



Sustainability Report

Message from the President & CEO

Since its foundation in 1990, Sosei Heptares has expanded its business with the vision of becoming one of Japan’s global biotechnology and drug discovery champions. We are committed to realizing a sustainable future by supporting the healthy and prosperous lives of people around the world through our business and, in a broader sense, by fulfilling our social responsibilities to our stakeholders, including patients, shareholders, business partners, employees and society. Based on our business profile, we are undertaking initiatives focused on 10 of the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.



17 SDGs adopted by the United Nations in September 2015



Colored goals – Sosei Heptares focus areas

Relationship between Our Focused SDGs and ESG



Source: United Nations

Promoting Sustainability

Sosei Heptares has established committees and groups that promote the Group’s various sustainability initiatives to realize our aim to contribute to resolution of ESG issues.

- **Framework**

Charity Committee	Social Committee	Sustainability Group	Working Group
<ul style="list-style-type: none">• Organize multiple events throughout the year to raise funds for charities that have been selected through a vote by employees	<ul style="list-style-type: none">• Support increasing employee engagement, making employees perform better, boosting the success of our teams and the outcomes of the Group by hosting various internal events	<ul style="list-style-type: none">• Implement sustainable practices at the workplace by building awareness and working actively to find various sustainability initiatives	<ul style="list-style-type: none">• Improve employee engagement by promoting initiatives, such as a company-wide poster session and various online social initiatives during the pandemic to help people stay in touch while working remotely

Contributing to resolution of ESG issues, including environmental and social issues and human resource management



Environment

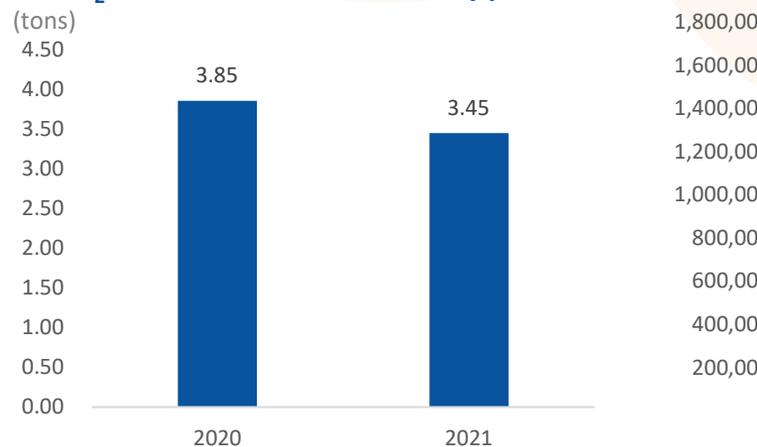
E Environment – Reducing Energy Use



In 2020, Sosei Heptares created the Sustainability Committee and has made efficient energy use a high priority at its offices and R&D facility. We have been implementing a wide range of initiatives from electricity conservation systems for each piece of lab equipment, to the optimization of insulation and ventilation systems for the entire office. We are working to reduce CO₂ emissions per employee.

KPIs for Primary Initiatives

Co₂ Emissions from R&D Facility per Person (tons)



Electricity and Gas Use at R&D Facility (kWh)



Electricity Conservation of Lab Equipment by Traffic Light Code

- Never switch off
- Switch off evening/weekend
- Switch off after every use

Other Initiatives

- ✓ Promoting renewable energy – EDF Energy, our electricity supplier, is the largest generator of carbon-neutral electricity in the UK. We continue to select suppliers with high environmental awareness
- ✓ Participating in the Ecologi initiative – It focusses on various initiatives including carbon reduction projects and tree planting. So far, we have achieved a 96 ton CO₂ reduction and planted 5,040 trees with an annual subscription of £5,000
- ✓ Utilizing car-sharing at UK R&D facility – At Granta Park, our scientists are able to utilize a car-sharing service available to tenant companies
- ✓ Encouraging bicycle commuting in accordance with the UK government’s policy – We have registered for the Cycle to Work program launched by the UK Government, which gives employees a discount on new bike purchases
- ✓ Occupancy in an energy efficient building – Our Tokyo Headquarters occupies an office in an energy efficient building with double-glazed windows and individual air-conditioning system

Note: 2020 data includes an impact of the coronavirus pandemic on decrease of the number of employees in the workplace

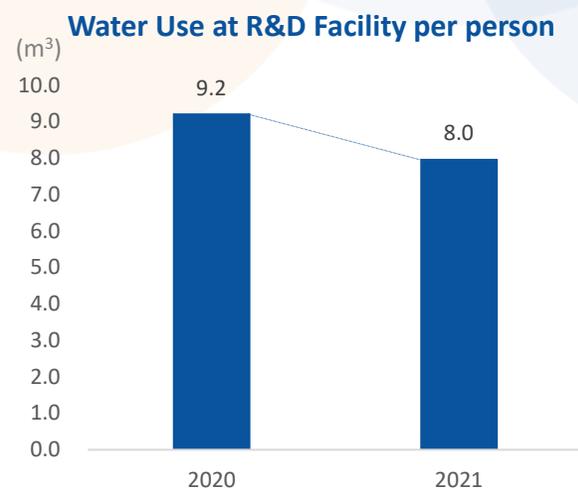
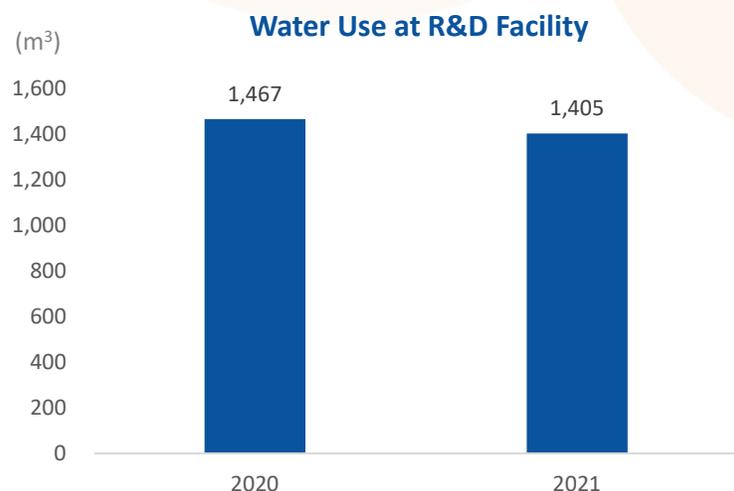
Source: Company Statistics

E Environment – Reducing Waste and Efficient Water Use



The reduction of waste and the efficient use of water is a top priority of Sosei Heptares' Sustainability Committee. We consider it to be an extremely important goal, especially at our R&D facility, and will continue to aim to improve waste and water use levels per person as our employee base increases.

• KPIs for Primary Initiatives



• Other Initiatives

- ✓ Consideration of experimental materials – One of the main initiatives of the Sustainability Committee is consideration of switching to the use of experimental materials that are more sustainable
- ✓ Labeling on waste bins – Promoting the use and adherence to recycle labeling on waste bins in laboratories and offices
- ✓ Reducing construction waste – The recycling rate of construction waste (74%-91%) at our Granta Park R&D facility is two times higher than the industry average
- ✓ Promoting paperless processes – Reducing paper usage through digitization of signatures, documents, and payment processes including cheques and salaries

Note: 2020 data includes an impact of the coronavirus pandemic on decrease of the number of employees in the workplace

Source: Company Statistics

E Environment – Promoting Efficiency in Drug Discovery



Sosei Heptares fully leverages its innovative science and technology-led drug discovery platform (StaR®/SBDD), which enables us to discover and develop novel small molecule drugs much more rapidly and at a lower cost than conventional approaches. Our drug discovery engine is highly productive, with the success rate to generate preclinical candidates being significantly higher than industry averages and continuously improving.

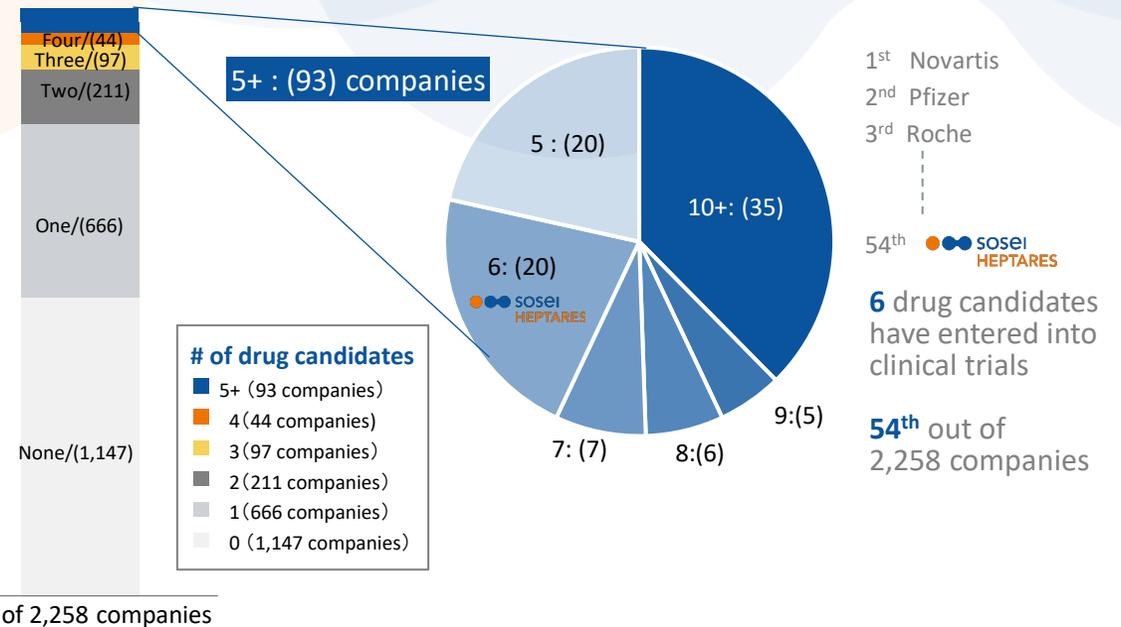
KPIs New Drugs Approved by FDA in the Last 7 Years (2015-2021)

Origin	Small molecule	Antibody/ Protein	Other
Biotech Venture	111	43	28
Large Pharma	97	23	12
Public Research institute	4	2	0

Biotech: 57%

Small Molecule: 66%

Ranking of the companies that have created most new drug candidates over past 5 years**



- 1st Novartis
 - 2nd Pfizer
 - 3rd Roche
 - ...
 - 54th ●●● sosei HEPTARES
- 6 drug candidates have entered into clinical trials
- 54th out of 2,258 companies

Other Initiatives

- ✓ Shortening drug discovery timeline – It typically takes on average 4 years from the start of drug discovery to the nomination of a clinical candidate, whereas we are able to complete the same process in just 2 to 2.5 years.
- ✓ Reducing drug discovery costs – By leveraging our StaR®/SBDD platform, we are able to discover drug candidates at a much lower cost than traditional approaches.

* StaR®: Stabilized Receptor. Technology to stabilize GPCR and discover and develop drugs. SBDD: Structure-Based Drug Design. At Sosei Heptares, drug discovery based on the 3D structure of a drug target solved by StaR is mainly employed.

** The number of new drug candidates progressed to pre-clinical or clinical studies globally in the recent 7 years (2015-2021), compiled by origin companies.

Source: Asu-no-Shinyaku, FDA, Company Statistics



Social



S Social – Engaging with Society and Communities



Sosei Heptares actively seeks to contribute to the development and enhancement of communities of which we are a member, as well as broader society. In 2018, we created a Charity Committee and have continuously engaged in discussions focused on finding new ways in which Sosei Heptares can contribute to the community. Currently, we donate funds obtained mainly through charity events to a variety of charity organizations.

• Primary Initiatives



Music for my Mind - A charity aiming to improve the well-being of people living with dementia and their families by creating, and making widely available, personalized music. Personalized music can be calming and/or stimulating for people living with dementia, and clinical studies started in the UK in 2019. Sosei Heptares has a partnership agreement with Music for my Mind and has donated £5,534 since 2018



Dementia UK - A charity that supports the families of dementia patients. It aims to improve the livelihood of all the families of dementia patients through the provision professional and experienced specialist caregivers. Sosei Heptares has donated £5,534 since 2018.



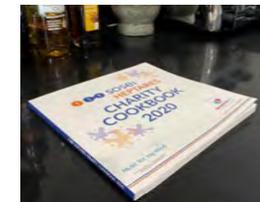
The Disasters Emergency Committee (DEC) - Sosei Heptares has donated £10,000 to the DEC Ukraine Humanitarian Appeal launched by the Disaster Emergency Committee, a group of UK aid charities, providing humanitarian aid to the people of Ukraine and neighboring countries facing hardship as a result of the current conflict.

• Other Initiatives

- ✓ Creation and operation of Charity Committee – Established in 2018, the Charity Committee’s 12 members currently meet once every 4-6 weeks
- ✓ Proactive engagement with all employees – All Sosei Heptares employees provide input into which charities we donate to
- ✓ Proactive engagement by management – Sosei Heptares management is committed to personally matching employee donations at certain milestones
- ✓ Engaging with local educational institutions – Under the initiative of our IT department, we donated 10 computers to Icknield Primary School

• Charity Events in 2020/21

- Quiz night
- Annual Xmas raffle
- Charity cookbook to engage employees across sites and departments and share favorite recipes
- Step challenge to promote active lifestyle during period of many employees working from home

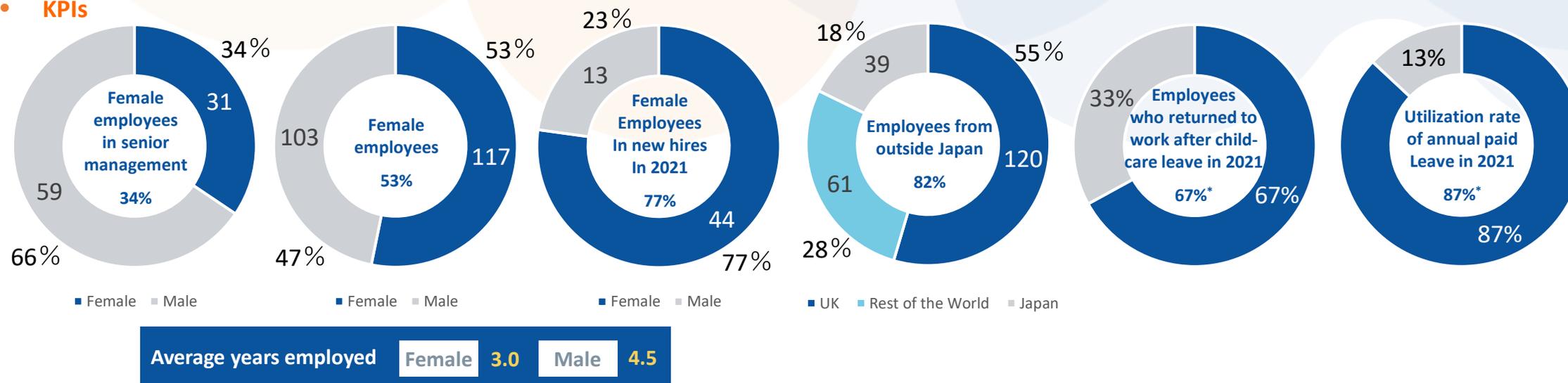


S Social – Promoting Diversity and Employee Benefits



Sosei Heptares believes promoting diversity and creating a positive working environment to be necessary pillars in line with our company objectives in achieving our vision to become one of Japan’s global biotechnology and drug discovery champions. We have and will continue to create initiatives to motivate and reward a diverse and collaborative international workforce.

• KPIs



• Other Initiatives

- ✓ Fostering a work-life balance – We have various policies such as flextime, working from home, childcare leave, nursing care leave, and child nursing leave to ensure our employees maintain work-life balance
- ✓ Live Town Hall meetings – We regularly hold Live Town Hall Meetings to explain new management policies and provide a chance for Q&A with all global employees
- ✓ Promoting employee interaction – "Lunch & Learn" is held approximately three to four times a month to provide employees with an opportunity to learn and communicate with each other in a relaxed atmosphere. In addition to language study, the event is used as a place for employees to voluntarily share their skills.
- ✓ Stock incentives – We introduced Restricted Stock Units as part of employee compensation plans to increase the motivation and drive of employees

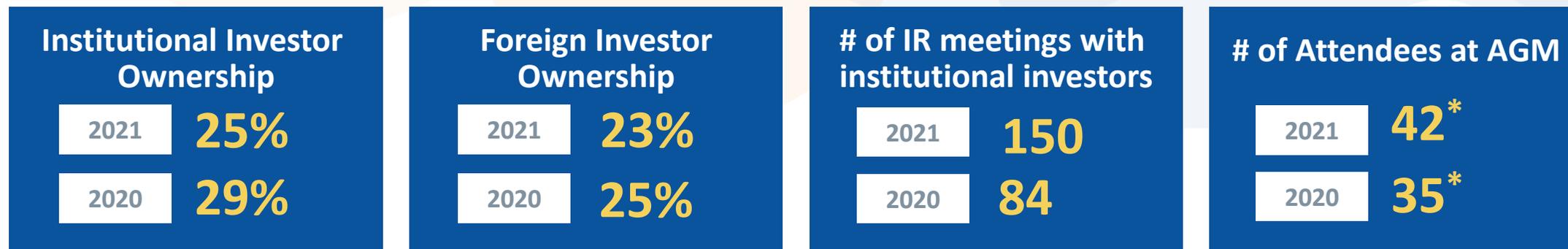
Consolidated basis; As of December 31, 2021 * From January to December 2021; excluding temporary employees
Source: Company Statistics

S Social – Dialogue with Shareholders and Society



As a publicly listed company, our basic policy is to proactively and fairly disclose corporate information, complying with TSE regulations, so that our investing community and industry peers can be updated on business progress. We also take into account shareholders' and investors' feedback to improve our IR activities.

• Key Data



• IR Activities in 2020/2021

- ✓ Held financial results briefings every half year. (After the COVID-19 outbreak, we provide video streaming on our website for easy availability)
- ✓ Hosted webinar for individual shareholders and investors to promote better understanding of our business and strategy
- ✓ Attended and gave presentations at global healthcare conferences including the renowned J.P. Morgan Healthcare Conference
- ✓ Held video briefing sessions immediately after an announcement of new collaboration, such as the one with Neurocrine Biosciences

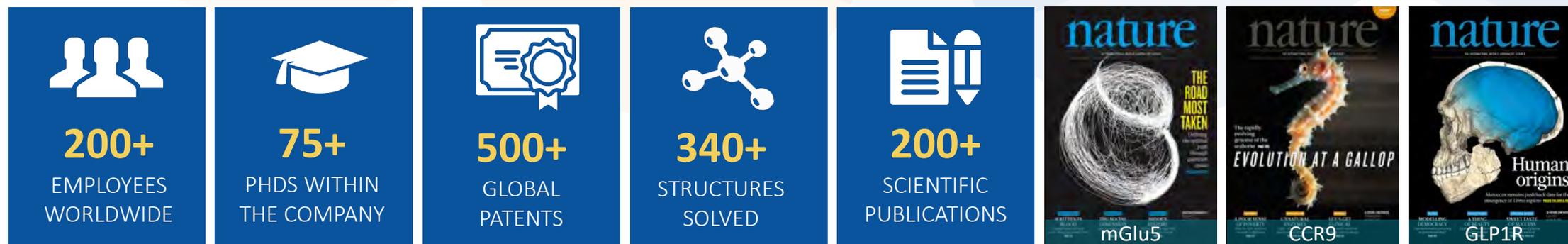
*The number of attendees was smaller than usual in 2020 and 2021 due to the COVID-19 outbreak
Source: Company Statistics, Shareholders' statistical table

S Social – Contribution to the Scientific Community



We have solved over 340 GPCR structures of more than 30 different GPCR targets using our innovative drug discovery technology (StaR®/SBDD)* and have publicized many of these to the scientific community. Sosei Heptares has identified compounds targeting SARS-CoV-2 MPro protease (Nsp5) and plans to make research results from the program available to the public in the future.

• Key Data



• Tackling the New Coronavirus - Contributing to a global effort

- ✓ In April 2020, Sosei Heptares 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. Sosei Heptares also has 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 Wellcome to advance the R&D program and seek partnering opportunities. Sosei Heptares plans to make the research results from the program available to the global research community.



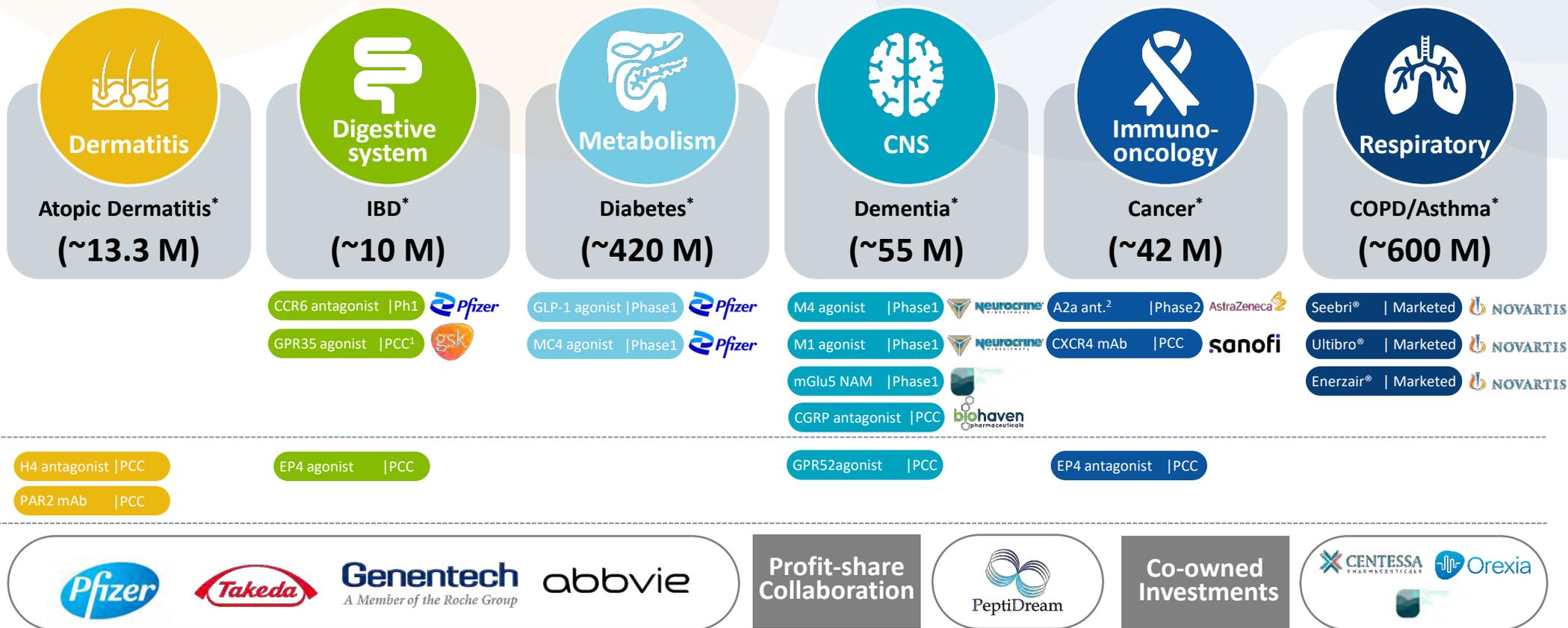
• Review describing research collaboration with the University of Glasgow was published in the journal Cell.

S Social – Meeting Unmet Medical Needs



We are collaborating with world leading partners, including major pharmaceutical companies and innovative venture capital funds, to address diseases with high unmet medical needs, and for which there are no suitable treatments currently available.

- **Our Core Pipeline (number of patients)**



*The disease name represents one of the major indications of each drug candidates/products. The numbers of patients include patients worldwide in all segments of respective diseases.
 Source: World Health Organization, Evaluate Pharma, Management Estimates
 Note: Seebri®, Ultibro® and Enerzair® are registered trademarks of Novartis AG. ¹ PCC: Pre-Clinical Candidate ² AstraZeneca have removed the A2a program from their clinical pipeline as at Q3 2021



Governance

G Governance – Corporate Governance Framework



Corporate Governance Structure

In 2005, we created a Nomination Committee and have since strived to strengthen oversight functions and to speed up business execution. We set up a Scientific Advisory Board (SAB) consisting of external experts in 2019 in order to ensure that management decisions are based on scientific expertise, and in 2020 we established an Investment Committee to make recommendations to the Board of Directors for investment decisions.



G Governance – Directors, Committees, and Executive Officers



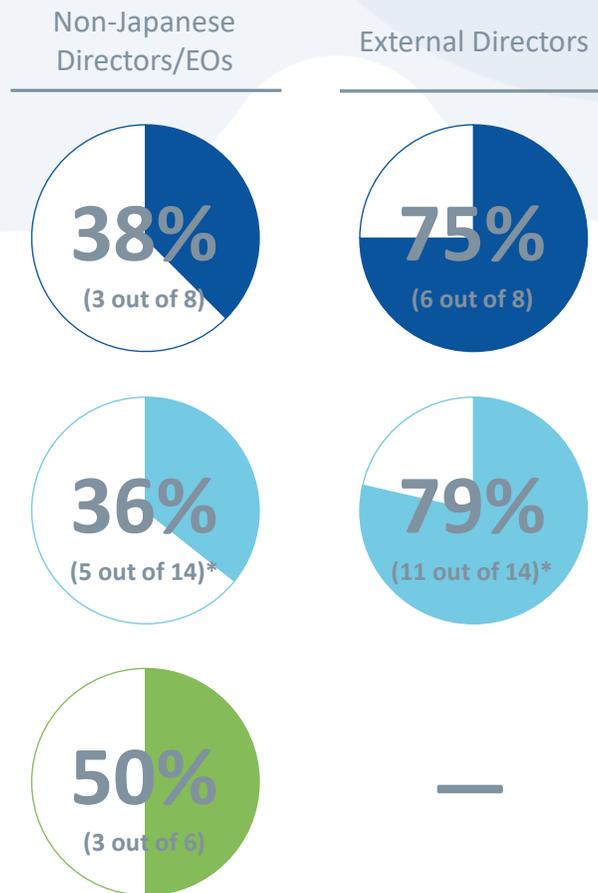
The Board of Directors consists of 8 members, 6 of which are external independent directors. We have selected the most suitable candidate regardless of nationality, which has resulted in a Board comprising a high number of non-Japanese natives. We will continue to improve and enhance our corporate governance as a leading international biotech company.

- Directors/Committee Members/Executive Officers**

Board of Directors	 Shinichi Tamura Chairman of the Board	 Christopher Cargill CEO	 Tomohiro Tohyama External Director	 Kuniaki Kaga External Director	 David Roblin External Director	 Noriaki Nagai External Director	 Rolf Soderstrom External Director	 Miwa Seki External Director
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Nomination Committee	Shinichi Tamura (Chairman)			David Roblin	Noriaki Nagai	Miwa Seki	
Audit Committee	Tomohiro Toyama (Chairman)		Kuniaki Kaga	Noriaki Nagai	Rolf Soderstrom	Miwa Seki	
Compensation Committee	Shinichi Tamura	Christopher Cargill	Tomohiro Toyama	David Roblin (Chairman)	Rolf Soderstrom		

Executive Officers	 Christopher Cargill Representative Executive Officer, CEO	 Hironoshin Nomura CFO	 Kieran Johnson CAO	 Kazuhiko Yoshizumi CCO	 Matt Barnes President Heptares Therapeutics & Head of UK R&D	 Tadayoshi Yasui President Sosei Co. Ltd.
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* Aggregate number of Nomination Committee, Audit Committee and Compensation Committee members

G Governance – Guidelines

Basic Guidelines for Corporate Governance



- **Basic Policy for Corporate Governance**

The Group's vision is to become one of Japan's global biotechnology champions. The Group continues to strengthen its management system to support further business development and recognizes that building an effective system of corporate governance is an important management priority to enhance corporate value over the medium to long term. For this reason, the Group utilizes external directors and establishes cooperation between the Audit Committee, the external auditor and the Internal Audit Department to support the strategic management and oversight functions of the Board of Directors. At the same time, the Group is striving to increase the integrity and transparency of management and further improve its corporate governance by maintaining accountability to all stakeholders, including shareholders, employees, business partners, customers, creditors, consumers and local communities.

- **Overview of Corporate Governance System and Reason for Adoption of the System**

The Company has adopted the system in which we have a nominating committee, an audit committee and a compensation committee as stipulated in the Companies Act of Japan in order to strengthen Board oversight, increase transparency and speed up the decision-making of management, among other reasons.

Under this system, the Company has clearly separated the oversight function and business execution function of management and has largely delegated business execution authority to its Executive Officers. The Company judges this system to be most appropriate to increase management efficiency and strengthen the oversight of management.

Governance – Operation of Governance Systems



Governance system to ensure appropriate company operations

1. Compliance System

We have established the principles of corporate behavior that apply to all group companies, conducting training to ensure that every employee is aware of this system. We also have set up an external whistleblower contact to respond appropriately to whistleblower cases, and the Internal Audit Department will conduct internal audits of each Group company in accordance with the internal audit plan.

2. Document Management System

The Company properly prepares, stores and manages the minutes of the Board of Directors, each committee, and other documents related to business execution in accordance with the document management rules and other rules.

3. Risk Management System

The Board of Directors thoroughly deliberates and makes decisions on important investment and technical collaboration projects, taking into account the opinions of external experts. The Internal Audit Department provides guidance on the risk management system of the Company based on the results of internal audits.

4. Job Execution System

The Group clearly defines the authority of officers and employees according to the Regulations of Critical Decision Request, the Regulations of Purchase Order Authorities and other regulations of each company. To ensure that the Group's operations are conducted efficiently and appropriately, the subsidiaries report to the parent company, and the parent company supervises and guides its subsidiaries in an appropriate manner as required by relevant regulations. The business performance updates of subsidiaries are reported at the Board of Directors meetings from time to time. The Internal Audit Department gives suggestions for improvement, if necessary, based on the results of internal audits.

5. Audit Committee

The Audit Committee and its assistant employees carry out their duties in cooperation with the Internal Audit Department. The Audit Committee members attend important meetings including the Board of Directors and, if necessary, request the directors, executive officers, corporate auditors and employees of the Company and its subsidiaries to report on relevant issues. The Audit Committee also receives reports on whistleblowing cases.

G Governance – Committees (1)



- **Board of Directors and Executive Officers**

The Board of Directors comprises eight directors (including six external directors). The Board sets basic management policies, supervises the execution of duties by executive officers and directors, and deliberates on management strategies to realize sustainable growth and add corporate value. One of the directors serves concurrently as representative executive officer.

The Company's Articles of Incorporation stipulate that there may be no more than ten directors. Furthermore, the Articles of Incorporation stipulate that a resolution to elect a director must be made by a majority vote where shareholders holding at least one-third of eligible voting rights are present, and furthermore that a resolution to elect a director may not be made by cumulative voting.

There are six executive officers, including one representative executive officer, who receive authority from the Board of Directors to make decisions on the Company's business execution and to carry them out.

- **External Directors**

The Company has six external directors. There are no personal, capital, or transactional relationships or other special interests between the external directors and the Company.

In electing the external directors, the Company recognizes the importance of ensuring the effectiveness of corporate governance and ensuring independence from the management team. Based on their career histories and relationships to the Company, the Company determines that each external director can ensure adequate independence to execute their duties as an external director from an independent standpoint. The Company has designated Mr. Tomohiro Tohyama, Mr. Kuniaki Kaga, Mr. David Roblin, Mr. Noriaki Nagai, Mr. Rolf Soderstrom and Ms. Miwa Seki as independent directors in accordance with the stipulation of Tokyo Stock Exchange, Inc. as they are external directors who are reasonably judged not to have significant interests in the Company or a potential conflict of interest with shareholders or investors.

G Governance – Committees (2)



- **Nomination Committee**

The Nomination Committee comprises 3 outside directors and the Chairman of the Board. The Committee makes proposals for the election of directors for resolution by the Shareholders. The Committee assesses whether candidates have sufficient expertise and experience to support the Company's global strategy.

- **Compensation Committee**

The Compensation Committee comprises 3 outside directors, the Chairman of the Board and 1 director serving concurrently as a representative executive officer. 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 the Company.

- **Audit Committee**

The Audit Committee comprises 5 outside directors. The Committee is responsible for overseeing the directors' and executive officers' execution of their duties as well as the appointment and dismissal of the external auditor. The Committee does not have full-time members, but it works closely with the Internal Audit Department.

- **Scientific Advisory Board: SAB**

The Scientific Advisory Board consists of a total of 11 world-leading experts, including one external director. The SAB provides valuable insight and perspective relevant to drug discovery, development and strategic areas of focus for Sosei Heptares.

- **Investment Committee**

The Investment Committee was established for the purpose of evaluating the scientific, financial, legal and other relevant aspects of investment and divestment projects of the company, comprised of members who have no conflict of interest, to make recommendations to the Board of Directors.

G Governance – Organization and Committees (3)



- **Internal Audit**

Our Internal Audit Department continuously evaluates the design and operation of internal control of the entire group in order to comply with the Companies Act as well as the Financial Instruments and Exchange Act. The Internal Audit Department also conducts internal audits with the aim of maintaining and strengthening our internal control while ensuring appropriate and effective business operation.

Specifically, the activities of Internal Audit include:

Assurance and Recommendations

- ✓ 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.

Internal Control

- ✓ Evaluate 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.

Independence and Objectivity

- ✓ The head of Internal Audit Department reports administratively to the CEO and functionally to the Audit Committee, and also makes report 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.

Internal Audit Activities in 2021

- ✓ Internal Audit Department is actively conducting advisory engagements to assess and strengthen governance and risk management. During 2021, the Internal Audit Department issued 16 audit recommendations at both our UK and Tokyo locations. Remediation actions are being taken by audited units under the support of Internal Audit Department.

Locations

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