



Next Level of Sustainability Measures in the Biopharma Industry

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Sustainability?

“2016 ushered in a new moment. One characterized by polarized societies, the emergence of new populisms, large doses of anger, plummeting trust, and the rising power of post-truth.”
– Trendwatching

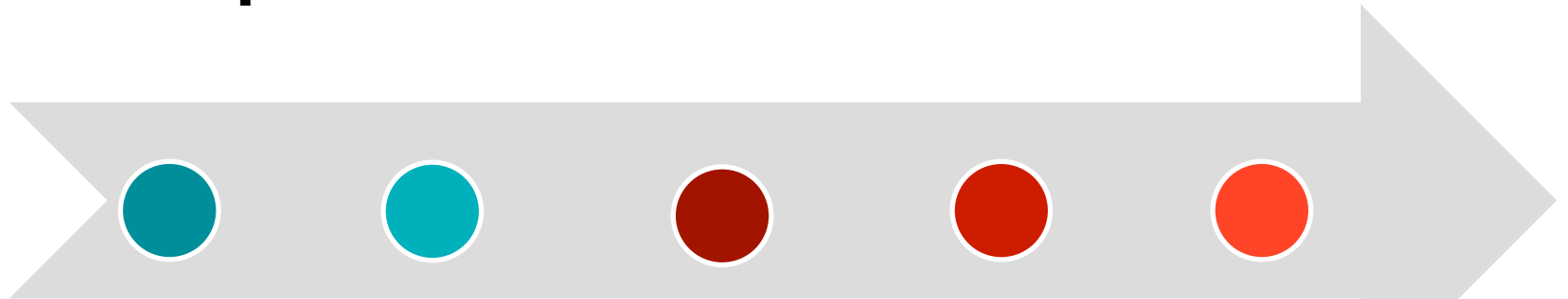
“...leadership companies continue to push the barriers of what’s possible, including transforming themselves into net-positive and regenerative enterprises.”
– Joel Makower, Greenbiz

“The implications of the Paris Accord filtered through to both businesses and investors.”
-- Dr. Richard Mattison, Trucost

”As a company, if you ignore sustainability, you're going to be worth less.”

*Tim Freshwater
Chairman
Goldman Sachs Pacific Region*

Leadership Continuum



Working Toward Compliance

- No stated sustainability program or goals
- No formal impacts baseline or tracking
- Little or no professional EHS management

Achieving Compliance

- Sporadic sustainability activities, disconnected from brand/business
- Many EHS programs
- EHS professional management

Framework & Management Systems

- Management system or reporting framework in place
- Internal audits
- Regular updates of EHS programs
- Team of EHS professionals
- Designated sustainability lead

Strategy Driven

- Established management systems in place
- Safety culture optimized
- Sustainability tied to organization initiatives
- Ongoing progress on commitment to longterm goals
- Clear connection to brand/business

Leadership

- Sector leader
- Best in Class
- Deep supply chain integration (envir + social)
- EHS and Sustainability tied to competitive advantage
- Mult-dimensional commitments tied to global goals (UN SDGs, science-based targets)
- Regular, integrated reporting

Three stakeholder groups are driving sustainability



Customers



Investors



Employees

Being part of your **customers'** supply chain

J&J hospital survey on the growing importance of sustainable products, 54% agreed green attributes are very important in their purchasing decisions.

Human rights and working conditions: New global standards on business and human rights apply to company supply chains

California and EU government bodies are beginning to build environmental preferable purchasing (EPP) into procurement models.

Climate resilience: Climate change, as well as potential regulatory responses, is of concern in global supply chains

Customer contracts and Questionnaires: Requirements are increasing



Investor Interests Growing

- \$8.7 trillion of investments oriented toward ESG
- 95% of responding institutional investors plan to engage with companies committed to UN SDG
- Millennials driving a \$9 trillion change in investing—grew by 33%
- Socially responsible investing outperforms the market

“The potential power of this new market dynamic, rooted in corporate responsibility and accountability, is clear: responsible growth buttressed by broad inclusivity and low volatility.”



Investor's ESG Framework

1

Has the company identified material E&S issues?

2

Has it assessed and incorporated into strategy?

Is there governance at board level?

4

Is the company communicating these issues consistently in filings and elsewhere?

3

Consistency Across Channels

DISCLOSURE TOPIC	10-K FILING	CSR REPORT	CORPORATE WEBSITE	ANNUAL REPORT	INVESTOR QUESTIONNAIRE
ENVIRONMENT					
GHG Emissions	Metrics	Metrics	Metrics	Metrics	Metrics
Air Quality	Industry-Specific	Metrics	Industry-Specific	Industry-Specific	Metrics
Water Management	Industry-Specific	Industry-Specific	Industry-Specific	Industry-Specific	Metrics
Biodiversity Impacts	None	Industry-Specific	Industry-Specific	None	Industry-Specific
SOCIAL CAPITAL					
Security, Human Rights & Rights of Indigenous Peoples	Boilerplate	Industry-Specific	Industry-Specific	Boilerplate	Industry-Specific
Community Relations	Boilerplate	Metrics	Industry-Specific	Boilerplate	Metrics
LEADERSHIP & GOVERNANCE					
Business Ethics & Payments Transparency	Boilerplate	Boilerplate	Boilerplate	Boilerplate	Boilerplate
Health, Safety & Emergency Management	Industry-Specific	Metrics	Metrics	Industry-Specific	Metrics
Reserves Valuation & Capital Expenditures	Metrics	Boilerplate	Boilerplate	Metrics	Industry-Specific
Management of the Legal & Regulatory Environment	None	None	None	None	None

Employees – recruiting and retaining

- Millennials are majority in today's workforce and by 2025, will make up 75% of workers
- 90% of MBAs from business schools in Europe and North America prefer working for organizations committed to social responsibility (SOURCE: Stanford)
- 66% of global consumers say they're willing to pay more for sustainable brands—up 55 percent from 2014 (SOURCE: Nielsen)
- 73% of global Millennials are willing to pay extra for sustainable offerings—up from 50 percent in 2014 (SOURCE: Nielsen)





ENVIRONMENTAL



SOCIAL



GOVERNANCE

Biopharma Industry Trends - Environmental

- Pharmaceutical companies are increasingly making public commitments to sustainability goals and investing in "green" chemistry and the equipment and manufacturing practices needed to meet these goals
- Patheon, Biogen, Johnson & Johnson, Genentech, and Novartis, signed the American Business Act on Climate Pledge goals include reducing carbon or greenhouse gas emissions, water use, and waste to landfill, and increasing the use of renewable energy
- Key components of a "green manufacturing" program are
 - Cleaner energy generation, renewable energy, using waste for energy
 - Reduce water use in operations and among suppliers, reducing water impact.
 - Significantly reduce hazardous and non-hazardous operational waste
 - Best practice tools such as material flow reviews, materials staging, and spaghetti diagrams are used to make the 'wastes' clearly identifiable,

Biopharma Industry Trends - Social

- Healthcare/pharma companies developing have a point-of-view about the future healthcare system that is sustainable, delivers access, and presents a value proposition that puts patient results at least equal to profits
- investors are increasingly interested in how pharma companies manage access-to-medicine opportunities and risks, which include developing new treatments for neglected populations
- 60 institutional investors, collectively managing more than \$5.5 trillion in assets, have committed to taking into account the findings of the Access to Medicine Index while conducting their investment analyses

Biopharma Industry Trends - Governance

- Investors are increasingly concerned about pricing existing products at affordable levels to avoiding corruption and price collusion.
- Companies seeking partnerships with governments, NGOs, and private foundations, to build capacities into the pharma value chain while avoiding conflicts of interest
- The European Parliament in April 2014 passed the Directive on the disclosure of non-financial and diversity information, requiring companies of over 500 employees (general) report on environmental, social and employee-related, human rights, anti-corruption and bribery matters by 2017.
- Large, publicly traded and some private healthcare companies will need to track environmental, social and governance data and set up process management tools to report externally.

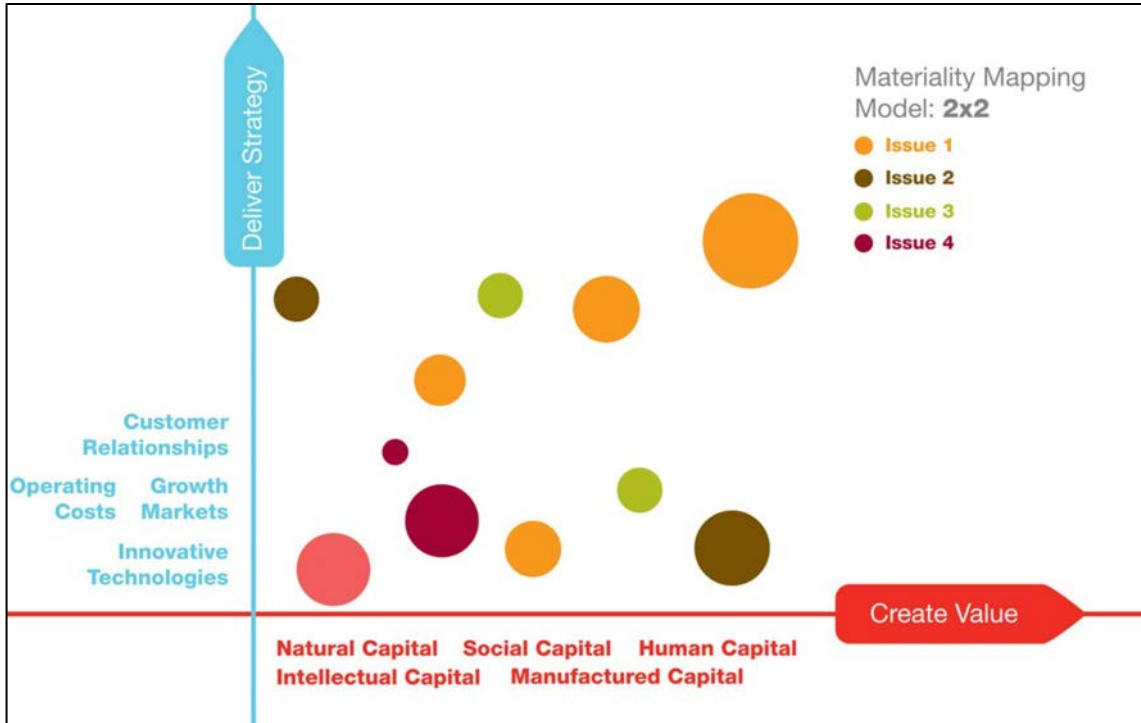
Sustainability Initiatives



Process for Getting Started: Understand + Plan



Determining Materiality



Benchmark study: Research a wide variety of environmental and social issues with emphasis on direct competitors and industry segments – where do you stack up vs other benchmarked companies?

Strategic internal stakeholder interviews & trend analysis: Collect input from key internal stakeholders and analyze aggregate info to spot trends on customer needs, cost-benefits, resourcing, challenges, and key business drivers. Assess vulnerabilities in order to identify plans and actions to mitigate.

Sustainability Programs

Anti-bribery/Ethics

Built Environment - LEED, Green Labs, Materials, Design

Carbon - CO2 Tracking/Quantifying KPIs

Energy - Efficiencies/Renewables

Food Safety

Human Rights-Human Trafficking & Supply Chain

Product Responsibility - Green Chemistry

Social - Philanthropy/Foundations/Volunteer/Employee Engagement

Traceability - Conflict Materials

Waste - minimize, reduce, recycle (including hazardous)

Water - Net Zero, Conservation, Re-use, Waste H2O Systems

Thank you!

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