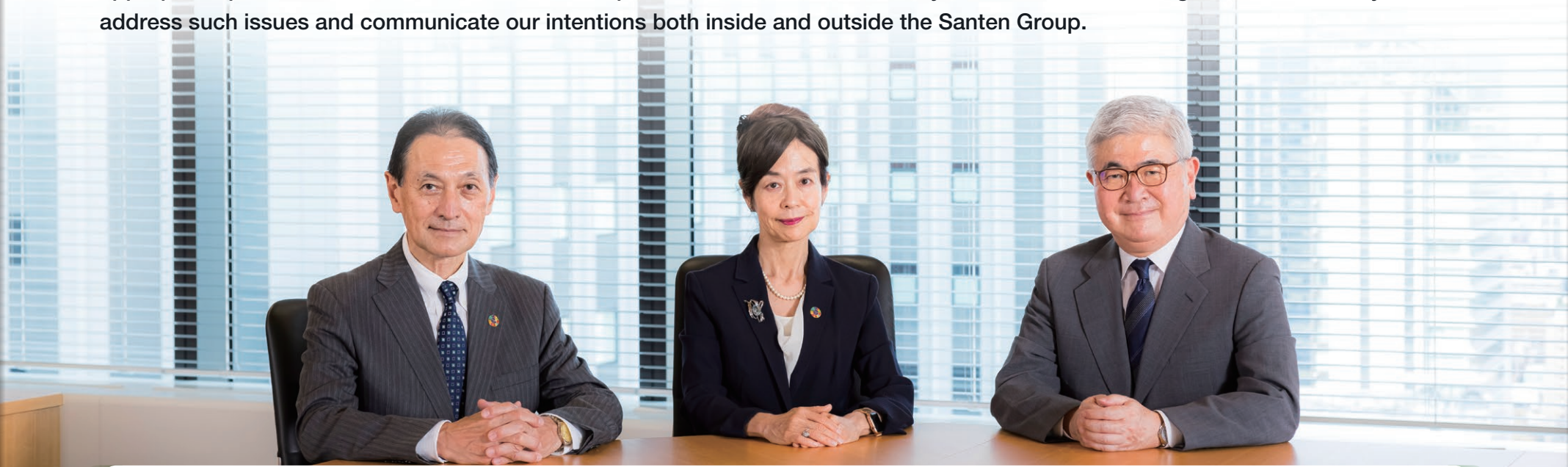


# The ESG Management Santen Should Pursue from the Perspective of Outside Directors

Promoting ESG management will require stronger organizational capabilities. Unless we directly link ESG issues to our core businesses, our initiatives will start and end with the efforts of the head office and a limited number of employees. Without appropriate processes, our initiatives will not be positive evaluated. That is why we believe that management should fully address such issues and communicate our intentions both inside and outside the Santen Group.



**■ Kunihiro Minakawa**  
Outside Director

**■ Kanoko Oishi**  
Outside Director

**■ Yutaro Shintaku**  
Outside Director

## Toward Stronger ESG Management (Particularly with Regard to Environmental and Social Issues)

**Minakawa:** In May 2021, Santen announced Medium-Term Plan MTP2025. To begin with, I appreciate the scope of the discussions and the efforts of those involved in business execution who reflected the content of those discussions in the long-term vision announced last year, as well as the new medium-term plan. It will be necessary to roll out the plan they have formulated throughout the Group and promptly tackle highlighted issues to achieve

results. MTP2025 also advocates stepping up ESG activities and sets relevant key targets accordingly.

Looking back retrospectively, a large number of companies conducted their CSR activities outside the scope of their core business activities. Today, companies are expected to fulfill their social responsibilities through their core businesses. Given that Santen intends to accelerate its global expansion, I believe improving its organizational capabilities will be important. In that respect, the question on whether each part of the organization fully understands what must be done arises. For example, if it is understood that CO<sub>2</sub> reduction

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and other ESG issues are directly linked to the core businesses, then the whole organization is likely to tackle such matters promptly. However, if businesses in each region do not understand that direct link—for instance, if they are not willing to take on the costs associated with CO<sub>2</sub> reduction—then the head office will be left as the lone proponent of CO<sub>2</sub> reduction.

**Shintaku:** I agree. Healthcare companies are in an industry where it is easy to link their core businesses to helping resolve social issues. However, society has been demanding a higher-level response in areas such as environmental measures, and the standards envisioned by investors have also become stricter. Santen being a healthcare company, does not necessarily imply it already satisfies every requirement. MTP2025 sets environmental and relevant targets, but these are just a starting point. Going forward, in areas such as switching all electric power consumption to renewable energy sources, Santen must conduct initiatives overseas as well as in Japan, and proactively disclose its actions.

**Oishi:** Given that Santen is a healthcare company, I think “what” it is working for is relatively clear. Rather, the important part is “how” it will accomplish its goals. For example, in creating products that contribute to patients’ eye health, Santen’s manufacturing processes should not place an excessive burden on the environment. Santen’s CORE PRINCIPLE spells out “what” it should do. The management team must thoroughly consider “how” it will achieve its aim and communicate that both inside and outside the Santen Group. Doing so will encourage each division to take ownership of issues and further clarify how those initiatives are linked to Santen’s core businesses.

For social issues as an example, from the viewpoint of promoting women’s participation and success in the workplace, I think Santen is fully capable of further improving its ratio of female managers. With the adoption of telework infrastructure for office staff, measures to facilitate work regardless of location have been firmly established. Santen has declared that remote working practices will remain in effect even after the COVID-19 pandemic subsides. As a consequence, Santen should be able to hire capable human resources from any region. This will also certainly lead to higher motivation for current Santen employees. All of these human resources-related measures have been implemented because they are directly linked to Santen’s business.



**It is necessary to tackle ESG issues directly through core businesses with a Company-wide response.**



**Minakawa:** From the perspective of diversity, Santen is also focusing on hiring people with disabilities. Previously, I visited Santen’s special subsidiary Claire Co., Ltd. and their employees at work. Claire is a cleaning business that requires specialized handling for sterile and dust-free clothing, and I was able to take a glance at the employees’ work methods and innovations. This helped me understand Santen’s progress in supporting diversity at the workplace.

As a company involved with vision, Santen also emphasizes hiring people with visual impairments. Employees with visual impairments conduct activities to promote the understanding and convey the importance of communication regarding this type of disability, both inside and outside the Santen Group. To realize a truly inclusive society, I think Santen should expand such initiatives not only in Japan but also to other regions.

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### Santen’s Governance Structure and the Future Composition of the Board of Directors

**Shintaku:** As I touched on last year, Santen maintains an atmosphere in which members of the Board can speak openly and discuss matters unreservedly. When someone objects to a proposal, there is a basis for hearing that person out, and to the best of my knowledge, the level of open communication is outstanding among Japanese companies. As Santen explores various growth trajectories going forward, I positively appraise this atmosphere and the organizational culture that seeks to take into consideration diverse opinions. Moreover, the Board is evenly split between Inside and Outside Directors. All Inside Directors speak from the perspective of management, with an overall understanding of the Company. Seeing this approach among the Inside Directors makes it rewarding for me as an Outside Director.

**Oishi:** I share your opinion of the atmosphere at Board meetings. Outside Directors can exchange frank opinions with each other, as well as with the Chairman and President. In addition, from my experience on the Board, I feel that having Outside Directors is not simply a formality for Santen, and our opinions are seriously sought. This attitude is held not only by the Chairman and President, but also by the executives in each division, which makes us feel our role is worthwhile and motivated to offer support.

**Minakawa:** Like both of you, I appreciate the freedom to speak freely on various matters. But if we do make a proposal, I think it should lead to further discussions outside the regular Board of Directors meeting. It might be better if the Company did more to get the most out of its Outside Directors. Although Santen has established the **Corporate Strategy Committee** (▶ Page 53) to discuss strategies for important issues, it would be good to have a forum with a broader internal audience that extends to relevant divisions to allow for more extensive discussions. I think that would lead to further improvements of the effectiveness of the Board of Directors.

**Shintaku:** I concur with your point. The makeup of the Board of Directors is also key to further improving its effectiveness. In terms of business, Santen’s current overseas sales ratio is around 30%, but it is aiming for 50% by 2025 and further increases after that. Achieving this target will require the launch of businesses overseas that will become mainstays and the appointment of local leaders who can spearhead them. Looking at the next 5–10 years, it will be necessary to find and secure human resources with a firm grasp of all aspects related to business management—from familiarity with the local business environment to development, commercialization, achieving market penetration, and cycling back to new development—and have them take part in Board of Directors meetings.



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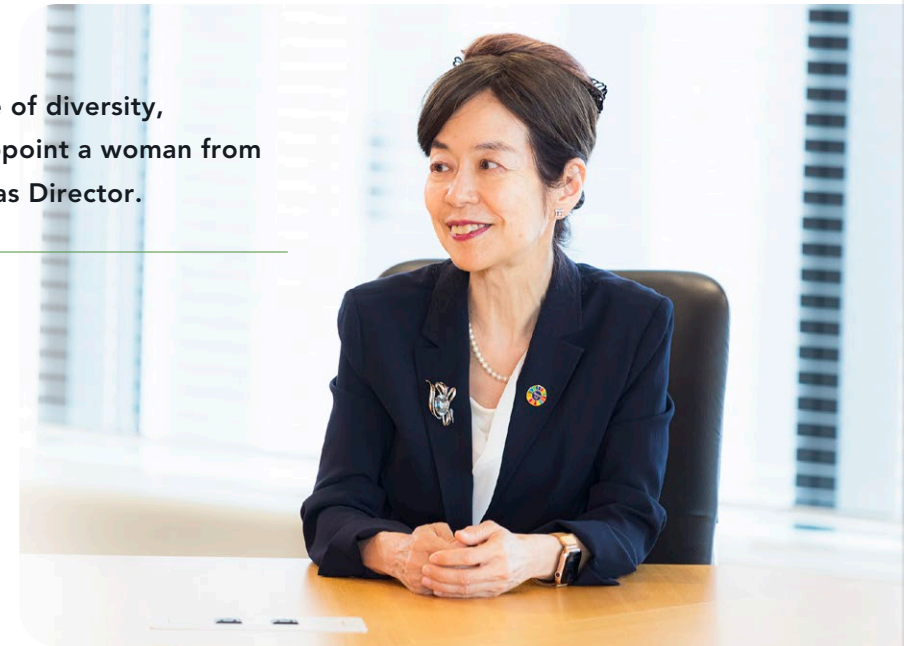
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From the perspective of diversity, I expect Santen to appoint a woman from within the Company as Director.



**Oishi:** As the rollout of business overseas expands, firsthand experience in overseas operations will be necessary. At the same time, R&D is a crucial function for a healthcare company, so Santen will need human resources that is intimately familiar with the field of R&D and has the capability to make decisions from the perspective of the Company as a whole. Moreover, from the perspective of diversity, I expect Santen to appoint a woman from within the Company as Director.

**Minakawa:** I concur with both of your opinions. It may even be better to think within a shorter time horizon of 5–10 years. While diversity is important, including the appointment of non-Japanese Directors, a perfunctory approach to diversity will not help to enhance corporate value. As a matter of course, it may be necessary to retain and develop a talent pool of people with the skills required to become future Board members, for instance by seeking people proficient in R&D or global operations.

### Aiming for Further Growth

**Minakawa:** Santen is a company with a 130-year history. Today, it is in a transitional period where it must change its way of thinking to transform into a truly global company while maintaining this tradition. I would like President Taniuchi and the other members of senior management, as well as the team of executives in charge of each business and function, to think about how to conduct business suited to the needs of each region. This is likely to generate various innovations.

**Shintaku:** Santen is a stable company that has grown through business development focused on ophthalmic pharmaceuticals. In expanding its business domains, it may have to

confront barriers it has never encountered before. However, facing a difficulty has value in bringing various things into focus, and so I would like the Company to acquire greater capacity to successfully overcome difficulties.

**Oishi:** Undoubtedly, there are times when challenges must be faced. Santen is a unique company from Japan that specializes in ophthalmology. To achieve further business growth, it needs to enhance its capabilities in a number of areas. Nevertheless, Santen is a company that is essential to society, and I believe it has the potential to become the world’s top company in the field of ophthalmology. I want it to overcome the many challenges that lie ahead and grow with its sights set high. As an Outside Director, I will continue to give my wholehearted support.