)</p> <p>2. Enhance compliance management of overseas subsidiaries of our Group and collaborate with Enterprise Risk Management to take following company-wide measures</p> <p>· Conduct compliance training</p> <p>Focus on important compliance in training according to the business plan</p> <p>· Enhance global compliance management</p> <p>Make a road map for global business development in the next three years</p>
<p>② Hold a compliance meeting in which members of company management participate every quarter to work through the companywide compliance PDCA cycle</p>	<p>Four compliance meetings were held as scheduled cycle</p>	

Targets for FY2020	Progress results in FY2020	Targets for FY2021
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## Implementation of responsible marketing and promotion activities

Relevant SDGs



Medium- to long-term targets	Engage in activities that properly disseminate information in accordance with the guidelines for activities to disseminate marketing information about pharmaceutical products	
Implement the following initiatives, with the aim of reducing the number of significant compliance violations* to zero * Compliance violations that have a great impact on sales and profits <b>KPI</b> ✓ No. of significant compliance violations: Zero	Number of significant compliance violations: 1 * Case charged with bribery in February 2021 (and judged guilty in June 2021). The same case is mentioned in "Thorough Compliance"	Implement the following initiatives with the aim of reducing the number of significant compliance violations* to zero * Compliance violations that have a great impact on sales, profits and the society <b>KPI</b> ✓ Number of significant compliance violations: Zero
① Conduct internal training for all employees involved in sales activities so that they act in compliance with the guidelines for activities to disseminate marketing information <b>KPI</b> ✓ Four times a year	Six times a year	① Enhance governance: Review and ensure adherence to internal rules of marketing activities, as well as legal compliance. Establish a reporting/notifying system (to superiors) to prevent inappropriate activity and conduct regular internal training of all salespersons ② Guidelines for activities to disseminate marketing information (lecture): Check slides for company-hosted lectures in advance to prevent information provision that violates the guidelines
② At company-hosted lectures, request that presenters provide information appropriately in keeping with internal company rules that conform to the guidelines, and check slides in advance <b>KPI</b> ✓ Rate for prior confirmation of slides: 100%	Rate for prior confirmation of slides for lecture: 99%	<b>KPI</b> ✓ Rate for prior confirmation of slides: 100% Ensuring the provision of well-balanced information on safety and efficacy at company-hosted lectures <b>KPI</b> ✓ Provision of safety information at all company-hosted lectures
③ The director of each sales office conducts an assessment to check whether the following activities are appropriately conducted at the time of accompanying his/her office members 1) Activities to disseminate information at the time of interview 2) Check slides used at company-hosted lectures in advance If the activities are inadequate, clarify the reasons for such activities and consider countermeasures against them. Then report the countermeasures to the Head Office for discussion <b>KPI</b> ✓ Conduct an assessment once a month	Assessment was conducted once a month to extract issues to be addressed and take measures	③ Guidelines for activities to disseminate marketing information (interview): Build a system that allows appropriate provision of information to healthcare professionals during interviews with them <b>KPI</b> ✓ Number of MRs who provide information inappropriately: Zero ④ Assessment of compliance with GL: Assess MRs regularly to check whether the following daily activities are appropriately conducted to determine causes of inappropriate cases, report countermeasures and prevent recurrence (prior confirmation of slides for lecture, safety information supply, information supply during interview) <b>KPI</b> ✓ A system is established to assess MR activity regularly, determine the causes and take measures under the responsibility of the director of sales office

## Response to climate change

Relevant SDGs



Medium- to long-term targets	Reduce CO <sub>2</sub> emissions by 55% by 2030 (compared to FY2017 figures)	
① Continue to work to reduce GHG emissions <b>KPI</b> ✓ A reduction of 12.6% compared to FY2017 (Scope 1 and 2)	Reduction by 12.6% compared to FY2017 (Scope 1 and 2)	① Continue to work to reduce GHG emissions <b>KPI</b> ✓ A reduction of 16.8% compared to FY2017 (Scope 1 and 2)
② Increase the usage rate of renewable energy <b>KPI</b> ✓ At least 12.6%	Renewable energy usage: 13.2%	② Increase the usage rate of renewable energy (renewable energy use/total electricity consumption) <b>KPI</b> ✓ At least 16.8%
③ Announce our participation in RE100 (an international initiative that aims for 100% usage of renewable energy in business operations by 2050)	Participation in June 2020	③ Take measures to abolish all devices using ozone-depleting substances <b>KPI</b> ✓ Make a road map

## Stable supply of products

Relevant SDGs



Medium- to long-term targets	Create product designs able to ensure reliable quality and establish a stable supply system Understand new medical needs and expand product designs	
① Continue to incorporate on-site medical demand as well as treatment needs into product improvements and new products <b>KPI</b> ✓ Departments in charge conduct on-site investigations at medical sites to identify medical needs: At least 24 times ✓ Aim to improve packaging materials to be newly designed for at least four products	· Number of on-site investigations at medical sites: 72 · Improvement was made on seven products	① Continue to incorporate on-site medical demand (medical needs) and environmental demand (social needs) into product improvements and new products <b>KPI</b> ✓ Departments in charge conduct on-site investigations at medical sites to identify medical needs: At least 100 ✓ Improvement in newly designed packaging materials for at least five products ✓ Accelerated use of environmentally friendly packaging materials ✓ Use of FSC®-certified paper for additional five products (currently for seven products) ✓ Use of biomass plastic to be examined for four projects (compounds under development)
② Supply products to the market in a stable manner <b>KPI</b> ✓ Reset and ensure proper inventory levels according to product characteristics	Proper inventory levels were reset and achieved according to product characteristics	② Supply products to the market in a stable manner · Design stable supply of all products in BCP: ① Establish a policy of product priority (importance, categories I to V) ② Visualize a supply chain ③ Check the BCP policy with partner companies/suppliers of important products ④ Take measures to reduce risks of each product (multiple production bases, maintenance of safety stock, reduction in procurement/production lead time, etc.) ⑤ Update crisis management/business continuity manual <b>KPI</b> ✓ Appropriate stock months are maintained by product

## Targets for FY2020

## Progress results in FY2020

## Targets for FY2021

## Promotion of CSR procurement in supply chain management

## Relevant SDGs

Medium- to long-term targets

Promote CSR activities together with our suppliers to build a sound and robust (resilient) supply chain



① Improve initiatives for CSR procurement in the companies that were subject to the survey conducted in the previous fiscal year

## KPI

✓ Increase the overall average score of all companies subject to the survey in FY2020, compared to FY2019

CSR evaluation system of EcoVadis (hereinafter "EcoVadis") indicated that overall score increased by 3.3 points on average

① Enhance CSR procurement for supply chain management

- Analyze CSR risks of entire supply chain
- Review CSR procurement policy and guidelines
- Train employees to raise their awareness

## KPI

✓ Check understanding of employees after training

② Support the companies that have not met our standards to improve their initiatives

## KPI

✓ Increase the overall score of each company subject to the survey in FY2020, compared to FY2019

Number of companies with no increase in score compared to previous year: 5

② Continue supporting the companies that have not met our standards to improve their initiatives

## KPI

✓ Overall score of each company

## Strengthening of corporate governance

## Relevant SDGs

Medium- to long-term targets

Establish an effective corporate governance system to achieve our sustainable growth



① Improve function of the Board of Directors to enhance governance

- Continue taking measures to enhance function of the Board of Directors through communication with stakeholders and evaluation of the effectiveness of the Board of Directors

② Establish governance for sustainable growth

- Continue monitoring risk management-related measures by the Board of Directors

## Building a work environment that ensures and sustains employment as well as fosters motivation

## Relevant SDGs

Medium- to long-term targets

Instill pride in all of our employees about working in the pharmaceutical industry, help employees reach their full potential in diverse situations, and further establish a workplace environment where everyone can actively participate to aid in ensuring and sustaining employment



① Work to promote diversity and improve work-life balance as well as build a workplace environment in which diverse human resources can actively participate with motivation by establishing and operating human resource policies as well as other programs

## KPI

✓ Rate of employee use of annual paid leave: 70.0% in FY2020 (65.0% in FY2019)  
 ✓ Return-to-work rate after child-care leave: 100%  
 ✓ Maintain a low turnover rate (below 3%)  
 ✓ Reduce average overtime work hours by promoting reform of working practices, including setting an interval (a certain amount of rest) between working hours (13.6 hours/month in 2019 ⇒ 13.0 hours/month in 2020)

· Rate of employee use of annual paid leave: 58.8%  
 · Return-to-work rate after child-care leave: 100%  
 · Turnover rate: 2.3%  
 · Average overtime work hours: 15.3 hours/month

① Work to promote diversity and build a workplace environment in which diverse human resources can actively participate, by establishing and operating human resource policies as well as other programs

## KPI

✓ Ratio of female to the section chief level: 14.0%  
 ✓ Rate of male employee use of child-care leave: 72.5%  
 ✓ Ruboshi certification  
 ✓ Return-to-work rate after child-care leave: 100%  
 ✓ Rate of female employees who participate in next-generation top management training for assistant manager or higher position: 30% or more

② Promote awareness of and engage in health management initiatives

## KPI

✓ Earn inclusion in the Health & Productivity Stock for two consecutive years  
 ✓ Increase labor productivity by improving presenteeism  
 Productivity loss per employee per month: FY2019 (33,120 yen)  
 FY2020 target: 5% reduction (31,460 yen)  
 ✓ Improve the health age of employees by increasing their degree of health  
 Difference between health age and actual age (Aged 35 or older; average): FY2020 target: -2.0 years (FY2019: -1.5 years)  
 ✓ Reduce the smoking rate  
 FY2020 target: 17.0% (FY2019: 18.2%)  
 ✓ Maintain a low occupational accident frequency rate (0.3)  
 FY2020 target: 0.10 (FY2019: 0.15)

· Out of selection as Health & Productivity Stock (for top companies accounting for 5%)  
 · Improving presenteeism: Increase in monthly productivity loss per employee by 65%  
 · Difference between health age and actual age: -1.4 years  
 · Smoking rate: 17.0%  
 · Productivity loss/accident frequency rate: 0.47

② Work to improve work-life balance and build a workplace environment in which employees are healthy and active at work to show their abilities, by establishing and operating human resource policies as well as other programs

## KPI

✓ Rate of employee use of annual paid leave: 70.0%  
 ✓ Average overtime work hours: 13.0 hours/month  
 ✓ Low turnover rate (below 3%)

③ Promote awareness of and engagement in health management initiatives

## KPI

✓ Reselection as Health & Productivity Stock  
 ✓ Increasing labor productivity by improving presenteeism (reduction in productivity loss)  
 Monthly productivity loss per employee: FY2021 target: 31,460 yen (5% reduction compared to FY2019)  
 ✓ Improve the health age of employees by increasing their degree of health  
 Target difference between health age and actual age: -2.0 years (aged 35 or older; average)  
 ✓ Reduce the smoking rate  
 FY2021 target: 16.0%

✓ Rate of employees who realize that they are working with motivation, leveraging their diversity: At least 50% (Targets ① and ②)

Rate of employees who realize that they are working with motivation, leveraging their diversity: 68%