

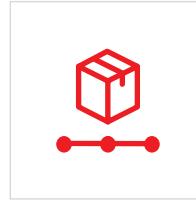
Supply Chain Management



As a global pharmaceutical company, Takeda procures materials that are needed to manufacture and distribute our products from some 60,000 suppliers around the world.

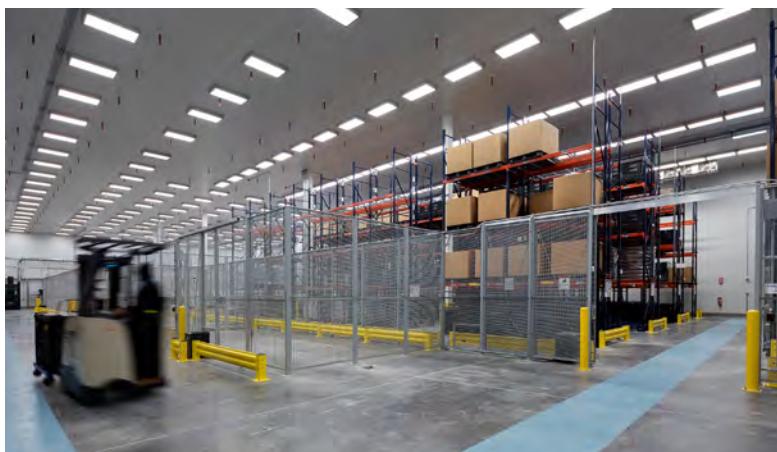
Managing supplier relationships, as well as the flow of materials through our supply chain, is critical to the sustainability, quality, and safety of our medicines — and the well-being of our patients.

Takeda's Ethical Sourcing and Supplier Risk Management efforts are based on our values of Takeda-ism and our business priorities of putting patients at the center while building trust with stakeholders and enhancing Takeda's reputation. Through Ethical Sourcing and Supplier Risk Management, we ensure that suppliers conduct business in the same manner we do.



Ethical Sourcing and Supplier Risk Management Governance

The Procurement Center of Excellence is responsible for managing risk and enhancing sustainability in the supply chain while strengthening relationships with suppliers. The Center of Excellence has three focuses: Supplier Performance and Innovation (SP&I), Ethical Sourcing and Risk Management, and Supplier Diversity. The SP&I team facilitates supplier relationship management through a scorecard that uses objective data to measure and leverage supplier capabilities. This scorecard includes a KPI that measures social



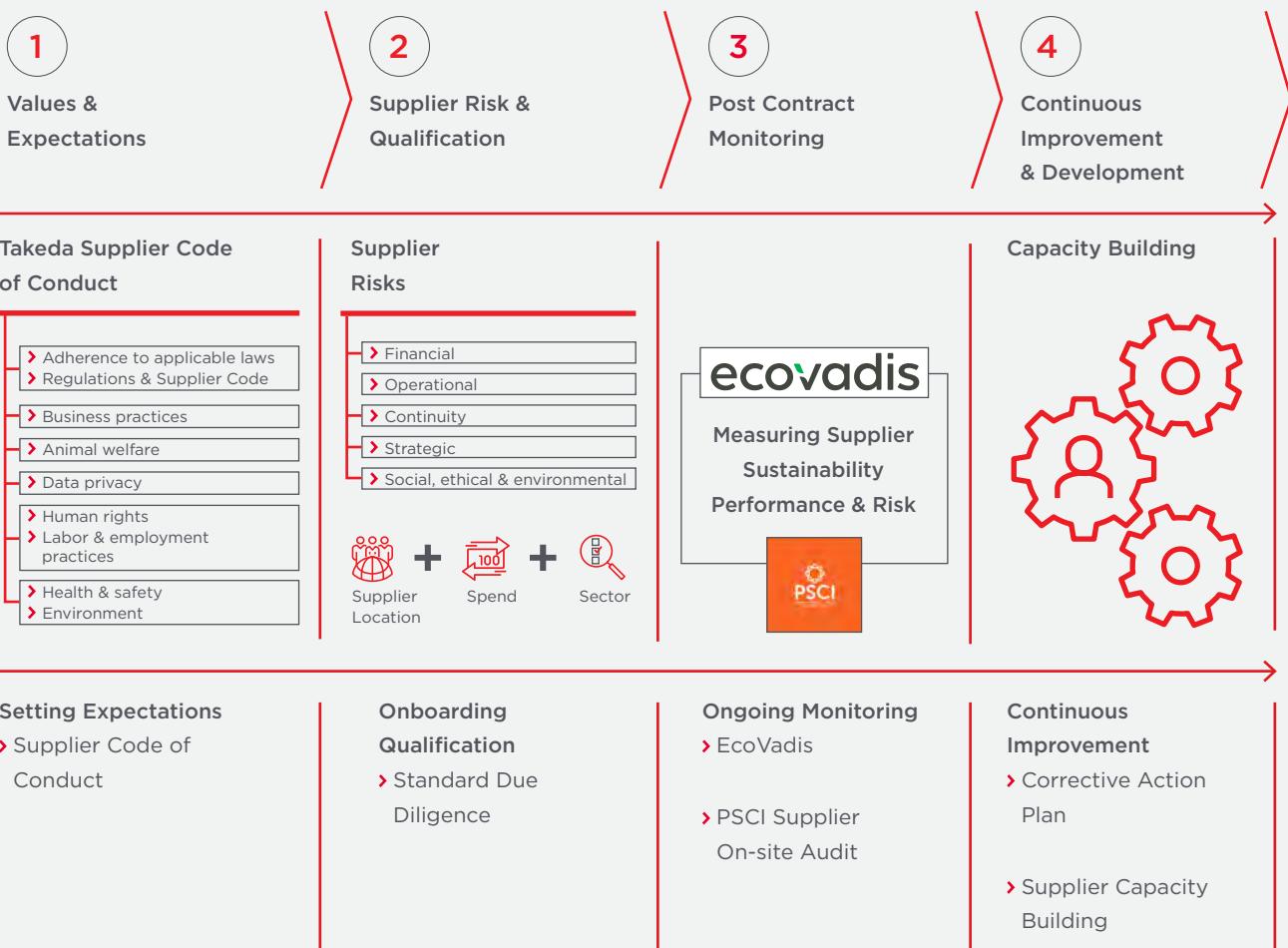
and environmental risk and performance. The SP&R team also works with suppliers to identify external sources of innovation, remediate performance issues, and provide continuous improvement opportunities, such as workshops.

In FY2018, the Ethical Sourcing and Supplier Risk Management program transitioned from a regional to a strategic approach as the organization introduced new sustainable procurement goals by supply category cluster. Each cluster agrees to, and is held accountable for, sustainable procurement goals that include:

- Acknowledgement of Supplier Code of Conduct by key and strategic suppliers.
- Completion of standard due diligence for key and strategic suppliers.
- On-site sustainable procurement audits of suppliers.
- Engagement with suppliers via the EcoVadis platform.
- Spend targets with small and diverse suppliers.

Ethical Sourcing and Supplier Risk Management

Ethical Sourcing and Supplier Risk Management ensures that Takeda's suppliers conduct business in line with our expectations, avoid exposing the business to any unnecessary risk, and support the delivery of value beyond cost.



FY2018 Performance

Our Ethical Sourcing and Supplier Risk Management program measures progress through an annual process that sets targets around a set of core KPIs focused on:

- Managing risks and enhancing the sustainability of the supply chain.
- Measuring and improving supplier CSR performance.
- Increasing business with small and diverse suppliers.

In FY2018, we were pleased to exceed all targets. In the past three years since the Ethical Sourcing and Supplier Risk Management Program began tracking performance, we have been able to apply the KPIs to 10 percent of our supplier base with procurement



managed addressable spend. Continued expansion into that base represents a significant opportunity to close gaps in the years ahead, especially working collaboratively through the integration of Shire.

Ethical Sourcing & Supplier Risk Management KPIs

Program KPI	2016		2017		2018	
	Target	Achievement	Target	Achievement	Target	Achievement
KPI 1 Number of Supplier Code of Conduct Acknowledgements Obtained from Top Spend, Strategic, and Preferred Suppliers	50	88	Add 50	92	Add 50	89
KPI 2 Number of PSCI Sustainability Audits Conducted	30	28	40	40	40	47 ¹
KPI 3 Number of EcoVadis CSR & Sustainability Scorecards Obtained	Successful Pilot	31	Add 100	131	Add 125	233
KPI 4 Supplier Diversity Spend	No Official Target Set	\$137 million	\$131 million ² \$190 million ³	\$234 million ² \$187 million ³	\$162 million ² \$190 million ³	\$179 million ² \$231 million ³

¹ INCLUDES TWO EHS SUPPLIER ON-SITE ASSESSMENTS

² SMALL AND SMALL DIVERSE SUPPLIERS

³ ALL DIVERSE CATEGORIES INCLUDING SMALL AND OTHER DIVERSE BUSINESSES

Supplier Code of Conduct

Our Global Procurement Policy and Takeda Supplier Code of Conduct are foundational to our Ethical Sourcing Supplier Risk Management efforts and underscore our commitment to assess and improve oversight of supplier practices — with a focus on social, environmental, and economic good.

The Supplier Code of Conduct communicates Takeda's position on the performance standards suppliers are expected to work toward as a part of doing business with Takeda. The Code covers principles in business ethics and anti-corruption; human rights; fair labor and employment standards; data privacy; animal welfare; environment, health, and safety, as well as general management systems addressing the topics covered in the code. Takeda has incorporated the Supplier Code of Conduct as part of its procurement-managed supplier qualification process and uses its risk assessment model to prioritize suppliers for further review.

In FY2018, more than 4,700 suppliers, including 89 of the company's key and strategic suppliers, committed to advancing sustainable procurement at Takeda, based on the Supplier Code of Conduct. Cumulatively, 60 percent of Takeda's procurement-managed spend is addressed through the Supplier Code. We continue to monitor this metric with the goal of reaching 80 percent of spend.

Industry Collaboration: PSCI

Our supplier code is consistent with the Pharmaceutical Supply Chain Initiative (PSCI) Principles, a set of industry supplier standards and expectations established and used by more than 39 member companies of the PSCI. The PSCI is committed to promoting responsible supply chain practices through both supplier audits and supplier capability-building conferences and webinar training sessions. In FY2018, Takeda, along with other member companies, organized PSCI Supplier Conferences in China and India. A total of 124 suppliers and member companies attended the China conference, and 77 suppliers and member companies attended the India conference.

Supplier Due Diligence and Sustainability Engagement

As a crucial initiative for delivering high-quality pharmaceuticals to patients, Takeda has integrated

a six-step standard diligence process into the sourcing process to assess supplier risks from a holistic perspective, including sustainability and business continuity risks. The standard diligence process evaluates whether there are potential risks in the areas of animal welfare, EHS, labor and human rights, financial health, corruption and bribery, and data privacy and information security. While this is not a comprehensive list of the risks Takeda screens for, it provides a view of what type of information business stakeholders can expect to receive in order for them to make well-informed decisions when it comes to supplier selection.

If specific risks are identified during standard diligence, Takeda conducts enhanced diligence, with experts from across the company as well as external resources as required. In FY2018, Takeda conducted due diligence across 2,333 suppliers. We also partnered with Takeda Business Services to design a more efficient and effective process for supplier registration and qualification, better ensuring the completion of due diligence and flagging of potential risks.

We have also furthered the use of EcoVadis, a digital supplier-sustainability assessment and scorecard system to help monitor the sustainability performance of strategic, high-risk, or other types of suppliers. The platform enables us to monitor KPIs for suppliers as a basis for supplier engagement and improvement. In 2018, Takeda improved the utilization of the platform and gained access to an additional 233 scorecards. We see an opportunity to further advance supplier performance by increasing their ability to manage their own supply chain impacts.

When we identify supplier sustainability risks related to Takeda's Supplier Code of Conduct principles, or if a supplier receives a low score from EcoVadis, we begin a program of annual on-site labor, ethical, EHS, and management system assessments based on PSCI protocols using third-party audit companies. In FY2018, Takeda conducted on-site assessments at 47 suppliers in 13 countries. These assessments result in corrective action plans (CAPs) to improve a supplier's sustainability performance that are periodically reviewed by Takeda and the supplier. Since starting the supplier PSCI sustainability audit program in 2016, we have achieved a 55.8 percent CAP closure rate of all initial supplier audits, excluding any follow-up assessments.

FY2018 Procurement Supplier Due Diligence Results & CSR Performance



Suppliers with Standard Diligence (SDD)
Performed by Region n=2333

Takeda Supplier Code of Conduct

FY18 - 4701 | Supplier Acknowledgments

Americas

- Suppliers w/SDD — 710
- PSCI Assessments — 10
- EcoVadis — 74 suppliers

EMEA

- Suppliers w/SDD — 811
- PSCI Assessments — 5
- EcoVadis — 117 suppliers

Japan

- Suppliers w/SDD — 185
- PSCI Assessments — 0
- EcoVadis — 25 suppliers

APAC

- Suppliers w/SDD — 627
- PSCI Assessments — 30
- EcoVadis — 17 suppliers



Human Rights in the Supply Chain

Takeda's extensive supply chain reaches around the world, including emerging markets where protections for workers may not be robust. We realize that respecting human rights, including the rights of workers, is one of our greatest responsibilities with regard to our procurement activities and supplier relationships.

In markets where we have identified the potential for supply chain risks related to human rights, we use a number of enhanced assessment approaches. In FY2018, these assessments did not identify modern slavery risk in the form of forced or child labor, human trafficking, slavery, or servitude.

Summary of PSCI Sustainability Audit for Suppliers Findings by Finding Type (Excluding follow-up assessments)

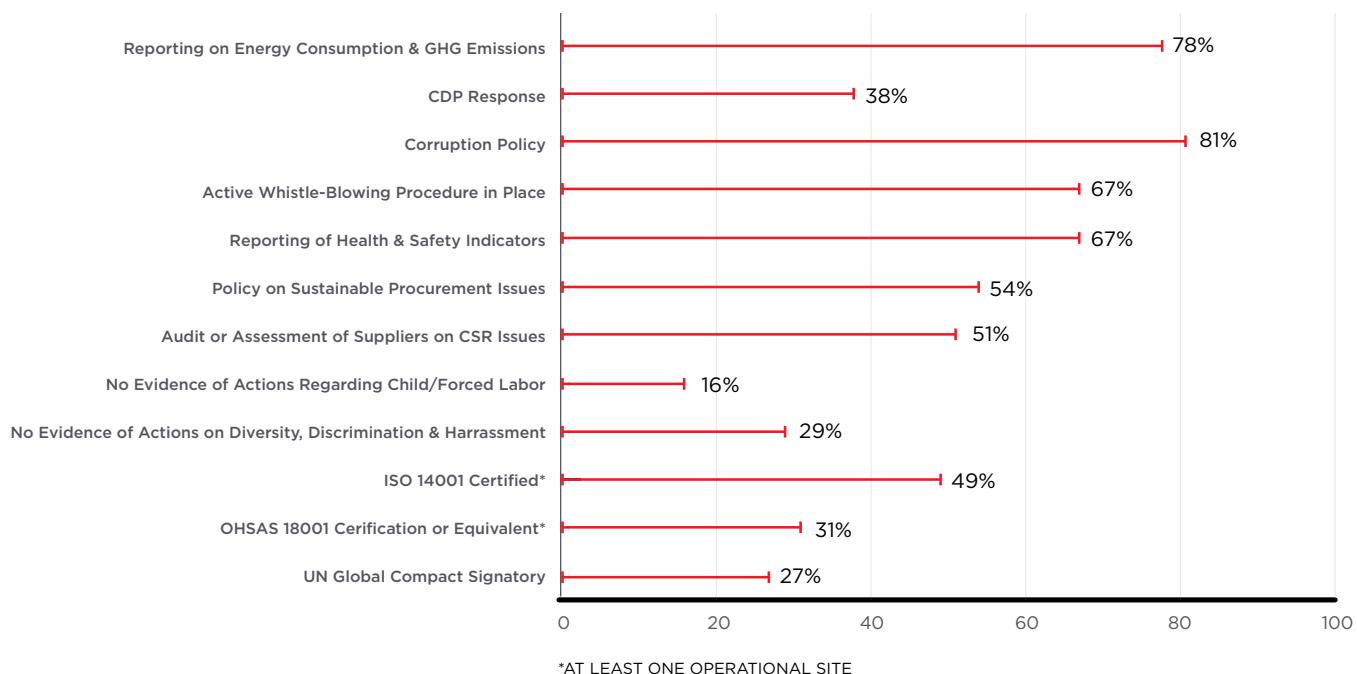


- 33% Health & Safety Compliance
- 25% Management System
- 16% Labor/Social Responsibility
- 14% Environmental Compliance
- 12% Ethics

Nevertheless, we are strengthening initiatives for responding to these and other issues across the entire value chain through our Global Procurement Policy and the Takeda Supplier Code of Conduct. Takeda also publishes [an annual statement in accordance with the United Kingdom's Modern Slavery Act of 2015](#)

Supplier Sustainability Key Performance Indicators (EcoVadis)

Percentage of suppliers demonstrating evidence toward CSR aspect



Top Product Risk

In addition to due diligence programs, Global Procurement has implemented a process for reviewing supplier-related risks for Takeda's top products, with the goal of ensuring supply continuity for our patients. These products represent nearly 70 percent of Takeda revenue and cover Takeda's core therapeutic areas. The risks reviewed include sourcing status, unique materials, financial health, sustainability & reputation risk, contractual terms & relationship strength, compliance risk, and quality risks. This allows us to prioritize risk mitigation activities, drive remediation plans, and ensure that our suppliers continually improve, innovate, and generate added value for Takeda's patients.



Supplier Diversity

Our commitment to enabling a better future for people everywhere extends to our communities and to people of every background. As a global enterprise, sourcing materials from around the world, we build diversity and inclusion into our supplier network as a way to make a difference through the power of our spend.

We show this commitment in a variety of ways. For example, our Procurement Policy calls for including at least one small or diverse supplier in each request for proposal. In the U.S., we continue to work toward a goal to increase our spend with small and diverse businesses. In FY2018, we achieved \$179 million in spend with small businesses, and with all diverse businesses (small and large) we achieved \$231 million. We completed an economic impact study and video showing the impact Takeda has made by engaging with small and diverse suppliers, particularly the

impact on communities, through our supplier diversity program. The video was screened at our 2018 Supplier Day and broadcast to all employees as well. We provide internal training courses explaining what supplier diversity is to Takeda, and internal updates and stories about our supplier diversity program that highlight our small and diverse suppliers.

To find small and diverse suppliers that meet our needs, representatives from Takeda's Supplier Diversity Program and Procurement leaders participate in a variety of advocacy events. In 2018, Takeda participated in Diversity Alliance for Science, Women's Business Enterprise National Council (WBENC), National Minority Supplier Development Council (NMSDC), Massachusetts LGBT Chamber of Commerce, Center for Women and Enterprise, and others. Takeda was also a founding sponsor in the 2018 launch of the Massachusetts LGBT Chamber of Commerce.

One barrier to increasing business with small and diverse suppliers is suppliers' lack of knowledge about Takeda's needs and the daunting task of

supplying a large, global enterprise. A number of initiatives have addressed this challenge including:

- A supplier diversity day for R&D and Vaccines for current and potential suppliers to engage with our Procurement staff and internal stakeholders.
- A one-day, on-site session to give small and diverse suppliers the opportunity to present their capabilities to U.S. marketing stakeholders.
- A supplier diversity mentorship program, with Procurement and internal Takeda stakeholder participation. In 2018, Takeda mentored three small or diverse businesses.
- Providing one-on-one training or other resources for our small or diverse businesses, to assist them in navigating Takeda supplier requirements.

In recognition of these and other efforts, Takeda received the Program Manager of the Year Award in 2018 for our Supplier Diversity Program from Diversity Alliance for Science.