



Environmental, Social
and Governance
Report 2022

ESG Report 2022

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Who We Are

World-Leading Science, Life-Changing Medicine

Sosei Heptares is a global biopharmaceutical group focused on the discovery and early development of new medicines originating from our proprietary G protein-coupled receptor (GPCR) targeted StaR® technology and structure-based drug discovery (SBDD) platform capabilities. Founded in 1990 by Shinichi Tamura, our Chairman of the Board, we started from humble beginnings as a technology transfer business to become one of Japan's most innovative science-led biopharmaceutical companies. Our mission is to make life-changing medicines with world-leading science.

We are headquartered in Tokyo, Japan and listed on the Tokyo Stock Exchange (4565-JP), with over 200 employees worldwide. In the UK, where over 80% of our global employees are based, our core capabilities leverage our SBDD platform and translational medicine expertise to take programs from pre-discovery to early clinical development at our R&D facility in Cambridge, UK. In Japan, we have

in-licensed and taken two products to market and have three royalty revenue generating products sold globally by Novartis AG*. We plan to build an agile, scalable and effective clinical development and commercialization business in Japan with our late-stage clinical development team focusing on underserved, rare or specialty therapeutic areas to make a difference to Japanese patients.

Sosei Heptares is dedicated to developing life-changing medicines for the many millions of patients around the world. We are advancing a broad and deep pipeline of over 40 partnered and in-house programs across multiple therapeutic areas, including neurology, immunology and gastroenterology diseases. We have over 20 partnerships with global pharmaceutical companies and emerging technology companies, working together on multi-target discovery collaborations. To date, we have generated over 25 preclinical candidate stage programs.



*Novartis AG acquired an exclusive global license from Sosei Group and Vectura Group plc to develop, manufacture and commercialize inhalation pharmaceutical products formulated with glycopyrronium bromide in 2005. Novartis has developed three products under the license agreement - Ultibro®, Seebri® and Enerzair®.

About this Report

This Report provides details on our approach and progress on Environmental, Social and Governance (ESG) initiatives covering the period 1 January to 31 December 2022.

Our ESG Report 2022 has been prepared by the ESG Committee, which was established with the support of our Board of Directors in 2022, with the mandate to manage, lead and oversee our ESG initiatives. The Chair of our ESG Committee is Miwa Seki, one of our independent external directors, who is renowned for her ESG expertise and experience in Japan. Other committee members include Rolf Soderstrom (independent external director), Noriaki Nagai (independent external director), Chris Cargill (CEO) and Hironoshin Nomura (CFO).

The ESG Committee believes that improving our ESG performance is a vital component for Sosei Heptares' long-term growth and success. With this overarching objective, our ESG Committee will strive to instill our ESG goals across our organization so that environmental, social, and governance topics become foundations of our culture, value and business operations.

Our ESG initiatives are priority topics for our Board of Directors and Executive Officers. With the leadership of our ESG Committee, our ESG initiatives are championed and implemented across our organization by our Charity Committee, Social Committee, Environmental and Sustainability Group and Working Group.

COMMITTEES & GROUPS	OBJECTIVES
Charity Committee	Organize events throughout the year to raise funds for charities selected through a vote by our employees.
Social Committee	Support increasing employee engagement and boosting the success and well-being of our teams by hosting internal social events.
Environmental and Sustainability Group	Implement sustainability practices at our offices and R&D facilities by building awareness and working actively to find and support sustainability initiatives.
Working Group	Improve employee engagement by promoting initiatives, such as a company-wide poster session and social initiatives.

Our ESG Approach and Priorities

Sosei Heptares has worked hard during 2022 to lay the foundations of our ESG commitment and to build a clear roadmap to achieving our ESG goals. This journey began with our inaugural ESG Committee meeting in October 2022, which was brought together to understand our organization's approach to ESG topics. Then, through conversations with our Board of Directors, employees and external stakeholders, the ESG Committee identified potential priority issues to address, the impact on which is expected to have a material benefit (Materiality) and corresponding key performance indicators (KPIs) as a measure of our progress.

The Materiality and KPIs identified by the ESG Committee (set out below) were approved by our Board

of Directors in March 2023. These Materiality and KPIs are the initial ESG priority issues and goals that our organization will strive to achieve in the coming years. The objective of our ESG Committee will be to instill these ESG goals across our organization and to collaborate with both internal and external stakeholders to ensure these priorities become the foundation of our culture, values and business operations.

We recognize that our Materiality and KPIs are long-term objectives that we hope will shape our organization's values, and it is our intention to build on and expand these as an ongoing commitment. We look forward to reporting on our progress through our annual ESG reports.

	MATERIALITY	INITIATIVES	KPIs
Environment	1 Promoting environmental management	Focus on environmental management systems and energy reduction timelines at our UK R&D Facility to ensure our emissions and waste levels are appropriately managed	Obtain Green Lab Certification at our UK R&D Facility within 5 years
Social	2 Diversity, Equity and Inclusion (DEI)	Focus on reducing Gender Gap	Maintain Female Senior Management Roles (Global) at >30% over the medium term
	3 Creating innovative pharmaceuticals for patients	Focus on creating R&D efficiencies that will enable the development of life-changing medicines for patients	Promote R&D efficiencies – one preclinical compound and one clinical compound per year for the next three years on average from our in-house pipeline
Governance	4 Equity and transparency to all stakeholders	Enhance and increase dialogue with our shareholders	Provide a forum where all shareholders can join and discuss with company management in an open and frank manner



Message from our CEO

Dear Stakeholders,

At Sosei Heptares, we are fully committed to realizing a sustainable future through supporting breakthroughs in medicine. Through our work, our goal is to improve the quality of life and health of people around the world. We practice world-leading science to create life-changing medicine.

With the support of our Board of Directors, the ESG Committee was established last year with its inaugural committee meeting held in October 2022. Since then, the ESG Committee has worked to assess our organization's current ESG practices and identify ESG priorities.

“It is my ambition that ESG will be a driving force of our culture and behaviors and will become part of everyone’s working life at Sosei Heptares.”

I am pleased to share with you our ESG Report 2022, our first ESG publication outlining our efforts to address and make a positive impact on our environmental, social and governance initiatives. Over the course of 2023, we will evolve and progress our ESG targets and metrics to further enhance our ESG performance and disclosure. Part of this work will include ensuring that our ESG goals are incorporated into our business operations as well as our values. It is our ambition for ESG to be an embedded part of our culture and behaviors.

I am very proud of what we have accomplished so far, however there is more to do. To this end, we will continue our efforts and focus on driving forward our ESG initiatives in 2023 and beyond.

Yours sincerely

CHRIS CARGILL
President & Chief Executive Officer
Sosei Group Corporation



Environment

Reduction of Emissions and Waste

Sosei Heptares is committed to reducing our environmental impact through our sustainability initiatives and our environmental management systems. With efficient energy use a core priority at our offices and R&D facility, our Environmental and Sustainability Group members are all My Green Lab Ambassadors, focused on encouraging our laboratories to be more sustainable. In May 2021, an independent environmental sustainability audit of our Cambridge, UK R&D facility was conducted to assess ways to

reduce energy consumption. Throughout 2022, we implemented many of the recommendations made in the audit report including ways to improve our standardized practice in areas of consumable use, recycling and general reduction of energy use. In particular, an electricity conservation system for each piece of lab equipment was implemented whereby certain instruments are automatically switched off in the evening and on weekends, and temperature of our ultra-low temperature freezers have been increased by 10 °C.

Some further notable initiatives are:

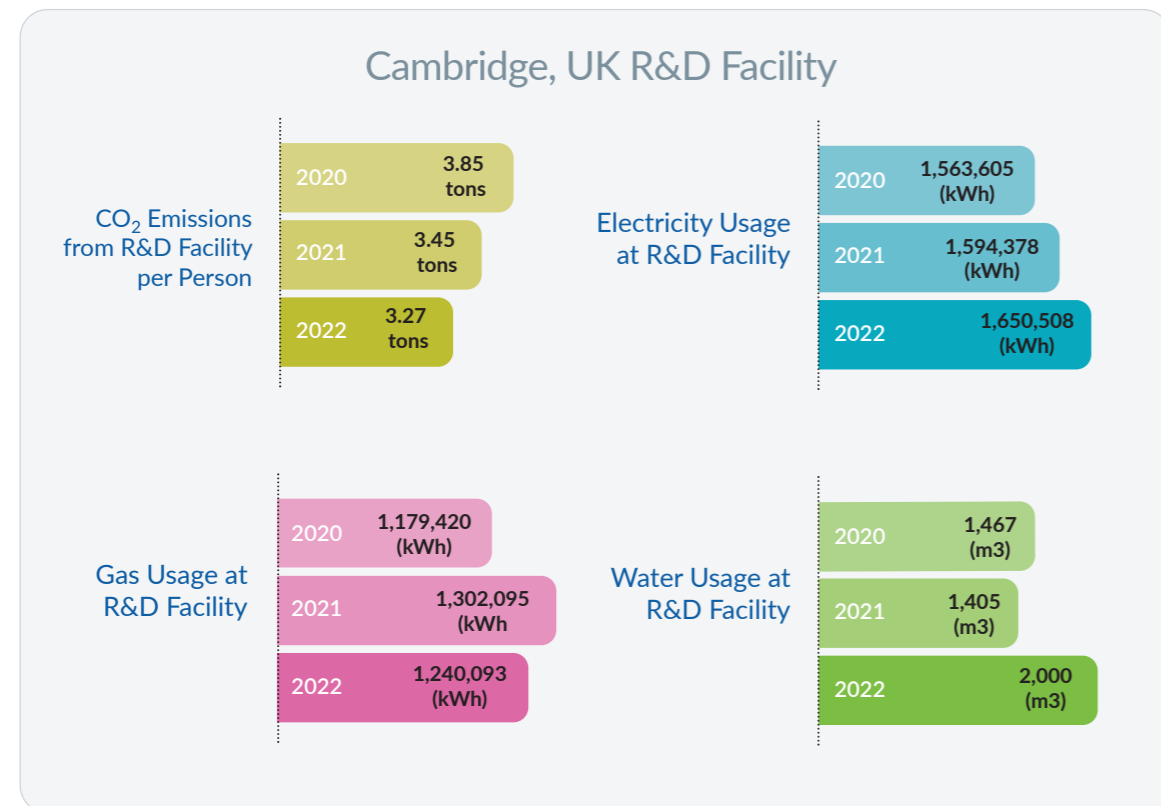
- **renewable energy promotion** – we continue to select energy suppliers with high environmental awareness. Our current UK electricity supplier is the largest generator of carbon-neutral electricity in the UK.
- **Ecologi® partnership** – since 2002, we have partnered with Ecologi Action Ltd on carbon reduction projects and tree planting initiatives. So far, we have contributed to 96 tons CO₂ reduction (94.08 tons reduced through generating clean electricity from hydropower in India and 1.92 tons reduced through wind power generation in Bac Lieu Province, Vietnam). Furthermore, we have contributed to the planting of 5,040 trees in the mangroves of Marotaola, Madagascar.
- **car sharing service** – our UK staff at our Cambridge facilities participate in a car-sharing service.
- **cycle to work** – our UK staff can participate in the UK Government's Cycle to Work initiative which provides staff with discounts on new bike purchases.
- **energy efficient buildings** – our Tokyo headquarter is located in an energy efficient building with double-glazed windows and individual air-conditioning systems. We have also installed LED lighting in our Tokyo office to reduce power consumption compared to fluorescent lighting.



Reduction of Emissions and Waste, continued

In the UK, we hold an Environment Agency License for the use and disposal of radioactive materials and a Trade Effluent License, issued by Anglian Water Services Limited, for the discharge of liquid waste into the public sewage system. Both licenses stipulate strict conditions on how we should manage and dispose of such materials and these have been incorporated into our environmental management systems. Furthermore, although Sosei Heptares does not hold a HAZWOPER certification as such certification is not applicable for the operation of our business, we ensure that our waste disposal contractors hold the British Standard ISO 14001:2015 (Environmental Management) and BS ISO 50001:2011 (Energy Management, under the framework guidance of PAS99:2012 (Management System). To ensure compliance of our waste disposal contractors' certifications, we take part in our waste disposal contractors' annual waste audit process.

Through our focus on environmental management systems and our energy reduction initiatives, we will continue to work on ways to reduce our operational emissions levels.



*Data impacted by site occupancy restrictions due to COVID-19 measures starting March 2020 which introduced working from home measures for staff and lab operations at 50% capacity. Site occupancy restrictions were not lifted until April 2022, when maximum site occupancy increased to 130 people from 80 people during periods when highest levels of restrictions were being imposed.

Social

Safety and Quality Assurance

Social - Safety and Quality Assurance

Laboratory Animal Care and Alternatives to Animal-Based Biomedical Research

Sosei Heptares is committed to the humane and responsible use of animals in biomedical research. No animal research is conducted in our laboratories or premises. Instead, we work with experienced and reputable Contract Research Organizations (CROs) to conduct any necessary research. Our CROs are selected following careful assessment, and we strive to work with organizations that conform to the highest standard of legal and regulatory compliance processes, obtained through independent accreditation procedures.

All use of animals is carefully planned and reviewed by our In Vivo Review Forum (IVRF), which comprises a team of scientists, statisticians and veterinarians before any research starts. We endeavor to abide by the 3R principles of *Replace, Reduce and Refine* and only commission studies involving the use of animals where there are no scientifically appropriate alternatives.

Through our internal review processes, we work to ensure that all experiments are designed to use the minimum number of animals possible to deliver the required data in the circumstance and minimize or avoid unnecessary pain, distress, or discomfort to the animals.

Sosei Heptares is committed to the development and use of scientifically validated alternative testing methods that are acceptable to regulatory authorities and do not compromise patient safety or the effectiveness of our medicines. Accordingly, we have invested heavily in methods to test effects of candidate drugs on isolated human cells and in clusters of cells grown in the laboratory (organoids), and in the use of state-of-the-art computational modelling to predict the effective concentration of the drug in the body and biological effects in humans.

Core Development-Stage Activities

Sosei Heptares is passionate about improving the quality of life and health of people around the world through the discovery and development of effective and safe medicines. With this core principle in mind, we have developed comprehensive procedures that assure the quality and compliance of our core development stage activities. These procedures are revised every two years or more frequently as required.

Sosei Heptares undertakes clinical trial activities regulated by Good Clinical Practice (GCP) and is governed by related regulations and guidance concerned with manufacturing (Good Manufacturing Practice (GMP)), laboratory and non-clinical testing (Good Laboratory Practice (GLP)) and pharmacovigilance.

Development-stage teams are made up of scientists, medical and other trained professional staff, supported by consultants. The team provides scientific and operational expertise and oversight to facilitate drug development including Active Pharmaceutical Ingredient (API) and drug

product manufacture, non-clinical study sponsorship, clinical study design, medical oversight, drug metabolism, pharmacokinetics and expertise in program management, regulatory affairs and clinical operations. Therefore, all development-stage staff are trained in procedures needed to assure the quality compliance of every aspect of clinical trial conduct. Team members receive training in legislation and regulation relevant to their role when they join, and periodic updates thereafter. GMP and GCP training is delivered annually. Additionally, employees and relevant consultants are required to be trained in the organization's policies and procedures relevant to their roles.

Supply Chain Transparency and Quality Assurance

We are committed to maintain rigorous quality standards throughout our supply chain network even though our business uses a virtual model and delegates certain works to external vendors. We have developed a process that maintains oversight of external vendors including steps for assuring the quality of activities through review of data and documents. These steps include review and approval of externally generated protocols and reports, review of completed batch manufacturing records for produced batches, review of analytical method development and validation reports, review and approval of certificates of analysis, ongoing review and monitoring of clinical trial data while studies are ongoing, and review of Tables Figures and Listings (TFLs).

Furthermore, all suppliers are assessed to ensure sufficient quality management systems are in place which meet our internal quality assurance procedures and all relevant regulatory standards. Relevant suppliers are provided training by us on procedures to meet our quality management systems. Regulated development stage suppliers are expected to comply with GLP, GMP and GCP as applicable to the activity being undertaken and to maintain certification from the relevant national authorities. Certificates are collected during the assessment and selection of such suppliers and the suppliers are contractually and legally obliged to maintain all necessary certifications.

Suppliers undertaking animal experiments are required to maintain their Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) accreditation. The AAALAC International accreditation program evaluates organizations that use animals in research, teaching or testing. Those that meet or exceed AAALAC standards are awarded accreditation.

Finally, our UK Modern Slavery Statement outlines our approach to managing modern slavery risks in our supply chain. Our 2023 UK Modern Slavery Statement can be found [here](#).

Marketing Authorization in Japan

Sosei Co., Ltd., our Japan pharmaceutical development arm, holds our marketing authorization license in Japan from the Ministry of Health, Labor and Welfare (MHLW). It is also a member of the Pharmaceutical Manufacturers' Association of Tokyo and the Japan Society of Quality Assurance.

In accordance with the Ministerial Ordinance on Standards for Manufacturing Management and Quality Control of Pharmaceuticals and Quasi-Drugs (GMP), Sosei Co., Ltd ensures relevant suppliers are provided with manufacturing and quality control training. In addition, since August 2021, we have worked with each of our relevant suppliers to establish pharmaceutical quality

systems (PQS) based on the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use's ICH Q10 Pharmaceutical Quality Systems.

In accordance with guidance issued by MHLW, Sosei Co., Ltd have implemented internal regulations in relation to marketing information, including clarifying management responsibilities, valuation procedures and record keeping systems. Our Monitoring Committee for Marketing Information monitors and assesses the activities of relevant employees and suppliers on a bi-annual basis. Sosei Co., Ltd also conducts internal marketing and advertisement training to all relevant employees.



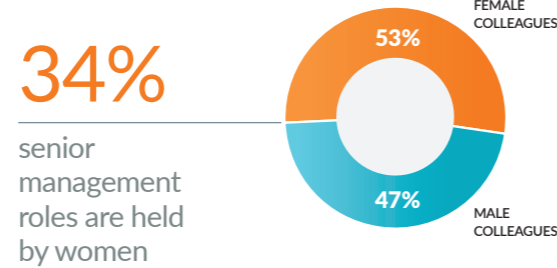
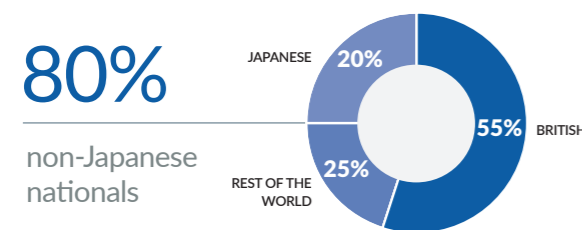
Social

Human Capital Development

Social - Human Capital Development

Promoting Diversity and Pay Equity

The promotion of diversity and inclusion and the creation of a collaborative working environment are core pillars of Sosei Heptares' vision to be one of Japan's global biopharmaceutical champions. As a global company, our Sosei Group Board of Directors comprise 38% non-Japanese nationals (including our CEO) and 80% of our global workforce are non-Japanese nationals (British – 55%, Japanese – 20%, Rest of the World 25%). We are also proud to have a diverse workforce comprising 53% female colleagues, including 55% female new hires in 2022.



34% senior management roles are held by women

We are committed to pay equality for all colleagues with our intention to continue to build a diverse and inclusive workforce. Commencing in 2021, a global review of staff salaries has been conducted on an annual basis against market benchmarks based on each employee's role and experience.

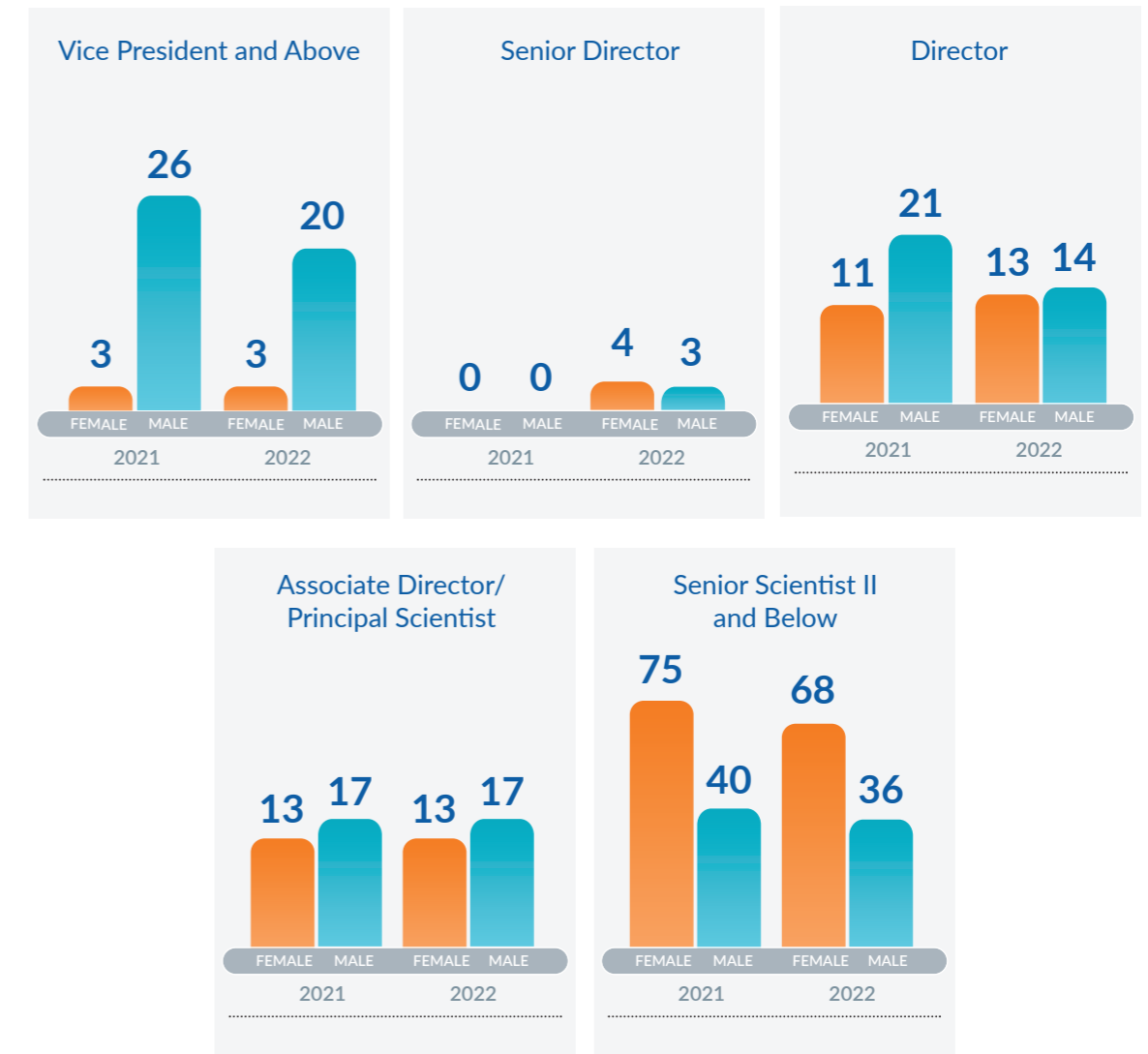
In December 2021, Sosei Heptares introduced a new performance calibration process as part of our workforce's performance management framework. The new process is a business led forum conducted annually to ensure a consistent and fair approach across the organization for promotions and annual rewards. In 2022, 52 promotions were made, including 30 female promotions which increased our global female employees in senior management roles to 34% compared to 23% in 2021. In addition, in March 2022, Miwa Seki was elected to the Sosei Group Board of Directors. As part of our drive to

create an inclusive and informed culture within our organization, we are in the process of establishing a diversity, equity and inclusion council (DEI Council) in 2023.

Sosei Heptares actively forecasts its hiring needs by determining the required number of full-time equivalent (FTE) employees needed on each program. This practice ensures that our programs are well resourced with people who have the requisite skill sets. As an organization, we are proud to support skilled worker visa applications for non-British nationals to work at our R&D facility in Cambridge, UK. In 2022, we supported six skilled worker visa applications.

Sosei Heptares believes meaningful progress has been made to promote diversity and pay equity in 2022 and will continue to make year-on-year progress across the organization.

Gender Representation



Employee Stock Ownership

Sosei Heptares actively appoints talented people with the aim of encouraging them to remain with the business in the long-term. We truly believe that employees should have a stake in the ownership of the organization, so they can benefit from their direct contribution to the company. Accordingly, since April 2022, all permanent employees are eligible to be considered for grants of Restricted Stock Units (RSUs) under Sosei Group's Long-Term Incentive Plan (LTIP) every year. The participation in and the actual grants of awards and/or payments to our employees are made in accordance with the rules of the relevant LTIP scheme. As of December 2022, 82% of permanent staff hold RSUs of Sosei Group Corporation. It is Sosei Heptares' intention to continue to award employees further grants on an annual basis as an additional process of recognizing their performance and contributions to the organization.

82% permanent staff hold RSUs of Sosei Group Corporation

Benefits and Work-Life Balance

Sosei Heptares runs an active benefits package which includes salary sacrifice benefits such as Cycle to Work schemes and pensions. The company also provides private health insurance, health cash plan for dental, optical, complementary therapies to all employees and subsidized gym memberships for all staff including placement students.

Sosei Heptares believes in supporting employees who have young families. The company's UK family friendly policies (including maternity, paternity and adoption leave) were revised in 2022 to provide enhanced packages to employees compared to the UK statutory requirements. In 2022, 100% of staff returned to work after child-care leave, compared to 67% in 2021. Continued support to families and staff with elderly family members are also provided through the roll out of a new childcare and elderly care support program, which entitles employees to up to ten days per year of subsidized childcare and elderly care.

In Japan, Sosei Heptares introduced flexible working arrangements for all office-based colleagues in 2022, offering our colleagues the choice to decide how they work to balance both our business needs and their personal ones.

Japan colleagues have freedom to choose when and where to work - either from the office or remotely from home or any other place of their choosing. The flexible working arrangements are part of our work style reinvigoration, which includes the reform of performance management, training and development and other Human Resources (HR) practices to enable the shift toward employee empowerment. As a result, the company is seeing increased employee satisfaction related to well-being and work-life balance.

In the UK, Sosei Heptares is committed to supporting employees with flexibility in their work schedules while allowing us to maintain a progressive and productive work environment. The company has provided a formal policy to ensure consistency of approach with how roles can operate flexibly in our working environment. It balances the need for roles that physically need to be in the office with those that can have greater flexibility but still ensuring we maintain presence at our sites to promote collaboration and connectivity across the company.

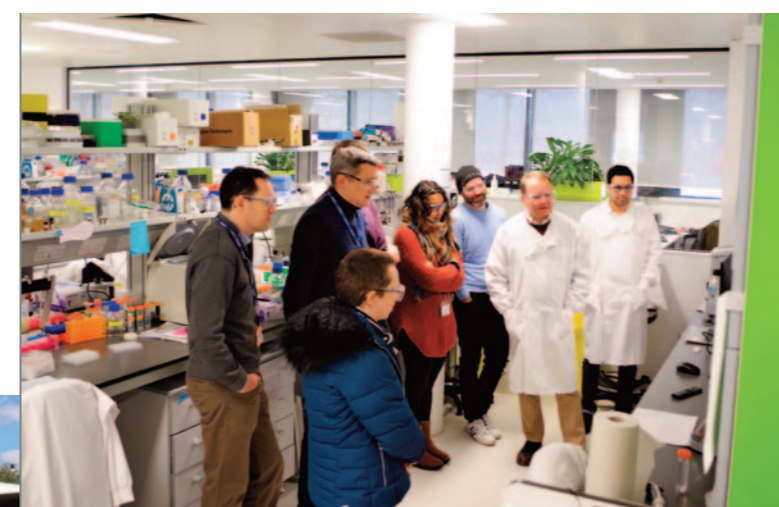


Company Summer 2022 Event



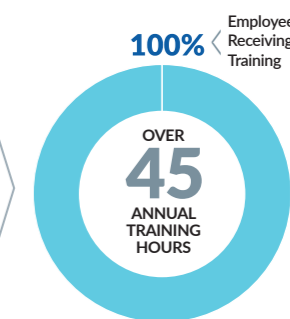
Development Training

We are committed to supporting our colleagues reaching their full potential by providing opportunities for growth and development, and through rewarding performance and leadership. Sosei Heptares ensures that each employee has the requisite and up to date skills training for their role, facilitated through regular personal development discussions and tailored training programs based on our training matrix. The company also supports individuals attaining further qualifications or certifications within their field of expertise. We are committed to scientific talent development through internal secondments and regular conference attendance.

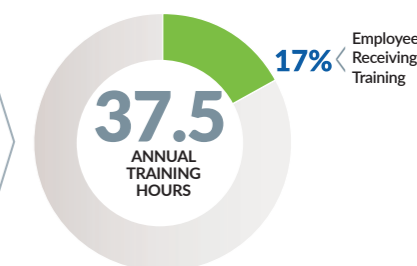


In 2022, we began a new leadership strategy by introducing formal management training for all line managers in addition to the tailored training programs. There are three programs targeted at different levels and experience of line managers. New managers or soon-to-become managers are enrolled in the Management Foundation Program and managers who have had a few years' experience are enrolled in the Management Development Program. Managers who are at Director-level or above are enrolled in the Inspiring Leadership Program. These three programs are rolled out on an annual basis and new participants are enrolled as they become promoted, are newly hired into the business, or are flagged as potential managers in the near term.

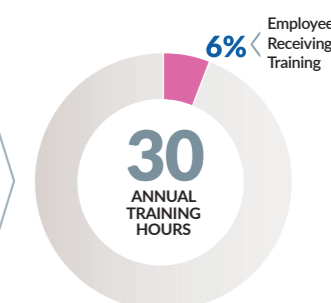
Tailored Training Program for each employee based on training matrix



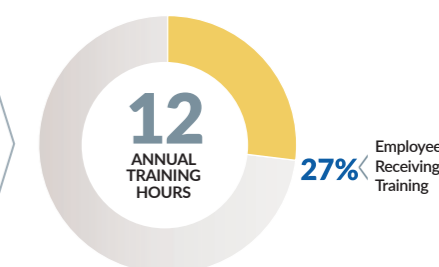
Inspiring Leadership Program



Management Development Program



Management Foundation Program





Development Training, continued

In addition to fostering an environment to encourage our employees to develop as leaders, Sosei Heptares has a formal performance management framework which includes objective setting for every employee in the company and bi-annual performance appraisals. Performance calibration meetings at the end of the year are conducted with senior leaders of each team to discuss the performance of every employee. These meetings also include discussions on promotions and the near-term development pathway as part of the development plans for each individual.

Finally, Sosei Heptares utilizes a specialized third-party online platform to deliver an employment engagement survey annually to measure the connection employees have towards their work, team and company, and examine the factors that influence it. We aim to use the survey results to guide us with further developing ways

to increase employee satisfaction and development strategies. In 2022, our employee survey response rate was 94% globally, with the overall split of responses being 60% positive, 34% neutral and 6% negative. We have developed action plans to focus on improvement areas throughout 2023.

Studentship Programs and Academic Sponsorships

Sosei Heptares supports world leading academic institutions and their students through various research, studentship and sponsorship arrangements. Such programs are designed to help post-graduate students and academics work on collaborative research programs in line with their higher education requirements. In some circumstances, Sosei Heptares supports such students and academics on writing their theses and publication of their findings. In 2022, Sosei Heptares worked with 19 academic institutions around the world on such sponsorship arrangements.

In addition, Sosei Heptares supports industrial placement student programs in conjunction with UK universities. This is an annual program designed to provide students with practical experience within their designated field of expertise. In 2022, Sosei Heptares welcomed 10 industrial placement students to work alongside our scientists on 12 months placements.

19

academic
institutions

10

industrial placement
students

Social

Contribution to Society

Social - Contribution to Society

Meeting Unmet Medical Needs

Our proprietary StaR® technology and SBDD platform has enabled us to develop small molecules, peptides and antigens for antibody discovery. To date, we have leveraged our technologies and expertise to create a pipeline of drug candidates targeting GPCRs that we believe have potential to become first-in-class or best-in-class medicines in therapeutic areas such as neurology, immunology and gastroenterology diseases.

Alongside our in-house programs, we are collaborating with world leading partners, including major biopharmaceutical companies, emerging technology companies and innovative venture capital funds to address diseases with high unmet medical needs, and for which there are no suitable treatments currently available.

We are dedicated to developing life-changing medicines for the many millions of patients with these diseases around the world.

	NEUROLOGICAL DISORDERS					IMMUNOLOGICAL DISORDERS			OTHER	
INDICATION	Dementia	Schizophrenia	Substance use disorders	Narcolepsy	Other	Cancer	IBD	Atopic Dermatitis	Type 2 Diabetes / Obesity	Anorexia
NUMBER OF PATIENTS*	~55 million	~20 million	~10.4 million	~3 million	-	~42 million	~10 million	~13.3 million	~420 million	~10 million
OUR CANDIDATES	M1 agonist, M1/M4 agonist	M4 agonist, M1/M4 agonist	mGlu5 NAM	OX2 agonist	CGRP antagonist, GPR52 agonist	A2a antagonist, EP4 antagonist, CXCR4 mAb	CCR6 antagonist, GPR35 agonist, EP4 agonist	H4 antagonist, PAR2 mAb	GLP1 agonist	MC4 antagonist

*Source of Number of Patients: World Health Organization, Evaluate Pharma, The European Federation of Crohn's & Ulcerative Colitis Associations (EFCCA), Narcolepsy Network, Inc., GBD 2015 Disease and Injury Incidence and Prevalence Collaborators (October 2016). "Global, regional, and national incidence, prevalence, and years lived with disability for 310 diseases and injuries, 1990-2015: a systematic analysis for the Global Burden of Disease Study 2015". Lancet. 388 (10053): 1545-1602.1602.

Right to Health

Sosei Heptares takes its responsibility to work towards providing access to medicines and healthcare to all people around the world seriously. The company provides access to some of its scientific discoveries in order that others may use them for their own research to improve the understanding of diseases and accelerate the development of new medicines. For example, our scientists have solved over 340 GPCR structures from more than 30 different GPCR targets using our innovative StaR®/SBDD drug discovery technology, which we have published in order to contribute to the scientific community.

Furthermore, in April 2020, we initiated a new R&D program to design drug candidates that selectively inhibit the main protease of SARS-CoV-2 (MPro), which has been designated as an important potential target for drug development. We have also designed small molecules that could be effective against predicted future variants of SARS-CoV-2 and other related human viruses. In December 2021, Sosei Heptares received grant funding from the Wellcome Trust to advance the MPro program for the treatment of SARS-CoV-2. As part of the grant award, Sosei Heptares has committed to endeavor to provide a percentage of any relevant manufactured products to be offered to low and middle-income countries (LMIC) as per the World Bank's definition of LMICs.

340+

GPCR structures solved

from 30+

GPCR targets

Charity Initiatives

Sosei Heptares actively seeks to contribute to the development and enhancement of our communities as well as to the broader society. In 2022, we made charitable donations amounting to £15,043 to the following organizations and initiatives:

2022 DONATIONS BY SOSEI HEPTARES				
£10,000	£3,024	£500	£1,249	£270
DEC Ukraine Humanitarian Appeal	St Nicholas Hospice	Rethink Mental Illness	Ecologi	In2ScienceUK



Our Charity Committee raised £4,374 for St Nicholas Hospice, UK in 2022 through various initiatives such as running a step challenge, quiz evening, bake-offs, World Cup pontoon and a Christmas raffle. St Nicholas Hospice provides help, advice and support to patients and families in the final chapters of their lives, who are living with long-term and life-threatening illnesses. These employee-raised donations are in addition to the Company donation mentioned above.



In 2023, our Charity Committee will be raising money for In2Science UK, a charity that provides young people from low-income and disadvantaged backgrounds an opportunity to gain practical insight into the Science, Technology, Engineering and Math (STEM) sector as well as knowledge and confidence to progress to university.



Governance

Governance

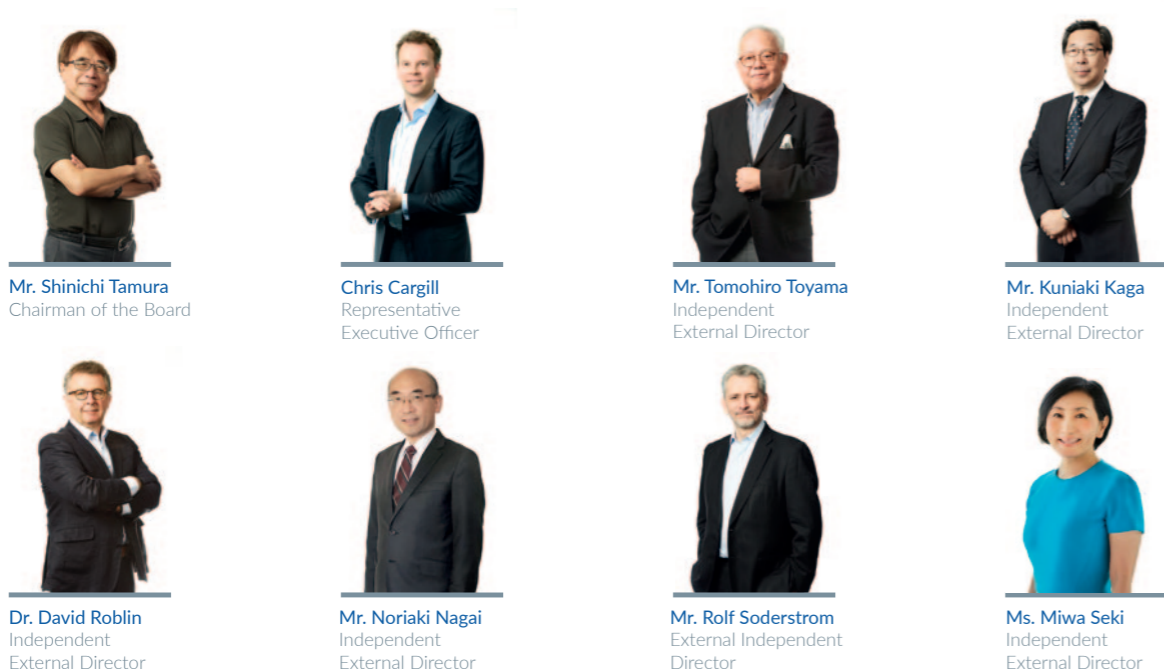
Corporate Governance Structure

With our vision to be one of Japan's global biopharmaceutical champions, we recognize that building an effective system of corporate governance is an important management priority to enhance corporate value over the medium to long term. We have therefore continued to strengthen our governance structure and management system through the appointment of independent external directors and the establishment of cooperation between the Audit Committee, the external auditor and the Internal Audit Department to support the strategic management and oversight functions of our Board of Directors. At the same time, we have strived to increase the integrity and transparency of our management governance structure by maintaining accountability to and communication with all stakeholders, including shareholders, employees, business partners, customers, creditors, consumers and local communities.

We have adopted a governance structure comprising the Nomination Committee, Audit Committee and Compensation Committee as stipulated by the

Companies Act of Japan in order to strengthen our Board of Directors' oversight, increase transparency and speed up the decision-making of management, among other reasons. Under this structure, we have separated the oversight function and business execution function of management and have largely delegated business decision making authorities to our Executive Officers. We believe this structure supports our focus to increase management oversight and efficiencies and our governance principles are set out in our Corporate Governance Guidelines.

Our Scientific Advisory Board consists of leading scientific experts from the pharmaceutical industry and academia, who ensure management decisions are based on scientific expertise. Our significant investment decisions are made by our Board of Directors based on recommendations made by our Investment Committee. Lastly, our ESG Committee was formed in 2022 with the mandate to make recommendations to our Board of Directors and oversee our overall ESG strategy, policies and practices.



LEADERSHIP GROUPS AND COMMITTEES	DESCRIPTION AS OF 31 DECEMBER 2022
Board of Directors and Executive Officers	Our Articles of Incorporation stipulate that there may be no more than ten directors. Our Board of Directors comprises eight directors (two internal directors and six independent external directors). Our Board of Directors sets basic management policies, supervises the execution of duties by our Executive Officers and directors, and deliberates on management strategies to realize sustainable growth and add corporate value. One of the directors serves concurrently as our representative executive officer (CEO). We currently have six Executive Officers, including our CEO, who have been mandated by the Board of Directors with business execution authorities.
Independent External Directors	We have six independent external directors. There are no personal, capital, or transactional relationships or other special interests that may affect their independent and objective decision making between the independent external directors and Sosei Heptares. In electing our independent external directors, we recognize the importance of ensuring the effectiveness of corporate governance and ensuring independence from the management team. We have established our Independent Standards for independent external directors. Based on their career histories and relationships to Sosei Heptares, we have determined that each independent external director can ensure adequate independence to execute their duties as an independent external director from an independent standpoint.
Nomination Committee	Our Nomination Committee comprises our Chairman of the Board and three independent external directors. The Committee assesses whether candidates have sufficient expertise and experience to support our global strategy and puts nominations forward to our shareholders for such candidates to be elected as directors. Furthermore, the Nomination Committee makes candidate recommendations to the Board of Directors for the appointment of executive officers.
Compensation Committee	Our Compensation Committee comprises three independent external directors, one of whom is the Chair of the Committee, our CEO and our Chairman of the Board. The Committee sets the remuneration policy for directors and Executive Officers, and based on that policy determines their individual remuneration in view of performance and other contributions to Sosei Heptares.
Audit Committee	Our Audit Committee comprises five independent external directors. The Audit Committee works closely with the Internal Audit Department and is responsible for auditing finance and internal control mechanisms, overseeing the execution of duties of directors and executive officers, as well as the appointment and dismissal of external auditors.
Investment Committee	Our Investment Committee comprises our CEO, Chairman of the Board, three independent external directors and four Executive Officers. The Investment Committee evaluates prospective investments and divestments projects and makes investment recommendations to the Board of Directors.

LEADERSHIP GROUPS AND COMMITTEES	DESCRIPTION AS OF 31 DECEMBER 2022
R&D Committee	Our R&D Committee comprises our CEO, Chairman of the Board, two independent external directors and three Executive Officers. The R&D Committee promote an open, transparent and respectful cross-border working culture, and to support best practice knowledge sharing regarding innovation and R&D.
ESG Committee	Our ESG Committee comprises our CEO, three independent external directors and one Executive Officer. The ESG Committee was established in 2022 with the mandate to make recommendations to the Board of Directors and oversee our overall ESG strategy, policies and practices.
QXR Committee	Our QXR Committee comprises our CEO, two independent external directors and four Executive Officers. The QXR provides quarterly executive review of R&D decisions and ensures appropriate checks and balances are made on resource and budget allocation across our R&D portfolio.
Scientific Advisory Board	Our Scientific Advisory Board consists of a total of 11 world-leading experts, including one independent external director. The SAB provides valuable insight and perspective relevant to drug discovery, development and strategic areas of focus for Sosei Heptares.

Operation of Governance Systems

We are committed to conducting our business with integrity and our governance systems ensures that appropriate operational structures are in place. A summary of our governance systems is as follows:

GOVERNANCE SYSTEMS	DESCRIPTION
Business Ethics and Compliance Systems	<p>Sosei Heptares is committed to ensuring ethical business practices across our business and acting as a responsible member of society in all our business endeavors. Our principles of corporate behavior are instilled throughout the organization through our Code of Conduct. Mandatory training of relevant laws, regulations and policies are provided to our staff and compliance with training requirements are monitored on an ongoing basis.</p> <p>Anti-Corruption Measures</p> <p>We strive to undertake our business fairly with honesty and transparency and therefore are committed to maintaining the highest possible standards of business practice. Consequently, in accordance with our Anti-Bribery and Corruption Policy, Sosei Heptares observes and upholds a zero-tolerance approach to acts of bribery and corruption.</p> <p>We do not tolerate fraud, corruption or abuse of position for personal gain by any member of staff or any other person associated with us. Accordingly, through our Anti-Fraud and Anti-Facilitation of Tax Evasion Policies, we have established mechanisms to minimize the risk of fraud and criminal facilitation of tax evasion.</p>

GOVERNANCE SYSTEMS	DESCRIPTION
Business Ethics and Compliance Systems	<p>Supply Chain Due Diligence</p> <p>Along with our Supply Chain Transparency and Quality Assurance measures, we undertake due diligence when considering taking on new suppliers and continuously review our existing suppliers. All our suppliers undergo a supplier approval process that includes risk assessments based on qualitative and economic factors to identify any indicators of supply chain risks. Such risk assessment includes checks against association with "anti-social forces" (hanshakaiteki seiryoku) and organized crime groups. In addition, since the war in Ukraine began in February 2022, we have taken measures to ensure that we do not trade directly with any Russian suppliers and do not breach any internal sanctions.</p> <p>We require all our contracting partners, suppliers and other third parties to operate in line with internationally recognized legal, regulatory and human rights frameworks. We are committed to ensuring that we identify and eliminate to the fullest extent possible all potential modern slavery risks related to our business. We do not tolerate forced labor either within our business itself or within our supply chain. For further details of our actions to prevent modern slavery in our business dealings, please refer to our 2023 Modern Slavery Statement.</p> <p>As at the date of this 2022 ESG Report, we currently are not aware of any areas that would be considered high risk and we are not aware of any third-party company and/or supplier activity that may contravene our ethical business practices.</p> <p>Whistleblowing Policy</p> <p>Our Whistleblowing Policy encourages staff and external stakeholders to raise any concerns that they may have about our conduct or the way in which our business operates. All our staff have a duty to report any concerns they may have about potential breaches of our Code of Conduct, the laws and regulations of the countries we operate in, or our policies, procedures and guidelines. Our policy outlines our internal mechanism for reporting, investigating, and remedying any wrongdoing in the workplace and encourage individuals to raise their concerns and any grievances internally in the first instance. Along with our internal whistleblowing mechanism, we have external whistleblowing hotline services that can be used in Japan and the UK by both internal and external stakeholders. The external independent whistleblowing services offer confidential reporting services, which allows staff and external stakeholders to raise any issues or concerns in complete confidence and if they wish, on an anonymous basis.</p>
	Document Management System
Risk Management System	Decision making by our Board of Directors are made based on discussions and deliberations considering, where relevant, opinions of external experts. Based on internal audit findings, our Internal Audit Department also provides guidance and recommendations on risk management systems to our Board of Directors.
Job Execution System	Authority of officers and employees are defined and managed in accordance with our governance policies. To ensure operations are conducted efficiently and appropriately, subsidiaries have delegated authorities with structured governance reporting responsibilities to Sosei Group and our Board of Directors.

GOVERNANCE SYSTEMS	DESCRIPTION
<p>Internal Controls Systems</p>	<p>Our Internal Audit Department continuously evaluates the design and operation of internal controls to comply with relevant laws and regulations. Our Internal Audit Department conducts internal audits with the aim of maintaining and strengthening our internal controls whilst ensuring appropriate and effective business operations. Specifically, the activities of the Internal Audit Department include:</p> <p>Assurance and Recommendations</p> <ul style="list-style-type: none"> Decide audit themes on a risk-based approach, execute internal audits, and report the results to the CEO and the Audit Committee. Issue audit recommendations for remediation and support the audited units to develop action plans. Continue to work together with the audited units and follow up on the remediation actions. <p>Internal Controls</p> <ul style="list-style-type: none"> Evaluate the design and operation of internal controls over financial reporting every year to ensure effectiveness according to the guidelines of the Financial Services Agency (J-SOX). Prepare an annual Internal Control Report pursuant to the Financial Instruments and Exchange Act. <p>Independence and Objectivity</p> <ul style="list-style-type: none"> The Head of Internal Audit Department reports administratively to the CEO and functionally to the Audit Committee, and also reports directly to the Board of Directors, thus maintaining independence and objectivity. The Internal Audit Department has meetings with both the CEO and the Audit Committee on a frequent basis to share information and provide updates on risks and controls.
<p>Data Protection & Privacy Systems</p>	<p>We consider the protection of personal data and privacy a vital part of our governance structure. We have implemented a comprehensive global data protection framework along with General Data Protection Regulation (GDPR) policies in order to comply with both the EU and UK GDPR in addition to personal information management regulations in Japan. The handling and monitoring of EU and UK personal data is managed by our Privacy Team comprising members from key departments including Legal, Information Technology, HR and Investor Relations and our Privacy Lead is our Chief Accounting Officer. We have appointed Shoosmiths LLP as our external Data Protection Officer.</p>



Group Corporate Headquarters

PMO Hanzomon 11F
2-1 Kojimachi, Chiyoda-ku
Tokyo 102-0083
Japan
Tel: +81 (0)3 5210 3290

Corporate Office

North West House
119 Marylebone Road
London NW1 5PU
United Kingdom
Tel: +44 (0)1223 949 392

Cambridge R&D Facility

Steinmetz Building, Granta Park
Great Abington,
Cambridge CB21 6DG
United Kingdom
Tel: +44 (0)1223 949 100