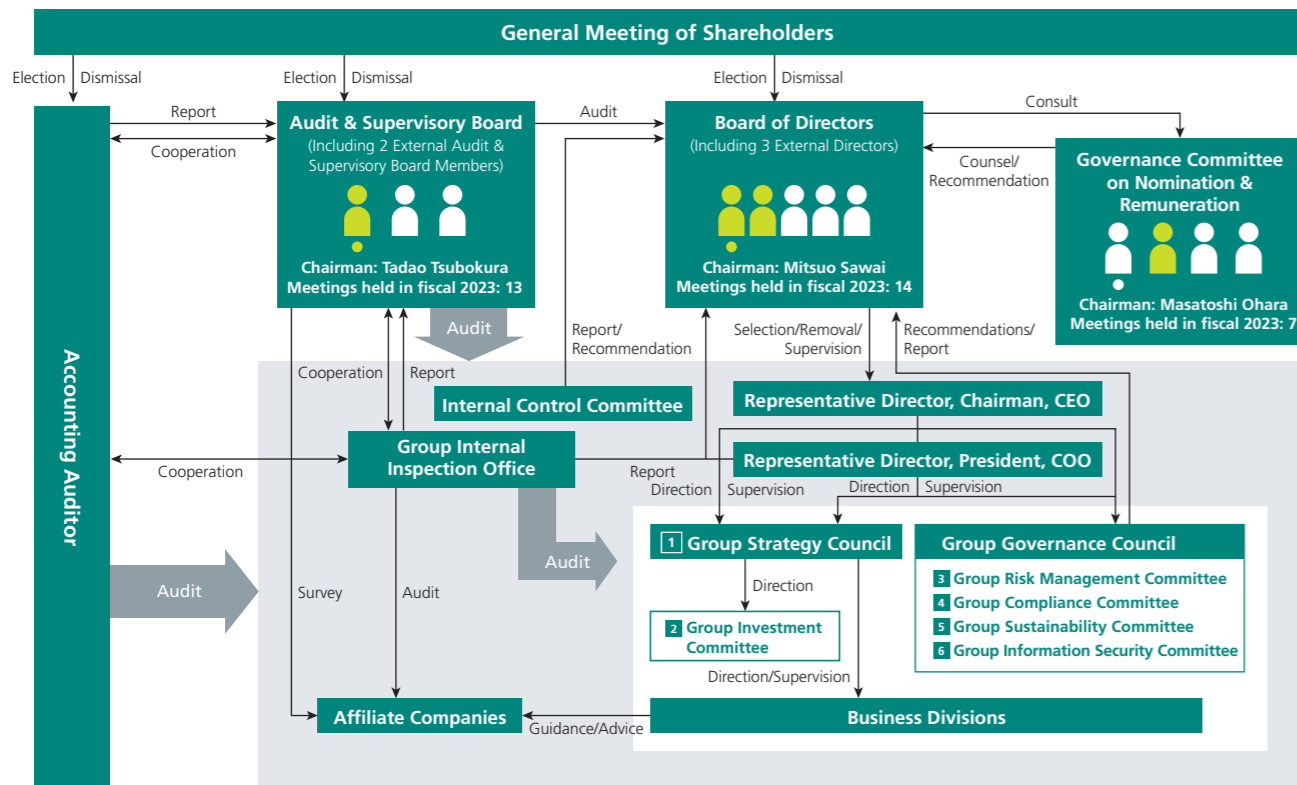




ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>  
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>

# Corporate governance

Corporate governance structure Internal External Chairman (as of June 25, 2024)



	Chairman	Role/function	Meetings held in fiscal 2023
1 Group Strategy Council	Representative Director and President (Group COO)	The Group Strategy Council deliberates on important matters to be submitted to the Board of Directors, discusses and decides the execution policy of matters resolved at the Board of Directors meetings, and analyzes business results and discusses the countermeasures.	14
2 Group Investment Committee	Representative Director and Chairman (Group CEO)	The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.	17
3 Group Risk Management Committee	Group Chief General Affairs Officer	To reinforce the management of various risks that the Company and Group companies face, the Group Risk Management Committee oversees risk management, manages and evaluates progress in managing risks, and works to continually improve risk management.	2
4 Group Compliance Committee	Group Chief Compliance Officer	The Group Compliance Committee conducts education and enlightenment activities, etc., for officers and employees and strives to raise awareness of compliance throughout the Group.	4 (total of 9 times*)
5 Group Sustainability Committee	Group Chief Sustainability Officer	The Group Sustainability Committee deliberates and decides on the Group's basic policy on sustainability, establishes and maintains a system for promoting sustainability, assists Group companies in establishing and maintaining their own systems for promoting sustainability, and receives reports.	4
6 Group Information Security Committee	Group Chief Digital Transformation Officer	The Group Information Security Committee shares information on information security, examines and deliberates on responses to issues, and works to smoothly manage information security.	3

\* Held monthly, five times between November and March, as part of the Corporate Culture Reform Project

## Governance system and reason for its adoption

Having directors with detailed knowledge of the prescription drug industry, the Group's core business, and the state of the Company involved in running the business while maintaining high ethics and keeping an eye on the various parts of the Company is the best way to pursue management efficiency and legality. Furthermore, an Audit & Supervisory Board, in which external directors and Audit & Supervisory Board members supervise management, was adopted, as it is considered the most appropriate, taking the size of the Company, the direction management is moving, and other issues into comprehensive consideration.

It is expected that external directors and external Audit & Supervisory Board members possess professional knowledge of such fields as law, taxes, accounting, and medicine and pharmaceutical sciences and provide useful advice, make decisions, and audit and supervise from an independent perspective.

The Governance Committee on Nominations & Remuneration, to which one more external director with experience in management was added in fiscal 2023, conducted extensive deliberations regarding such issues as the appointment, termination, and remuneration of the management team.

### Governance system charts

Organizational design	Company with an Audit & Supervisory Board
Board of Directors Chairman	Chairman
Number of directors	5 (including 3 external directors)
Term of directors	1 year
Introduction of corporate officer system	Yes
Board of Directors optional advisory committee	Nomination, Remuneration and Other Governance Committee
Incentives for directors (excluding external directors)	Introduced performance-linked remuneration scheme and stock options scheme, which includes evaluation of ESG-related initiatives
Accounting auditor	KPMG AZSA LLC Japan



### Corporate Governance

[https://global.sawaigroup.holdings/sustainability/governance/corporate\\_governance/](https://global.sawaigroup.holdings/sustainability/governance/corporate_governance/)

#### Main items

- Policy and Basic concept
- Governance system
- Audit system
- Nomination, Remuneration and Other Governance Committee
- Group Sustainability Committee
- Group Governance Council
- Other committees
- History of measures to strengthen governance

## Remuneration for directors and Audit & Supervisory Board members

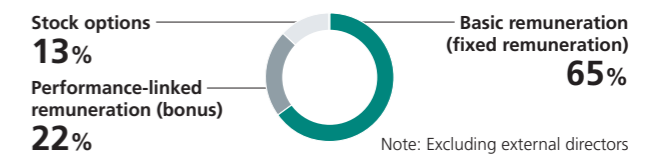
Decisions concerning Director remuneration are reported to the Board of Directors upon deliberation of matters concerning Director remuneration at meetings of the Governance Committee on Nomination & Remuneration.

Remuneration for Directors (excluding External Directors) consists of a basic remuneration (fixed remuneration), performance-linked remuneration (bonus), and stock options (new share acquisition rights) as a medium and long-term incentive. Basic remuneration and bonuses are generally paid at a 3:1 ratio. Stock options generally account for at least 10% of total remuneration and are granted based on Director position and years of service, and in accordance with the separately determined internal regulations of the Company.

The remuneration limit for Directors is ¥670 million per year (of which, no more than ¥100 million is for External Directors). There is also a remuneration limit for Audit & Supervisory Board Members of ¥50 million per year. The

remuneration system, including for Director remuneration, will be reviewed every three years, in principle, based on a comprehensive accounting of market trends concerning Director remuneration, the Company's performance trends, and cost of living trends. Taking seriously the administrative punishment for inappropriate testing found at Sawai Pharmaceutical in fiscal 2023, the Governance Committee on Nominations & Remuneration carefully deliberated on the appropriateness of the punishment of the officers concerned and the offer to return executive remuneration, and made a recommendation to the Board of Directors, which then resolved the punishment at its meeting.

### Distribution of director remuneration fiscal 2023



### Distribution of remuneration for directors and Audit & Supervisory Board members (A & SB members)

Classification	Total remuneration (Millions of yen)	Total remuneration by category (Millions of yen)			Number of eligible persons
		Fixed remuneration	Performance-linked remuneration	Stock options	
Directors (not including External Directors)	118	77	26	15	5
A & SB Members (not including External A & SB Members)	18	18	-	-	1
External Directors and A & SB Members	42	42	-	-	5



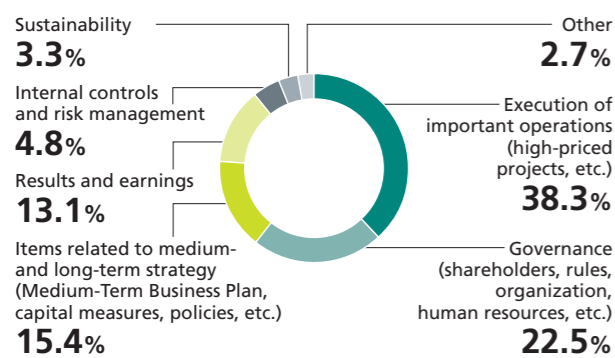
ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>  
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>

## Main Board of Directors Issues

The Company continually implements improvements of the operation of the Board of Directors and ensures in-depth deliberations on management by securing the necessary time for deliberations. The following are important issues deliberated on by the Board of Directors in fiscal 2023.

- (1) Analysis of the causes for not achieving business results and examination of strategic projects
- (2) Investments that lead to new growth
- (3) Business portfolio that takes into consideration cost of capital
- (4) Ascertaining risks accompanying promotion of the management strategy
- (5) Risk management, including whistleblower system and representations and warranties
- (6) Examination of quality problems and formulation of recurrence prevention measures
- (7) Human capital investments that lead to growth
- (8) Disposal of pediatric formulations, unconscious bias, etc.
- (9) Accountability to shareholders and shareholders return policy

### Breakdown of time spent on deliberations and reports



### Analysis and evaluation of the Board of Directors' effectiveness in fiscal 2023

Implementation method and results	Main opinions	Fiscal 2024 initiatives
<ul style="list-style-type: none"> <li>The third-party organization administered self-evaluation by anonymous questionnaires</li> <li>The third-party organization collected the questionnaires and analyzed the results</li> <li>The Board of Directors verified and discussed the results based on the report received from the third-party organization</li> <li>Based on the above results, the Company's Board of Directors is considered to fulfill its roles and functions properly</li> </ul>	<ul style="list-style-type: none"> <li>Active discussion and suggestions should be made on developing and operating the succession planning for the CEO, etc.</li> <li>There are some inadequacies in the follow-up of matters resolved by the Board of Directors.</li> <li>The Board needs to discuss the Group's long-term (5-10 years) business strategy more actively.</li> <li>The Board of Directors should avoid a skills (map) shortage associated with the relative decline in the number of internal directors.</li> <li>The Board of Directors should to increase opportunities for information sharing and opinion exchange with the internal audit department.</li> </ul>	<p>We will work to improve the following five items.</p> <ol style="list-style-type: none"> <li>Succession planning</li> <li>Follow-up monitoring of progress</li> <li>Further enhancement of discussions on management strategies and plans</li> <li>Composition and skills of the Board of Directors</li> <li>Operational method of the Board of Directors</li> </ol>

## Board of Director deliberations regarding ESG

The Board of Directors receives regular reports on the Group Sustainability Committee and deliberates on related issues. During fiscal 2023, the Board of Directors deliberated on the following issues.

In the environment field, there was an examination of the response to climate change risk, more efficient use of resources, and biodiversity preservation.

In the society field, there was an examination of securing human resources (human capital investment, engagement, diversity, recruiting, and labor environment), in-house and outside supply chain management, and contributions to local communities. In the field of governance, response to the Corporate Governance Code, internal controls, compliance, and risk management were examined.

In response to these deliberations, it was decided to set sustainability-related targets in the Medium-Term Business Plan.

## Evaluation of the effectiveness of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors once a year and strives to implement continual improvements. An evaluation of the effectiveness of the Board of Directors was conducted in fiscal 2023 as outlined below. Initiatives regarding the following three issues were launched in response to the finding of the previous year's evaluation.

### Fiscal 2023 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- Expanding deliberations related to management strategy and plans
- Relationship of human capital and human resource training outlook with management strategy
- Strengthening relationship with stakeholders

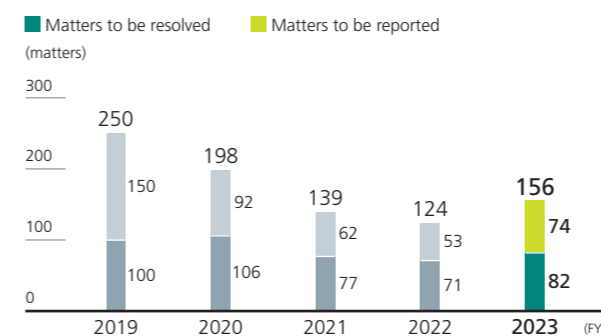
## Improving the operation of the Board of Directors

The Board of Directors deliberates important matters in the Group Investment Committee and the Group Strategy Council before referring them to the Board of Directors, in order to ensure that in-depth discussions focus on the most important points. In addition, based on "the Regulations on Affiliated Company Management," the Board of Directors is informed of the important management status of Group companies and delegates authority to Group companies to make decisions on matters within certain criteria, thereby achieving a balance between supervision of Group companies and speedy decision-making.

### Key questions and comments from external directors at the fiscal 2023 Board of Directors meeting

- (In response to the findings of the investigation into inappropriate testing) We can be reassured by the findings that there was no evidence of organizational involvement, but there may have been a disposition that supply could not be stopped or that growth was a priority above all else.
- (Regarding investment in human capital) We should put this forward as one of the major issues for future growth.
- (In terms of cost-of-capital management) It is important to manage the business portfolio with an awareness of the cost of capital, as well as shareholder returns.
- (In terms of defensive risk measures) The system should be strengthened by including someone familiar with GMP/GQP in the whistle-blowing office. Speed and depth are important.
- (In terms of contributions to the sustainability of society) Pediatric formulations should be discussed, including the issue of disposal, while removing the unconscious bias.

### Number of proposals



### Board of Directors

<https://global.sawaigroup.holdings/sustainability/governance/board/>

#### Main items

- Skills Matrix
- Improving the operation of the Board of Directors
- Corporate Officer Remuneration System
- Training policy for Directors and Audit & Supervisory Board members
- Supporting system for External Directors and/or Audit & Supervisory Board members
- Independence standards for External Directors / Audit & Supervisory Board members
- Evaluation of the effectiveness of the Board of Directors
- Policy and process for appointing Executive Officers, candidates for Directors and candidates for Audit & Supervisory Board members
- Succession planning for the CEO and other executives
- Policy for cross-shareholdings, and voting Guidelines

## IR communication

The Representative Director and President, and the person in charge of information disclosure shall actively participate in dialogue with shareholders and investors, provide substantial information on management strategies and finances, etc., and strive for two-way constructive communication with shareholders and investors. In addition, the results of the dialogue shall be reported to the Board of Directors, and the opinions of shareholders shall be actively utilized in the management of the Company.

The department responsible for IR handles reasonable requests for dialogue from shareholders and investors, and directors and senior managers play an active role when their schedules permit. The department responsible for IR also handles e-mail and phone inquiries orally or in writing.

### Fiscal 2023 IR meetings

Meetings with Japanese and overseas investors	191
Meetings with the media	38

## Information security governance

The Group stresses information security governance in order to preserve and manage information assets. We undergo regular information security assessments by independent entities, and we use those objective evaluations to develop a medium-term information security plan.

In fiscal 2023, we offered two e-learning classes as part of employee education, two targeted email-attack training classes, and a cybercrime response class, which was taught by an outside instructor, as part of responsible staff training. Furthermore, the Group IT department handled the ISMS certification audit following revisions to certification criteria, objective proof that we properly conduct information security management and countermeasures. Every year, we strengthen our technical response, which includes such activities as expanding the scope of various logs collected with a follow-up survey in mind.