



Otsuka Group Sustainable Procurement Guidelines

Otsuka Holdings Co., Ltd.

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To our important business partners,

The Otsuka group's corporate philosophy *Otsuka-people creating new products for better health worldwide* leads us to create innovative products that contribute to the health of people around the world.

To conduct business activities in line with our corporate philosophy, the Otsuka group adheres to and respects international standards such as the *Ten Principles of the United Nations Global Compact* and the *ILO Declaration on Fundamental Principles and Rights at Work* and promotes sustainable procurement activities.

In realizing sustainable procurement activities, it is essential to build a supply chain that takes into consideration human rights, working conditions, anti-corruption, and the natural environment in addition to quality, safety, and stable supply of products, and to this end, the understanding and cooperation of our suppliers are critical.

Based on such an approach, the Otsuka group has formulated the Otsuka Group Sustainable Procurement Guidelines ("Guidelines"), which include explanations of our group's policies and initiatives as well as points of cooperation we request from our suppliers and other companies further upstream in our supply chain.

We kindly ask our suppliers to submit a consent form asserting agreement to these Guidelines, cooperate in our conducting of surveys or on-site visits to assess compliance with these Guidelines, and provide necessary information. In the case that non-compliance with these Guidelines is found, we will request your cooperation in implementing corrective actions. Please note that if no significant improvement is observed over a prolonged period or if there is insufficient commitment to implement improvement, we may have to reconsider whether to continue the business relationship in question.

Aiming to enhance our mutual corporate values, the Otsuka group is committed to working together with our suppliers to achieve a sustainable society through the entire supply chain.

We appreciate your understanding and cooperation with these Guidelines.

Description of these Guidelines

- In these Guidelines, the term "supplier" refers to our business partners who supply raw materials, active ingredients, components, finished products, or other products to the Otsuka group.
- Since the Otsuka group's business activities cover a wide range of sectors, including pharmaceuticals, beverages, foods, cosmetics, and chemicals, the content of these Guidelines may not always be relevant to an individual supplier's business activities. However, the content of these Guidelines is comprehensive so as to provide an understanding of how the Otsuka group is currently promoting these activities globally, and we appreciate your understanding.

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1. Human Rights and Labor

The Otsuka group of companies recognizes that respect for human rights must be the premise upon which we build our all business activities to meet the expectations of our stakeholders, create new value, and contribute to the health and well-being of people all over the world as we continue to grow sustainably. Therefore, we promote initiatives to respect human rights across the entire organization under the Otsuka Group Global Code of Business Ethics, which represents our commitment to conducting business with the highest ethical standards, and we have formulated the Otsuka Group Human Rights Policy as guidelines to fulfill our responsibilities and drive such initiatives forward.

Otsuka Group Global Code of Business Ethics

<https://www.otsuka.com/en/company/conduct>

Otsuka Group Human Rights Policy

<https://www.otsuka.com/en/csr/society/people/pdf/human-rights.pdf>

(1) Respect for Human Rights

We request that our suppliers establish a system to respect human rights and implement concrete measures.

Mandatory initiatives

- **Articulate policies on human rights.**
- **Establish a system to ensure respect for human rights (designate the individuals or departments assuming responsibility).**
- **Identify and assess the impacts of business activities on human rights (risk of human rights violations), and take measures to prevent and mitigate such impacts.**
- **Understand laws and regulations related to human rights in the countries and regions where business activities are conducted, and obtain related information on a regular basis.**
- **Provide regular educational opportunities for all workers to promote understanding of the concept of human rights.**

Expected initiatives

- Articulate respect for international standards (*) related to human rights and labor in the human rights policy.
- Evaluate the effectiveness of efforts to respect human rights.
- Publicly disclose policies, specific initiatives, and achievements regarding respect for human rights.

(*) International standards on human rights include the Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact.

(2) Prohibition of Discrimination and Inhumane Treatment

We request that our suppliers strive to create a respectful workplace that is free of discrimination and inhumane treatment (*). Suppliers shall not allow discrimination based on an individual's race, color, ethnicity, religion, political affiliation, union membership, gender, sexual orientation, gender identity or expression, age, nationality, ancestry and origin, marital status, disability, genetic information, military status, or other characteristics protected by applicable law.

(*) Inhumane treatment includes all forms of harassment, including violence against workers, sexual harassment, and harassment from a position of power; sexual molestation, corporal punishment, mental or physical coercion, bullying, public shaming or making an example out of someone, and verbal abuse.

Mandatory initiatives

- **Articulate policies that explicitly prohibit discrimination in employment practices (such as hiring, wages, promotions, compensation, and educational and training opportunities) and inhumane treatment (such as harassment).**
- **Establish procedures and provide educational opportunities to prevent discrimination and inhumane treatment.**
- **Establish a system to confirm the facts and take measures to prevent recurrence when problems such as discrimination occur.**
- **Implement initiatives toward equal pay for equal work.**

Expected initiatives

- Establish disciplinary policies for violating the prohibition of discrimination and inhumane treatment, and ensure all workers are aware of such policies.
- Do not subject workers or job candidates to medical tests (*) that could be used in a discriminatory way.

(*) This refers to not conducting pregnancy tests as a condition for continuing employment or hiring. In addition, we do not permit job candidates or workers to be asked whether they are pregnant, or to be subjected to decisions that adversely affect their hiring or employment status based on their marriage or pregnancy, except as required for health and safety reasons.

(3) Diversity, Equity, and Inclusion

We request that our suppliers recognize the importance of Diversity, Equity, and Inclusion within their organizations, and work

towards creating an environment in which these values are respected.

Mandatory initiatives

- **Establish systems for pregnancy, childbirth, and childcare based on local laws and regulations.**
- **Implement initiatives related to Diversity, Equity, and Inclusion.**
(Example initiatives) Implementation of measures to promote women's inclusion and empowerment
Promotion of paternity leave
Promotion of employment of persons with disabilities
Initiatives to promote understanding of gender equality
Creation of systems to support workers in balancing caregiving and work
Establishment of diverse work systems, such as shortened working hours and work from home, etc.

Expected initiative

- Provide reasonable consideration for religious practices.

(4) [Promoting Labor Rights](#)

A) [Prohibition of Forced Labor](#)

We request that our suppliers ensure the prohibition of all forms of forced labor (*), and maintenance of a workplace environment that is free from mental and physical punishment, abuse, and coercion. All work must be voluntary, and workers shall have the freedom to leave or terminate their employment at any time. We request that suppliers not use misleading or fraudulent recruitment practices and that suppliers disclose all information to workers, including key terms and conditions of their employment.

(*) Forced labor includes all forms of coercive labor, including human trafficking, bonded labor (including debt bondage), slave labor, indentured labor, and involuntary prison labor.

Mandatory initiatives

- **Provide employment contracts in workers' native languages or languages that workers can understand.**
- **Ensure that employment contracts and rules of employment do not include unreasonable restrictions or penalties regarding resignation or notice periods.**
- **Employers shall not hold, destroy, conceal, or confiscate workers' identification cards, passports, work permits, etc. (*)**
- **No unreasonable restrictions shall be imposed on workers' freedom of movement to and from or within company-provided facilities (including workers' dormitories and living quarters).**
- **Take measures to avoid demanding monetary compensation from workers as a condition of employment or requiring them to pay recruitment fees or other fees related to their employment.**

(*) This provision refers to providing unrestricted access to workers even when the law permits employers to retain these documents for a certain period.

Expected initiative

- If a worker is found to have paid employment-related fees, such fees shall be repaid to the worker.

B) [Prohibition of Child Labor](#)

The use of child labor, as defined by the United Nations Global Compact, is prohibited. All workers must meet the legal requirements stipulated in applicable local laws and regulations related to the age of employment and compulsory education.

Mandatory initiatives

- **Articulate a policy of not employing or allowing to work children who do not meet the minimum age of employment and compulsory education requirements imposed by local laws and regulations.**
- **Establish management systems to verify the ages of workers using domestically or internationally recognized identification documents (such as birth certificates or passports).**
- **When employing workers under the age of 18 (young workers), refrain from assigning them to work that may jeopardize their health and safety (including night shifts and overtime), as defined by local laws and regulations.**

Expected initiatives

- If child labor is found, provide assistance and remediation to the affected children.
- If accepting student workers through a workplace learning program:
 - The system shall be operated in accordance with applicable laws and regulations, and proper management, such as that of working conditions and wages of student workers, shall be implemented.
 - Conduct due diligence (*) of educational partners.

(*) Due diligence includes checking whether the workplace learning program conforms to the learning objectives and learning content of the student workers at the educational institution as well as checking for misconduct (unfair recruitment of student workers and the use of intermediaries in the recruitment or management of student workers) by the educational institution.

C) [Compliance with Legally Mandated or Industry Standard Working Hours](#)

We request that our suppliers ensure appropriate management of working hours so as not to exceed the maximum set by local laws

and industry standards.

Mandatory initiatives

- **Manage the working hours of all workers on a workday basis so as not to exceed the maximum set by local laws and regulations.**
- **Allow workers the right to take holidays and leave as set forth by local laws and regulations.**

Expected initiatives

- Allow workers the right to take at least one day off every seven days.
- Work hours shall not exceed 60 hours per week, including overtime, except in emergency or exceptional situations.
- All overtime shall be voluntary.

D) [Appropriate Wages and Benefits](#)

We request that our suppliers establish a system to provide wages and benefits that comply with local laws and industry standards and to pay workers in accordance with applicable wage laws and regulations, including the minimum wage, overtime pay, and mandated benefits.

Mandatory initiatives

- **Pay wages in compliance with local laws and regulations regarding the minimum wage and overtime premium rates.**
- **Provide timely, accurate wage statements to workers that include sufficient information (e.g., on bonuses, overtime pay, late-night pay, and deductions) for each pay period.**
- **Provide the benefits mandated by local laws and regulations.**
- **Pay cuts and other wage deductions based on disciplinary measures shall not be permitted unless, as an exception, pay reductions for disciplinary purposes are permitted under local laws and agreed to in freely negotiated collective agreements.**
- **Articulate a policy of paying wages that exceed the minimum wage or that meet a living wage.**

(5) [Rights to Freedom of Association and Collective Bargaining](#)

We request that our suppliers create an environment that respects the rights of workers, as set forth in local laws and regulations, to associate freely and to engage in collective bargaining. We request that our suppliers encourage open communication and direct engagement between workers (and/or designated trade union officials, if applicable) and top management regarding working conditions without threat of reprisal, intimidation, or harassment.

Mandatory initiative

- **Recognize the right of workers to form and join trade unions of their own volition and to bargain collectively as set forth in local laws and regulations.**

Expected initiatives

- Provide opportunities for workers to regularly communicate and share ideas and concerns with top management regarding working conditions and management practices without fear of reprisal, intimidation, or harassment.
- Workers who are representatives or members of trade unions can openly communicate and share ideas and concerns with top management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, bullying, or harassment.
- Where local laws and regulations restrict the freedom of association or collective bargaining, support the development of legitimate alternatives for workers.

(6) [Safe and Healthy Work Environments](#)

We request that our suppliers protect workers and others from health and safety threats or overexposure to chemical, physical, and biological hazards by following safe work procedures and provide a safe work environment (including implementing safety measures for equipment and machinery, and providing facilities such as housing and cafeterias). We also request that our suppliers identify and assess potential emergency situations as well as implement measures to minimize such impacts through emergency plans and response procedures. In addition, we request that suppliers document their efforts in this area in workers' native languages or in languages that workers can understand, and establish a system to explain such efforts to workers and others.

Mandatory initiatives

- **Articulate a policy for realizing a safe and healthy work environment, clarify response procedures, and establish a system.**
- **To prevent occupational injuries and accidents, identify and assess potential health and safety risks (*1) and manage by**

implementing risk reduction measures (*2).

- **Identify and assess the impacts of accidents and natural disasters, such as earthquakes, and minimize such impacts by:**
 - Clarifying emergency response plans and procedures;
 - Developing emergency notification processes and designating personnel and contact points for emergency response; and
 - Conducting emergency drills at least annually, or the number of times as required by local laws or regulations, whichever is more stringent.
- **Machines (production facilities, equipment, etc.) and emergency equipment (fire alarms, fire extinguishers, emergency lights, etc.) used in your facilities shall be inspected regularly and managed appropriately.**
- **Provide workers with appropriate, well-maintained personal protective equipment and manage its proper use.**
- **Provide education on occupational safety and health to all workers on a regular basis.**
- **If any work involves physically demanding tasks or any work requires handling of hazardous substances, special accommodations (*3) for health and safety shall be provided.**
- **If an accident or injury occurs in the workplace, identify the cause, take appropriate corrective actions to prevent recurrence, and document and keep records of the actions taken.**
- **Provide workers with health and safety accommodations based on their characteristics (in addition to age and height, accommodations for women who are pregnant or have just given birth, and those who have physical difficulties or disabilities).**

(*1) Health and safety risks: Substances that may adversely affect the human body or health, electrical and other energy sources, fire, vehicles, and the hazards of injury or crashing, etc.

(*2) Measures to reduce risks: Implement measures based on a systematic approach (Hierarchy of Controls), including (1) removal or reduction of risks or hazards (substitution of processes or substances), (2) engineering measures (installation of protective equipment), (3) administrative measures (preparation of manuals, acquisition and posting of safety data sheets (SDS), and training), and (4) use of personal protective equipment.

(*3) Special accommodations: Implementation of work environment measurements, implementation of special health checkups for workers, reassignment of tasks, etc.

Expected initiatives

- Provide all workers with ready access to clean toilets and potable water.
- If companies provide facilities other than the workplace (such as cafeterias and dormitories), establish a health and safety policy for such facilities and manage them appropriately in the same manner as the workplace is managed.
- Provide workers with documents necessary for their work related to occupational health and safety in their native languages or in languages the workers can understand.
- Consider the safety of those who enter the workplace (external workers such as visitors, transport drivers, and repairers) in addition to the company's own workers.

2. Ethical Business Practices

The Otsuka group aims to earn the trust of all stakeholders and contribute to the health of people around the world by creating innovative products through ethical business practices based on the highest ethical standards. The Otsuka Group Global Code of Business Ethics was formulated to express this ambition, and we require all people engaged in business in our group to comply with this Code. In addition, we have formulated various policies and statements, including the Otsuka Group Global Anti-Corruption Policy, the Otsuka Group Global Policy for Conflict of Interest, and the Otsuka Group Intellectual Property Statement, which further specify important aspects outlined in the Code. Through these measures, we strive to conduct business activities with integrity.

Otsuka Group Global Code of Business Ethics

<https://www.otsuka.com/en/company/conduct>

Otsuka Group Global Anti-Corruption Policy

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalAnti-CorruptionPolicy_IR.pdf

Otsuka Group Global Policy for Conflict of Interest

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalPolicyforConflictofInterest_IR.pdf

Otsuka Group Intellectual Property Statement

https://www.otsuka.com/en/company/commitment/pdf/Intellectual_Property_Statement.pdf

(1) Compliance with Laws and Regulations

We request that our suppliers operate in compliance with all applicable laws and regulations of the countries and regions in which they operate, including the provisions of industry-specific regulations and requirements. In addition to fostering employee compliance and preventing fraud and illegal activities, suppliers shall establish a compliance system to promptly report concerns regarding fraudulent acts or misconduct.

Mandatory initiatives

- **Regularly review the latest information on all applicable laws and regulations in the countries and regions in which the company operates, and establish an internal system to apply such information.**
- **Understand the various related laws and regulations imposed on business operators; obtain permissions, authorizations,**

and licenses or make notification necessary for business operations; and comply with necessary matters such as quality standards, labeling methods, document delivery, periodic reporting, and preparation of transaction records.

- **Establish a system and periodically review procedures to ensure compliance with applicable import and export controls, economic sanctions, customs, and trade compliance laws.**

Expected initiative

- In the event of a legal violation or fines or penalties, correctly record information and corrective actions, and report or disclose the matter to stakeholders as necessary.

(2) Fair Competition

We request that our suppliers be honest and accurate in their dealings; this includes never making false representations about the Otsuka group, the supplier's relationships with the Otsuka group, or any product marketed by Otsuka group companies. We also request that our suppliers compete fairly in the marketplace in full compliance with antitrust and fair competition laws.

Mandatory initiatives

- **Establish policies and procedures to prevent actions that impede competition, such as exchange of information and/or agreements on pricing, quantities, sales areas, etc. of products and services with other companies in the same industry (cartels) as well as exchange of information on successful bidders and successful bid prices with other bidders (bid rigging), and establish a system to confirm competition is being carried out appropriately.**
- **Establish policies and procedures to prevent use of the position of purchaser or consignor to unilaterally determine the terms and conditions of transactions with business partners and other parties in a manner that leads to the imposition of unreasonable demands or obligations, and establish a system to confirm such policies and procedures are being implemented appropriately.**
- **Establish policies and procedures to prevent false labeling of origin, quality, etc. and other labeling that misleads customers, and establish a system to ensure such policies and procedures are properly implemented.**

Expected initiative

- Establish disciplinary policies for violations of fair competition policies and ensure all employees are aware of them.

(3) Prevention of Bribery and Corruption

We request that our suppliers comply with laws that prohibit bribery and corruption. Suppliers shall not offer or accept anything of value, either directly or indirectly, to obtain an improper advantage for individual employees of business partners, business partners' organizations, or any Otsuka group company. Moreover, we request that suppliers make efforts to ensure that their actions do not create an appearance of impropriety.

We expect suppliers to maintain books and records that accurately and completely reflect their transactions. We require suppliers to create and retain documentation that demonstrates compliance with applicable laws, regulations, guidelines, and industry codes, such as records of accounting and transactions as well as regulated operations on production lines.

We prohibit facilitation payments (modest payments made to government employees for managing routine government actions), even when permitted under local law.

Mandatory initiatives

- **Establish a policy that prohibits corruption, bribery, and facilitation payments, and provide training and education to all employees.**
- **Establish procedures to confirm compliance with all applicable laws and regulations related to the prohibition of corruption and bribery, and regularly confirm such compliance.**
- **Maintain books and records that accurately and completely reflect the company's transactions.**
- **Create and retain documentation that demonstrates compliance with applicable laws, regulations, guidelines, and industry codes, such as records of accounting and transactions as well as regulated operations on production lines.**

Expected initiatives

- Identify areas (business or operations) at high risk of bribery and corruption, and take preventive measures to reduce such risks.
- Establish disciplinary policies for violations of anti-bribery and anti-corruption policies, and ensure all employees are aware of them.

(4) Avoidance of Conflicts of Interest

We request that our suppliers establish appropriate mechanisms to prevent and manage conflicts of interest between themselves (including their board members and employees) and their external stakeholders, including individuals, customers, business partners and third parties (such as contractors or competitors). To avoid the appearance of unfair advantage and conflicts of

interest, we request that our suppliers refrain from giving lavish gifts to individuals, customers, business partners, and third-party employees. We request that our suppliers promptly notify the Otsuka group of any situation or relationship that creates, or may appear to create, such a potential conflict of interest in conducting business with the Otsuka group. This includes conflicts arising out of personal relationships, investments, external activities, offers of employment, and pursuit of personal benefits.

Mandatory initiatives

- **Establish policies or procedures to avoid inappropriate provision of benefits and conflicts of interest, and establish mechanisms to ensure their appropriate implementation.**
- **Immediately notify the Otsuka group of any potential conflicts of interest in transactions with the Otsuka group.**

Expected initiative

- Establish disciplinary policies for violations of policies concerning inappropriate provision of benefits and conflicts of interest, and ensure all employees are aware of them.

(5) Protection of Intellectual Property

We request that our suppliers fully respect the intellectual property rights (*) of other companies, comply with related laws and regulations, and raise awareness of intellectual property.

(*) Intellectual property rights include patent rights, utility model rights, design rights, trademark rights, and copyrights.

Mandatory initiative

- **Establish policies and procedures to fully respect the intellectual property of third parties, including that of customers and business partners; prevent unauthorized acquisition and use; and establish a system to ensure appropriate implementation of such policies and procedures.**

(6) Promotion of Animal Welfare

All animals used in the development of products shall be treated in an ethical and responsible manner. Whenever scientifically valid and acceptable to regulators, we request that our suppliers seek alternatives to the use of live animals, reduce the number of animals used, and refine procedures to minimize distress. We also request that feeding management for livestock be conducted based on the concept of animal welfare.

Mandatory initiatives

- **Establish and regularly review procedures to ensure that all applicable laws and regulations regarding the ethical and responsible use of animals are complied with.**
- **Alternatives to animal testing and research shall be considered prior to using live animals, and when animal testing and research is necessary, it shall be carried out by reducing the number of animals and minimizing distress to the animals used.**

Expected initiatives

- Verify the ethical and responsible use and treatment of live animals through regular surveys conducted by a third party.
- Conduct feeding management in accordance with the concept of animal welfare in compliance with laws and regulations applicable to livestock products.

3. Environmental Management

The Otsuka group, as a group of total healthcare companies, envisions a healthy future and has set out the 2050 Environmental Vision of Net Zero with the aim of reducing to zero total environmental impacts across all its business activities. The group has established the Otsuka Group's Environmental Policy and is committed to working together as a group to set and achieve goals in line with this vision.

Otsuka Group's Environmental Policy

<https://www.otsuka.com/en/csr/environment/>

(1) Environmental Protection

We request that our suppliers operate in an environmentally responsible and effective manner so as to minimize environmental impacts.

Mandatory initiatives

- **Establish an environmental management system.**

- **Establish a system to minimize environmental impacts and ensure environmental protection.**

Expected initiatives

- Appropriately disclose environmental protection policies, initiatives, and results to stakeholders.
- Obtain third-party certifications (*) for environmental management.

(*) International environmental certifications such as ISO 14001 and EMAS, and environmental certifications in each country and region such as Eco Action 21

(2) [Environmental Permits](#)

We request that our suppliers comply with all applicable environmental regulations, laws, codes, and other government requirements and permits.

Mandatory initiatives

- **Understand and comply with the environmental laws and regulations of the countries and regions in which business is conducted as well as any necessary government approvals and licenses, and regularly obtain necessary information.**
- **Establish and regularly review procedures to ensure that all required environmental permits are up-to-date.**

(3) [Reduction of Greenhouse Gas Emissions](#)

We request that our suppliers promote energy conservation to reduce greenhouse gas emissions. We ask that suppliers set targets for reducing greenhouse gas emissions, regularly measure and record their emissions, and make efforts to achieve their targets.

Mandatory initiatives

- **Set quantitative targets for reducing greenhouse gas emissions (*) at your company.**
- **Regularly measure and record the company's greenhouse gas emissions, and manage progress toward achieving the targets.**
- **Review and improve products, business activities, and business processes to reduce the company's greenhouse gas emissions.**

(*) The company's greenhouse gas emissions are to be defined as the following scopes.

- Scope 1: Direct emissions from in-house fuel use, etc.
- Scope 2: Indirect emissions from electricity purchased by the company

(Example initiatives)

Designing of products with low energy consumption
 Switching to renewable energy
 Joint delivery during product transport
 Shifting transport methods to railways and ships to reduce environmental impacts

Expected initiatives

- Disclose targets for and the status of greenhouse gas emissions reduction.
 - Determine the amount of greenhouse gas emissions throughout the value chain (*), set reduction targets, and implement specific reduction measures.
- (*) The value chain refers to a series of business activities, namely procurement of raw materials and parts, processing and assembly of products, shipping and delivery, marketing, sales to customers and consumers, and after-sales service.

(4) [Proper Management and Reduction of Waste and Emissions to Prevent Pollution](#)

To prevent pollution, we request that our suppliers properly manage, control, and treat chemical substances, waste, exhaust, and wastewater that may affect the human body or the environment before releasing the same into the environment. Establish procedures for the safe handling, transport, storage, and reuse of such substances, and strive to establish a system to prevent accidental spills and releases to the environment as well as minimize impacts on the environment, employees, and local communities.

Mandatory initiatives

- **Establish policies and procedures for handling chemical substances (transport and storage), waste treatment, exhaust, and wastewater in accordance with local laws and regulations, and establish a system to confirm whether such policies and procedures are being carried out appropriately.**
- **If pollution prevention facilities such as wastewater treatment facilities and exhaust facilities are installed, perform periodic maintenance and keep maintenance records.**
- **Establish quantitative targets to reduce the amount of chemical substances and waste as well as emissions of air, water, soil, and other pollutants.**
- **Regularly measure and record the amounts of chemical substances and waste as well as emissions of air, water, soil and other pollutants, and manage progress toward achieving the targets.**
- **Review and improve products, business activities, and business processes to reduce the amount of chemical substances and**

waste as well as emissions of air, water, soil, and other pollutants.

Expected initiatives

- Assess the potential impacts of accidental spills and releases, and establish a mechanism to minimize impacts on the environment, employees, and local communities.
- Develop a rainwater management plan to prevent rainwater contamination due to chemicals and other hazardous materials.

(5) Sustainable Resource Utilization and Responding to Biodiversity

We request that our suppliers adopt mechanisms for reduced consumption and efficient use of all resources (energy, biological resources (*), and water resources). We request that suppliers identify and assess the impacts of their business activities on biodiversity and promote initiatives to prevent or reduce such impacts.

(*) Biological resources are a broad concept that refers to all animals, plants, and microorganisms that can be effectively used by human beings.

Expected initiatives

- Establish policies or procedures for reduced consumption and efficient use of energy and water to facilitate sustainable use of resources, and establish mechanisms to ensure that these policies and procedures are appropriately implemented.
- To promote use of sustainable resources, consider procurement of raw materials that have acquired sustainability certifications.
- When constructing or expanding factories, cultivating agricultural land, etc., identify and assess the impacts of business activities on biodiversity, and take measures to prevent or reduce such impacts.

4. Privacy and Confidentiality

The Otsuka group has established the Otsuka Group Global Privacy Policy to clearly define its stance and guidelines regarding privacy protection. With the aim of strengthening privacy protection, we also review and enhance relevant provisions and management systems in accordance with privacy protection laws, regulations, and standards in various countries.

Otsuka Group Global Privacy Policy

https://www.otsuka.com/en/csr/governance/pdf/OtsukaGroupGlobalPrivacyPolicy_IR.pdf

(1) Protection of Confidential and Non-Public Information

We request that our suppliers assist us in our duty to protect all confidential and proprietary information, including information about the Otsuka group, our employees, business partners, and the consumers and patients we serve. We request that our suppliers safeguard information against inadvertent or deliberate unauthorized disclosure and comply with all requirements related to the collection, use, transmission, and retention of confidential and proprietary information.

Mandatory initiatives

- **Establish policies and procedures for protecting and preventing leakage of confidential and proprietary information of customers and third parties, and establish a system to confirm their appropriate implementation.**
- **Establish and regularly review procedures to ensure compliance with all applicable laws, regulations, and requirements with respect to the collection, use, transmission, and retention of confidential and proprietary information.**

(2) Respect for Privacy and Protection of Data

When use of personal data is required for legitimate business purposes, we request that our suppliers collect, maintain, secure, disclose, and use personal data in compliance with relevant laws and regulations. We request that our suppliers protect the confidentiality and security of personal data entrusted to them by safeguarding it against inadvertent loss or unauthorized disclosure and using commercially reasonable controls (determined by the country, region, or locality) and encryption to prevent unintended recipients from receiving it.

Mandatory initiatives

- **Establish policies and procedures for protecting and preventing leakage of personal data, and establish a system to confirm their appropriate implementation.**
- **Establish and regularly confirm procedures to verify compliance with all applicable laws and regulations with respect to the collection, maintenance, security, disclosure, and use of personal data.**

Expected initiative

- Respect individual rights such as the right to access, right to rectification, right to erasure, right to restriction of processing, and right to data portability (*) when required by laws and regulations.

(*) The right to data portability refers to the right to receive personal data from a business operator in a form that is easy for the person to reuse, and the right to transfer personal data directly to another business operator if doing so is technically feasible.

(3) Information Security

We request that our suppliers establish, document, and implement a policy on information security, and strive to raise awareness among their employees through education and training. We also request that our suppliers continuously implement measures such as access control, vulnerability management, and threat monitoring to prepare for various types of cyber-attacks and to minimize risks.

Mandatory initiative

- **Formulate, articulate, and implement policies related to information security, and raise employee awareness through education and training.**

Expected initiative

- In preparation for cyber-attacks, implement measures such as access control, vulnerability management, and threat monitoring.

5. Quality and Operational Excellence

We at the Otsuka group believes that providing a stable supply of high-quality products is part of our contribution to a sustainable society. Accordingly, we make the most effective use of the characteristics of our businesses, which include pharmaceuticals, foods, chemical products, and cosmetics, in the quest for a level of quality that earns our customers' trust. The Otsuka group's systems for production, quality, and safety management follow all laws and regulations, administrative instructions, and industry standards (including those prescribed by the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and the Food Sanitation Act). Furthermore, we aim not only to obtain appropriate standards certifications (ISO 9001 for quality, ISO 22000, and FSSC 22000 for food safety), but also to foster a "quality culture" that goes beyond the minimum obligations required by law. In order to ensure the stable supply of safe and secure products to patients and customers, we have formulated quality policies for each group company, and under the leadership of top management, we are continually working to enhance the quality of our products and services.

Otsuka Group's Production, Quality, and Safety Management

https://www.otsuka.com/en/csr/society/quality/safety_management.html

(1) Managing Quality and Operations

We request that our suppliers provide products and services of the agreed quality in order to protect the health and safety of patients and consumers. The terms and conditions of the agreement, including the specifications, designs, quantities, and delivery terms for products and services, shall not be changed without the express authorization of Otsuka group. We also request that our suppliers comply with all applicable laws and quality control regulations.

Mandatory initiatives

- **Establish and regularly review procedures to ensure that the quality and safety of products and services comply with all applicable laws, regulations, and quality control regulations, including those pertaining to appropriate product labeling.**
- **The terms and conditions agreed to with the Otsuka group shall not be changed without authorization.**
- **The products provided by the company shall meet the specifications agreed upon with the Otsuka group.**

(2) Continuous Improvement and Business Continuity

We request that our suppliers have processes and management systems in place to continuously facilitate the improvement of their internal controls and compliance with the requirements of these processes and systems. In addition, we request that suppliers have appropriate business continuity plans that support the work conducted on behalf of the Otsuka group, ensure recovery and restoration of critical functions, and minimize disruption to our operations.

Mandatory initiatives

- **Maintain a business continuity plan to reduce risks associated with climate change such as abnormal weather, natural disasters, and the spread of viruses.**
- **Disclose information on stable supply (production capacity and performance, including that of upstream suppliers) as necessary.**

6. Responsible Sourcing

As a signatory to the United Nations Global Compact (UNGC), the Otsuka group supports the UNGC's four areas of human rights, labor, the environment, and anti-corruption as universal values. We continuously support these values and promote sustainable procurement based on the Otsuka group corporate philosophy, "Otsuka-people creating new products for better health worldwide."

We conduct procurement activities based on the Otsuka Group Procurement Policy, which applies to the entire Otsuka group, leading to enhanced corporate value and contribution to society.

Otsuka Group Procurement Policy

<https://www.otsuka.com/en/csr/society/quality/procurement.html>

We expect all of our business partners involved in development, manufacturing, and/or supply chain of the Otsuka group to ensure responsible sourcing by maintaining processes and procedures. Business partners shall endeavor to avoid the purchase of materials that directly or indirectly finance or benefit armed groups or perpetrators of serious human rights abuses, or that lead to illegal deforestation or environmental destruction. When requested by the Otsuka group, suppliers shall provide information that indicates the sources and origins of procured materials. Please note that non-exhaustive examples of procurement items that require special attention include minerals (such as tin, tantalum, tungsten, and gold) and agricultural products (such as cacao and palm oil).

Mandatory initiatives

- **Cooperate in providing information on the sources and origins of procured materials when requested by the Otsuka group.**
- **Take measures to prevent the use of procured materials when there are concerns about serious human rights abuses or environmental destruction.**

(Example initiative) Expanding procurement of certified products or products that meet certification standards

[Expected initiative]

- Periodically verify whether the procurers of the following materials are directly or indirectly involved in serious human rights violations or environmental destruction.
 - Minerals (tin, tantalum, tungsten, gold, etc.)
 - (Example initiative) Regular investigation of minerals using CMRT and EMRT (*)
 - Dairy products, palm oil, cacao, and other raw materials that pose a high risk to human rights and/or the environment
 - (Example initiative) Assessment of the status of production areas through questionnaires and on-site surveys of suppliers and ensuring of traceability

(*) Forms for conducting conflict minerals investigations: Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT)

7. Establishment of a Management System

Sustainable and responsible procurement activities cannot be achieved by a company or industry working alone. The Otsuka group works together with our suppliers to realize a sustainable society through the entire supply chain and to improve the corporate value of all companies involved. To achieve this goal, we believe it is essential to provide opportunities for employee training and to establish a system to promote initiatives in line with the objectives of these Guidelines.

(1) Training and Competency

We request that our suppliers have a training program for their management and their employees that achieves an appropriate level of knowledge, skills, and abilities to address the expectations and requirements in these Guidelines.

Expected initiative

- Strive to inform and raise the awareness of management and of the employees to enhance their knowledge, skills, and abilities.
- (Example initiatives)
- Compliance training to acquire basic knowledge of ethics and laws
 - Information security training to prevent incidents such as information leakage
 - Sustainability-related training including human rights, the environment, and sustainable procurement
 - Preparation of guidebooks for persons in charge regarding laws and regulations and revision thereof

(2) Monitoring

We request that our suppliers consider applying these Guidelines when selecting their own business partners (*). Each Otsuka group company requests the provision of relevant information and carries out ongoing monitoring activities to confirm its suppliers' compliance with these Guidelines. We appreciate our suppliers' cooperation.

(*) "Business partner" refers to any other commercial entity with which a commercial entity has a business relationship.

Mandatory initiatives

- **Encourage business partners to comply with the requirements of these Guidelines or equivalent standards.**
- **Cooperate with the Otsuka group's monitoring activities.**

Expected initiative

- When selecting business partners, consider compliance with the requirements of these Guidelines or equivalent standards.

(3) Speak-Up Culture—Identification of Concerns

We request that our suppliers encourage all employees to report concerns or suspected illegal activities without threat of reprisal,

intimidation, or harassment, and to investigate each case and take corrective actions if needed. We request that our suppliers provide all employees with information on how to confidentially report concerns and ensure that those who have made such a report are protected from retaliation. Anonymous reporting channels should be provided where permitted by law. We do not abide any retaliation against those who report concerns in good faith.

Mandatory initiatives

- **Establish a reporting channel for reporting concerns or suspected illegal activities, and inform all employees of this channel.**
- **Establish a system to ensure the anonymity of whistleblowers and to report concerns without threat of reprisal.**
- **Clarify the response procedure (handling, resolving), such as the target activities that should be reported and reporting channels, and inform all employees of this procedure.**

Expected initiative

- Establish a channel for reporting and consultation that can be used by external stakeholders, including suppliers.

(4) [Speak-Up Culture—Raising and Reporting of Concerns](#)

Any significant deviation from these Guidelines and any violations or suspected violations of applicable laws, regulations, or policies related to the performance of work should be reported and investigated as needed. Reports of concerns can be made anonymously where permitted by laws and regulations; however, concerns should include sufficient detail to facilitate appropriate investigation and implement remedial actions where necessary.

Mandatory initiatives

- **If a violation of laws or regulations or a significant deviation from these Guidelines is suspected, investigate the cause after confirming the facts and take measures to prevent recurrence.**
- **If an Otsuka group employee or a representative of the Otsuka group is deemed to have committed an illegal activity or other wrongful act, such determination shall be promptly reported to the Otsuka group in accordance with the relevant company's process.**

Revision history

Established in September 2020.

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