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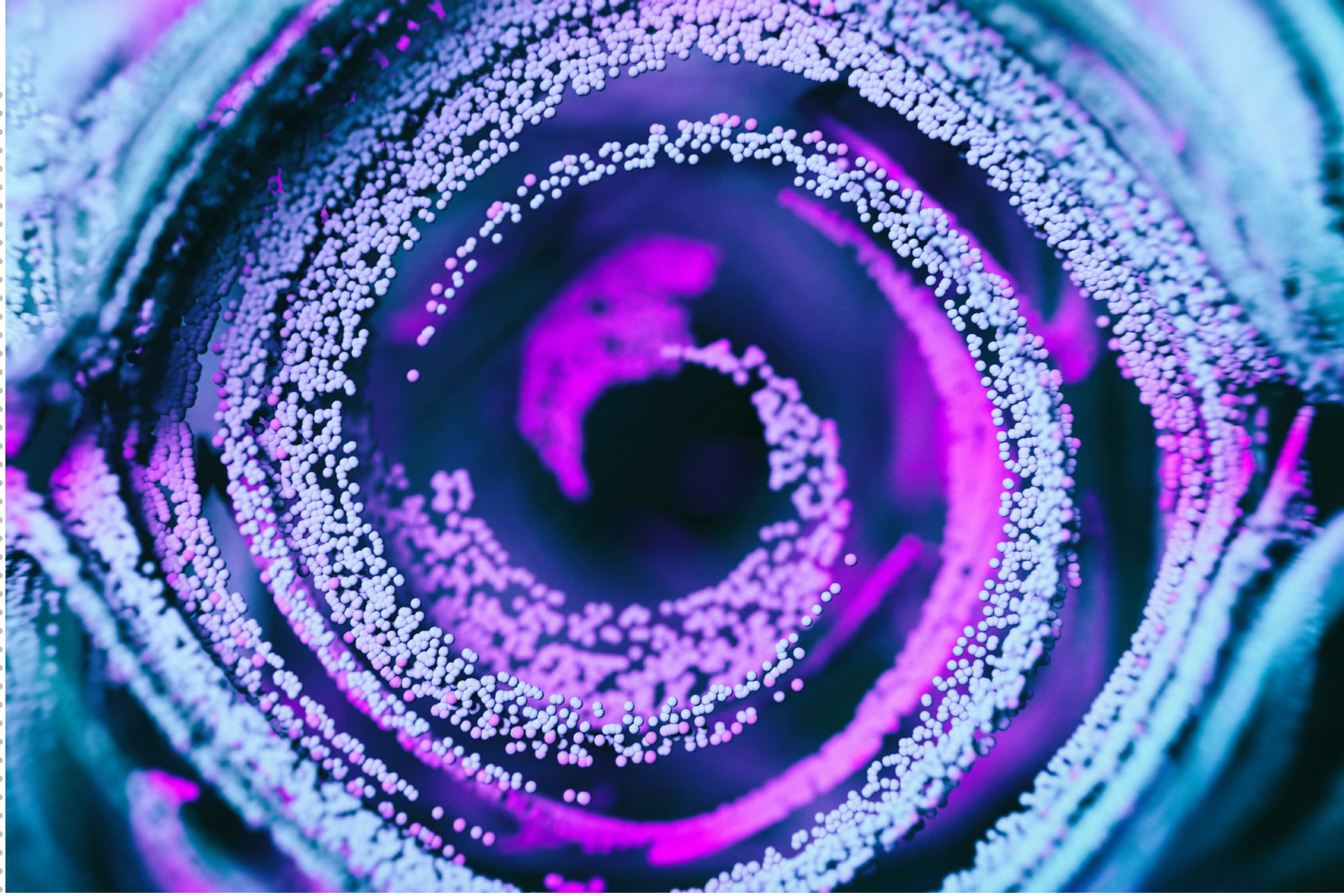

# Biotech Companies Continue to Make Progress on ESG

## A Look at the Disclosure Practices of Small and Mid-Size Companies

2023

# About the Authors

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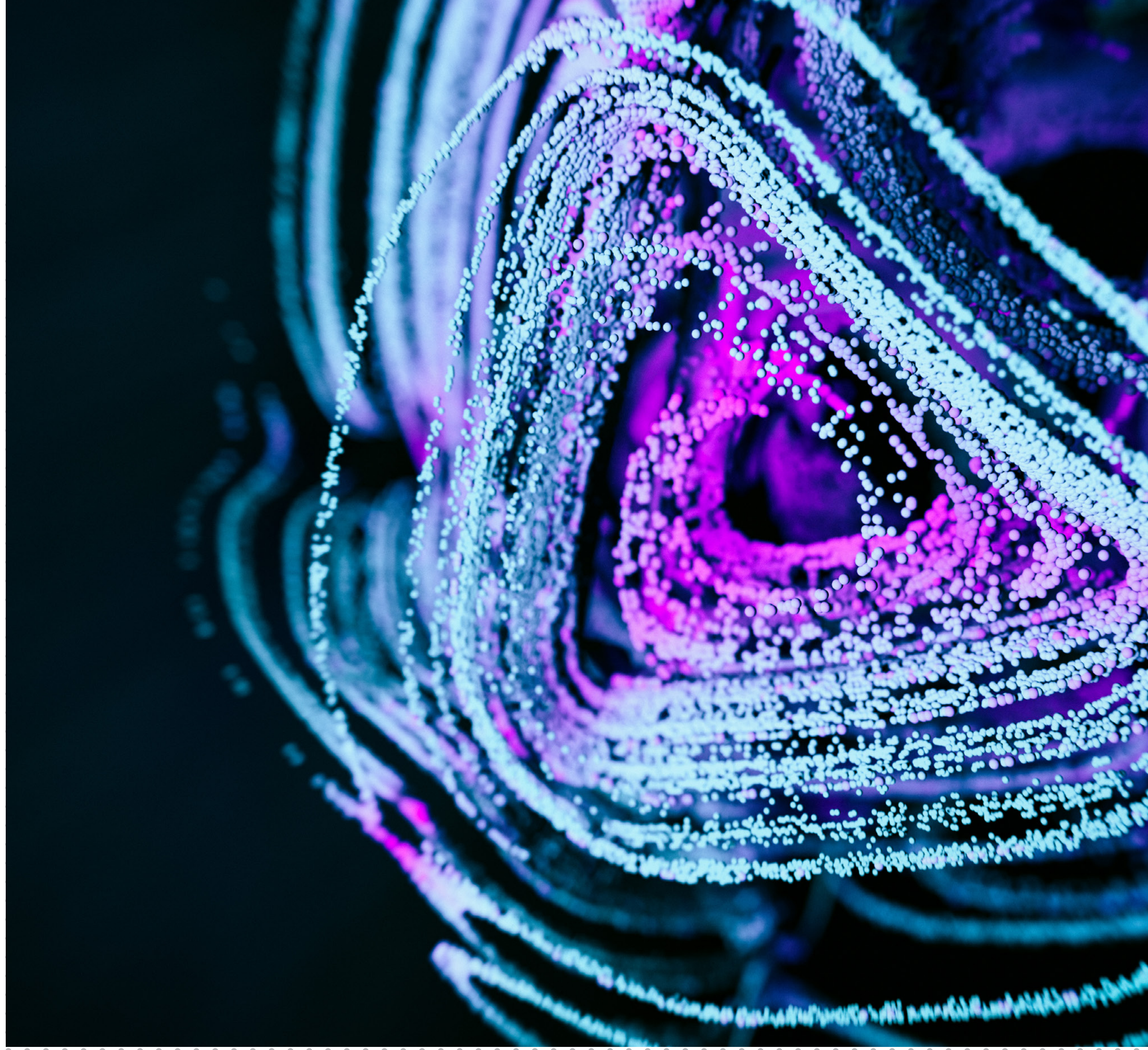
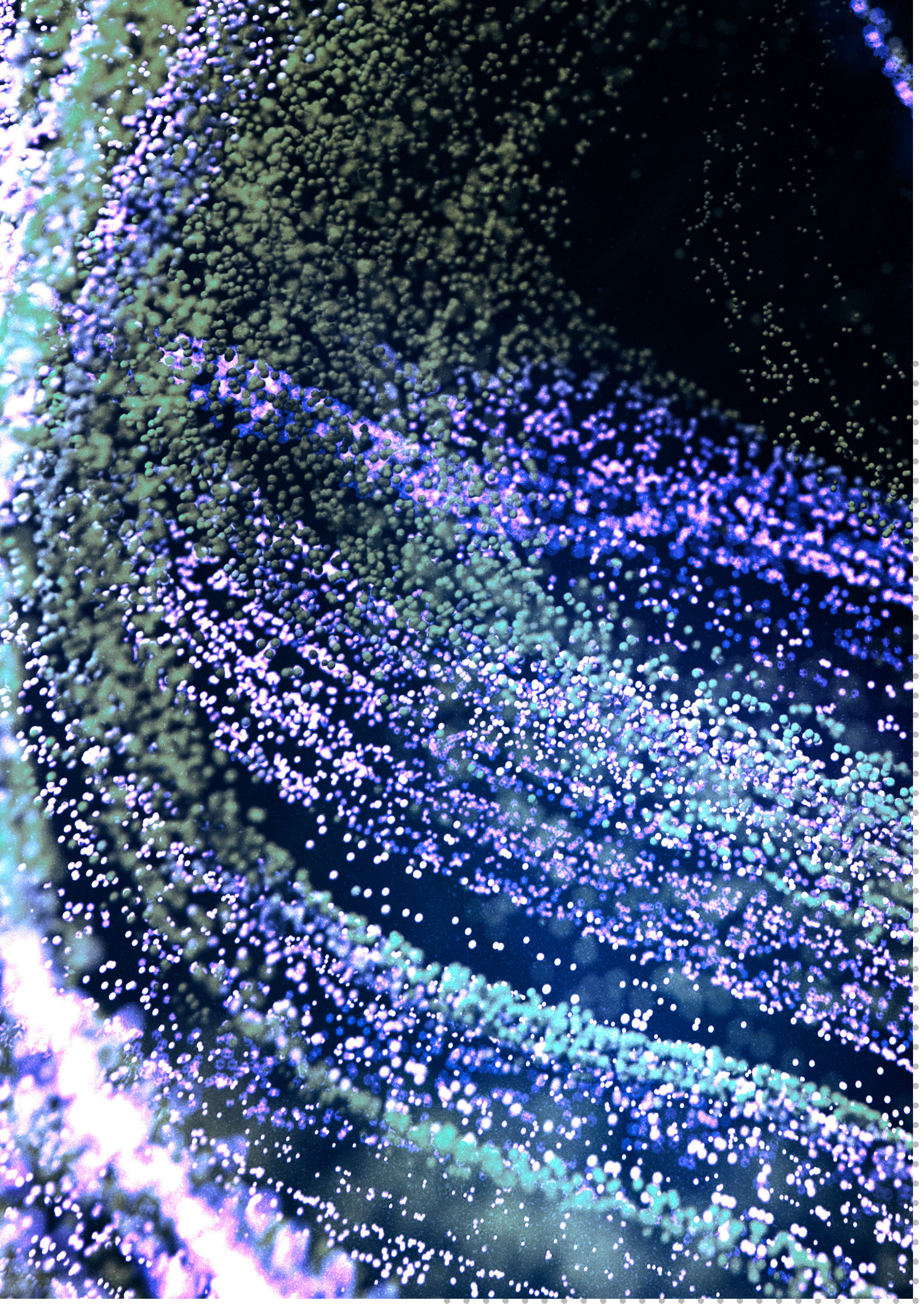




# Overview

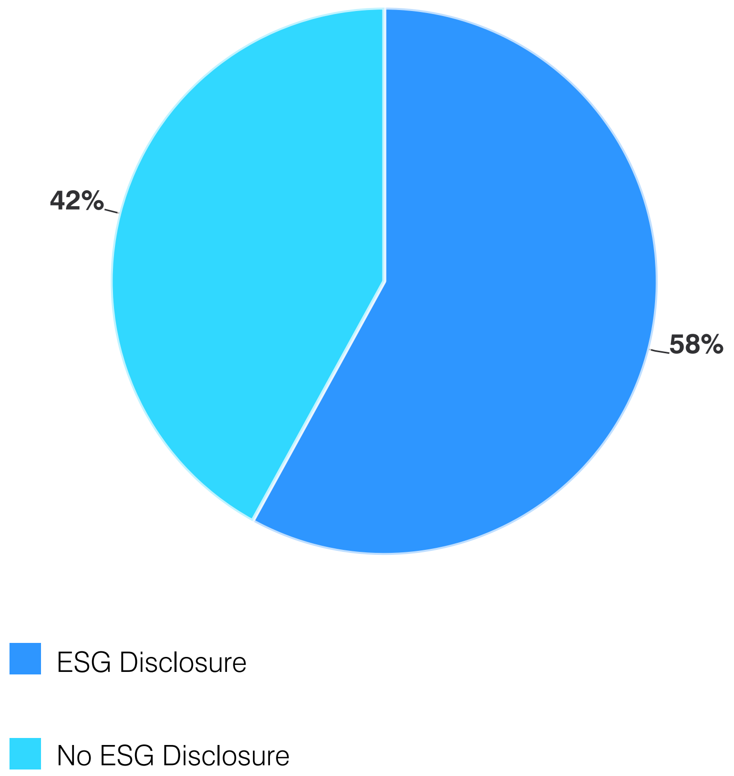
In our report we continue to look at the progress that smaller biotech companies have made in their reporting on environmental, social and governance (ESG) matters building on our prior research. This year saw a significant increase in all areas of reporting as companies seem to be responding to pressures from investors and other stakeholders to increase the quantity and quality of information that they disclose.

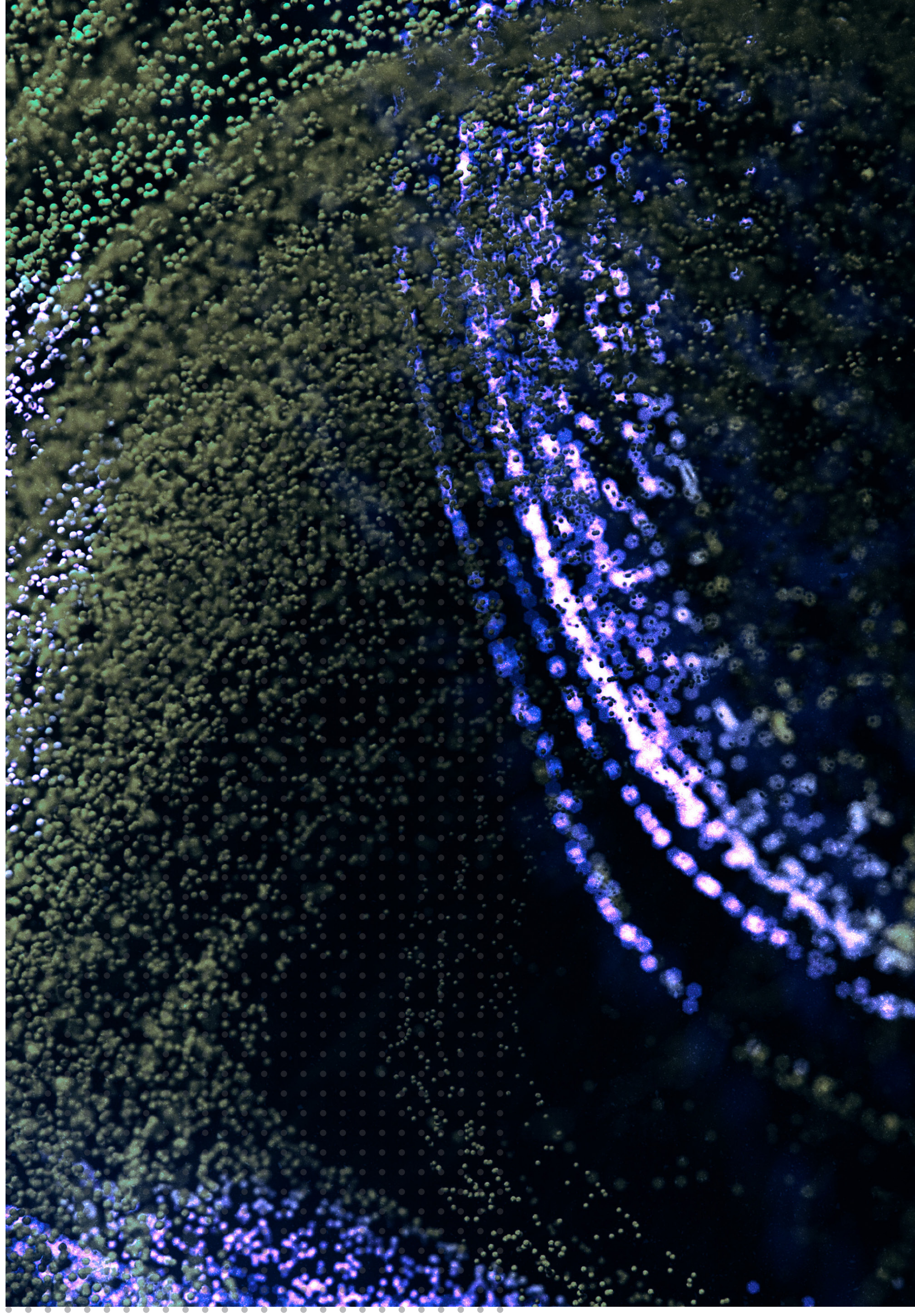
In 2023, we reviewed the disclosure practices of 74 biotech companies (see Appendix) with market capitalizations ranging from $1 billion to $10 billion as of June 30, 2023, which represented a substantial increase in the number of companies that we reviewed in 2021 (50) and 2022 (48). Sixteen of the 74 companies were also included in the list of companies that we previously reviewed. The companies that we considered to have provided ESG disclosure (see "Methodology – Defining ESG Disclosure") are referred to as the "disclosing companies" in this report.

# Highlights for 2023

- Although the percentage of companies disclosing ESG information was roughly the same (60% in 2022 vs. 58% in 2023), the percentage of companies providing ESG disclosure in voluntary, standalone reports (CSRs) more than doubled from 17% in 2022 to 36% in 2023.
- With the increased use of CSRs, there was a corresponding increase in the breadth and depth of ESG disclosure, with most topics showing significant increases in the percentage of disclosing companies providing disclosure.
- The most common topics discussed were environmental/ sustainability, human capital resources, community engagement and business ethics.
- The topics of access to medicine, cybersecurity and community engagement showed the biggest increases in the percentage of companies disclosing compared to 2022.
- 77% of disclosing companies provided quantitative metrics, including employee demographic information (gender and race/ethnicity), employee attrition and engagement, corporate donations, tons of recycled waste and drug recalls.

**Percentage of Companies Providing ESG Disclosure**



# Steady Progress Toward Greater ESG Disclosure

When we published our first report, Biotech's ESG Crossroads, our research from data gathered in 2021 revealed that relatively few companies had reported any ESG data at that time. Of the 50 U.S. biotech companies with market capitalizations ranging from $1.3 billion to $4.6 billion, just 30% of the subject companies publicly disclosed ESG information as a unified set of risks and opportunities under an umbrella term such as "ESG," "sustainability" or "corporate social responsibility." Furthermore, only nine (18%) and five (10%) of the companies had provided disclosure in their proxy statements and CSRs, respectively, with three companies providing disclosure in both documents.

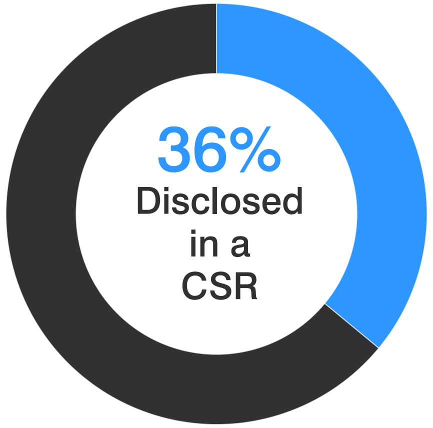
When we examined the same group of companies in our follow-up report in 2022, The Evolution of ESG Disclosure for Biotech Companies, we noticed significant progress, with 60% of such companies providing ESG disclosure, primarily in their proxy statements. Although only eight companies had produced CSRs, as we noted in that report, the breadth and depth of such disclosures indicated progress and the achievement of reporting goals expressed in the prior report.

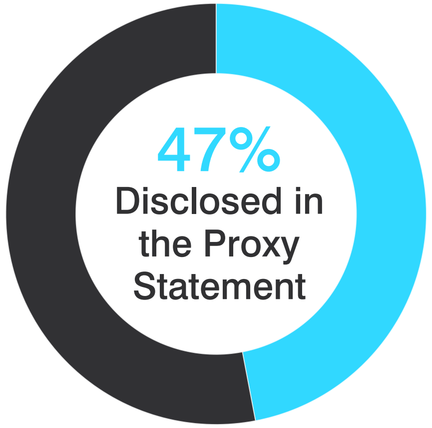
In 2023 we expanded the scope of our review to include more companies with a higher market capitalization, and we saw a substantial increase in the number of companies providing detailed ESG disclosure in CSRs. Although the percentage of companies reporting ESG information was relatively consistent with 2022 (58% versus 60%), the percentage using CSRs, which typically include the most detailed ESG information and generally employ quantitative metrics guided by third-party reporting standards, more than doubled, with 36% of companies reviewed disclosing in CSRs in 2023 versus 17% in 2022.

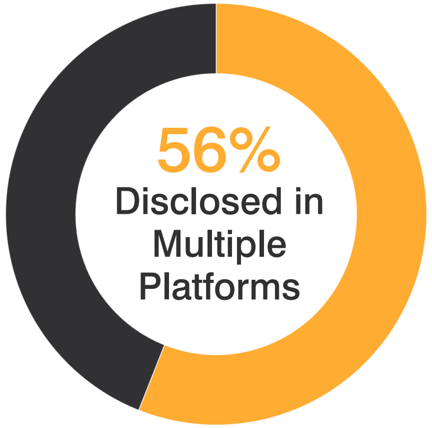
Perhaps because of more companies providing disclosures in CSRs, the percentage of companies disclosing in proxy statements declined from 54% in 2022 to 47% in 2023, including three companies that only briefly mentioned board oversight of ESG. When disclosing companies provided their ESG disclosure in their proxy statements, the disclosure was generally brief and qualitative. The average disclosure consisted of a few paragraphs describing ESG initiatives at a high level, usually broken into separate sub-sections for discrete ESG topics such as "environment" or "community impact."

Twenty-four or 56% of the disclosing companies provided disclosure in more than one platform, typically in a CSR and proxy statement.

## Location of Disclosure



# Which Biotech Companies Disclose ESG Information

With more companies disclosing, we were able to examine the impacts of maturity and size on ESG reporting.

There was a strong correlation between the number of years that a company existed as a public company and the prevalence of ESG disclosure, with older public companies being much more likely to report ESG information. Of the 31 companies that went public since 2018, only nine (29%) disclosed ESG information. In contrast, of the 43 companies that became public prior to 2018, 34 (79%) disclosed ESG information.

Similarly, there was some correlation between company size, as measured by market capitalization, and the likelihood to disclose ESG information, with larger companies more often providing such disclosure compared to smaller companies. Non-disclosing companies had an average market capitalization of $2.2 billion (ranging from $1.0 billion to $5.4 billion and a median of $1.6 billion). Whereas disclosing companies had an average market capitalization of $2.9 billion (ranging from $1.0 billion to $9.2 billion and a median of $1.9 billion).

**There was a strong correlation between the number of years that a company existed as a public company and the prevalence of ESG disclosure.**

The SASB Biotechnology & Pharmaceuticals standards provide for disclosure in the following areas:

- Safety of clinical trial participants
- Access to medicines
- Affordability and pricing
- Drug safety
- Counterfeit drugs
- Ethical marketing
- Employee recruitment, development and retention
- Supply chain management
- Business ethics

# Use of Standards and Frameworks for Disclosure

Many companies rely on third-party standards and frameworks (collectively, reporting frameworks) to inform the ESG topics that they disclose. Some of the most common reporting frameworks include the Sustainability Accounting Standards Board (SASB) standards, the Task Force on Climate-Related Financial Disclosures' recommendations (TCFD) and the Global Reporting Initiative (GRI).

SASB provides a set of sustainability disclosure topics and accounting metrics deemed to be most relevant to investors based on a company's industry.

Similarly, in addition to SASB, the Biopharma Investor ESG Communications Initiative, a collaboration of senior biopharma executives and investors to identify decision-useful sustainability information, provides the ESG Communications Guidance 4.0. The guidance offers recommendations for ESG reporting for biotech companies that can be used in conjunction with other reporting frameworks.

Its high-priority topics for the biopharma sector include: access to healthcare and medicine pricing; business ethics, integrity and compliance; climate change; clinical trial practices; ESG governance; environmental impacts; human capital management; innovation; pharmaceuticals in the environment and antimicrobial resistance; product quality and patient safety; risk and crisis management; and supply chain management.

In June 2023, the International Sustainability Standards Board (ISSB), which was formed in 2021 by the International Financial Reporting Standards Foundation (IFRS), issued its initial standards, IFRS S1, which provides the core content for a complete set of sustainability-related financial disclosures, and IFRS S2, which sets out the requirements for disclosing climate-related risks and opportunities. Many believe the ISSB standards, which combine elements of the SASB standards and TCFD recommendations, will become the dominant global reporting framework. In applying IFRS S1, the ISSB directs companies to consider the SASB standards.

In 2023, 19 or 44% of disclosing companies reported using a reporting framework to inform their disclosure, with all such companies reporting to SASB and some also reporting to TCFD, GRI and the United Nations Sustainable Development Goals. This represented a notable increase from 2022, when only 17% of disclosing companies reported to a reporting framework. It remains to be seen whether biotech companies will adopt the ISSB standards, which are effective for reporting periods beginning on or after January 1, 2024, for their voluntary ESG reporting.

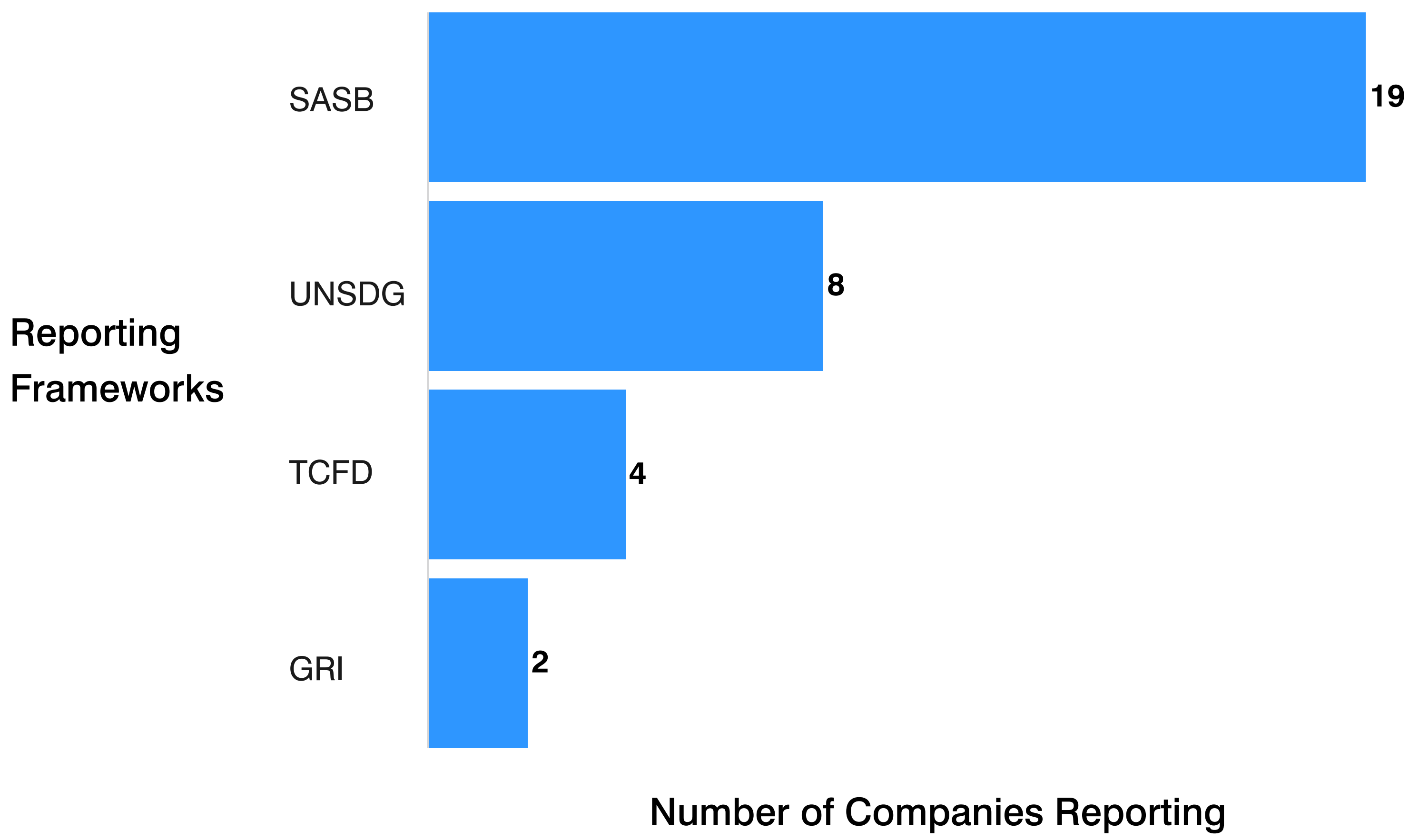
# Use of Standards and Frameworks for Disclosure

continued

In some cases, a company's decision to use a reporting framework will drive the amount and form of disclosure. Because reporting frameworks may call for specific qualitative and quantitative information, companies may choose to provide such expansive information in a standalone CSR instead of a proxy statement or on a website. With the increased use of CSRs, there was a corresponding increase in the breadth and depth of ESG disclosure. Most topics showed significant increases in the percentage of disclosing companies providing disclosure compared to 2022.

Because ESG disclosure is largely voluntary in the U.S., companies have flexibility in determining what ESG data to disclose. Even when employing a reporting framework for their ESG disclosures, disclosing companies typically just addressed some of the suggested topics.

## Use of Third-Party Standards and Frameworks



# Common ESG Disclosure Topics

79% and 74% of disclosing companies provided data regarding the gender and racial/ ethnic composition of their employees, respectively.

The most common topics disclosed were environmental/sustainability issues, human capital management, community engagement and business ethics. However, access to medicine, cybersecurity and community engagement showed the biggest increases in the percentage of companies disclosing compared to 2022. Notably, 77% of disclosing companies provided some quantitative metrics, including employee gender and/or racial composition, employee attrition rates, philanthropic donation amounts, drugs recalled, and tons of waste recycled. Below we provide more detail regarding the topics disclosed.

## Human Capital Resources

Similar to 2022, human capital resources represented one of the most popular ESG disclosure topics, with 37 or 86% of the disclosing companies providing data related to human capital issues, including the most common ones noted below.

- **Diversity, Equity and Inclusion (DEI).** Companies often provided both qualitative and quantitative DEI data. Qualitative data included descriptions of hiring initiatives, formation of employee resource groups (ERG), programs to increase representation of underrepresented groups in the life sciences, and bias awareness training. Quantitative DEI information often consisted of aggregated employee demographic information according to gender and race/ ethnicity. A significant majority of disclosing companies (34 or 79%) provided data regarding the gender composition of their employee base, which was slightly higher than the 32 or 74% of disclosing companies that provided racial/ethnic employee demographic data. Demographic information was also provided based on role (e.g., manager, executive or professional).
- **Employee Engagement.** Companies described efforts to engage with their employees to increase retention. Some companies touted high engagement survey participation rates, while others wrote more generally about their engagement efforts.
- **Retention/Turnover.** Related to engagement, some companies addressed the rate of turnover among employees, often providing quantitative data showing year-over-year trends.
- **Employee Safety.** Companies described their efforts to provide a safe work environment, including management oversight and incident reporting frequency. In some cases, they disclosed employee injury or lost time injury rates.
- **Employee Training.** Companies discussed various programs to train and develop their employees, allowing them to build careers. Such programs were lauded for facilitating greater retention. Quantitative metrics included the number of trainings or rates of employee participation.
- **Benefits and Compensation.** Companies described their compensation plans and the various benefits offered to employees, including 401(k) plans, health plans, incentive plans and family leave policies.

# Common ESG Disclosure Topics

continued

Public companies are also required to disclose human capital resources information in the business sections of their Form 10-K to the extent that they are material to an understanding of their business. The disclosing companies took a variety of approaches to harmonize their human capital resources disclosures in their Form 10-K with their proxy statement and CSR disclosures.

Some chose to provide very brief disclosure of human capital resources in their Form 10-K and more detailed information in the ESG sections of their proxy statements, while others favored the opposite approach, expanding upon their human capital practices in their Form 10-K and condensing their proxy statement disclosures. CSRs tended to have the most robust human capital resources disclosure.

## Environmental/Sustainability

In 2023, there was a substantial increase in the number and percentage of disclosing companies that reported on environmental issues. Thirty-seven or 86% of disclosing companies discussed their environmental or sustainability initiatives, compared to just 59% of disclosing companies in 2022.

Such disclosures generally focused on qualitative activities, with few quantitative metrics provided. The companies disclosed activities such as reducing waste and energy consumption, and recycling. In addition, they cited company policies, programs or amenities that encouraged environmental sustainability (e.g., remote work, paper-use reduction and recycling). Companies also noted their investments in energy-efficient systems and facilities.

Only 10 of the disclosing companies addressed climate change initiatives, with only seven including quantitative metrics such as greenhouse gas (GHG) emissions reporting. Climate-related risk reporting has commanded the attention of numerous investors and other stakeholders and has been the subject of state and federal rulemaking.

In March 2022, the SEC proposed rules that would mandate detailed qualitative and quantitative information for public companies (see our alert here). Similarly, in October 2023, California adopted multiple climate bills that will require certain public and private companies doing business or operating in California to report on GHG emissions and management of climate-related financial risk and to provide additional disclosure for certain emissions claims  (for more information, see our alerts here and here ).

The California laws have a revenue threshold before companies are required to report, but to the extent that any final SEC rules are applicable to all public companies regardless of market capitalization or revenue, we expect many small and mid-sized biotech companies will face challenges in complying with these or similar requirements regarding disclosures of climate-related risks or GHG emissions data.

# Common ESG Disclosure Topics

continued

## Community Engagement

Disclosing companies reported on their philanthropic efforts and community-based engagements at a higher rate in 2023 compared to 2022. Thirty-two or 74% of disclosing companies discussed their interactions with outside communities, often noting corporate philanthropy or community service programs, compared to only 41% in 2022. Disclosures included qualitative and quantitative descriptions of companies' donations to or support for organizations in the communities in which they operated, such as through sponsoring internships.

Employee volunteering rates and matching gift programs were also discussed. Some of these activities were focused on specific causes, such as increasing representation of minorities and other underrepresented groups in clinical trials or were related to diseases or medical conditions on which the companies' products focused.

## Business Ethics

Disclosure of business ethics practices by disclosing companies jumped in 2023, with 31 companies or 72% of disclosing companies providing such disclosures compared to 41% in 2022. Generally, companies disclosed business ethics practices, described their codes of business conduct and ethics or similar documents and discussed related training.

Companies also referenced compliance programs, including policies and procedures to encourage reporting and protect whistleblowers. Such compliance policies included those related to product quality and safety, clinical trials, responsible sales and marketing, and supply chains. Furthermore, some companies noted that suppliers and vendors were required to represent that they complied with applicable laws and such compliance policies.

**Disclosure of business ethics practices by disclosing companies jumped in 2023, with 31 companies disclosing or 72% compared to 41% in 2022.**

# Common ESG Disclosure Topics

continued

## Governance

Overall, 30 or 70% of disclosing companies provided corporate governance disclosure in 2023, with 20 companies discussing corporate governance matters in CSRs. Although there are several corporate governance–related disclosure requirements for a company's proxy statement, 11 of the disclosing companies also discussed their governance practices in the ESG sections of their proxy statements or addressed governance-related topics beyond those required by the proxy statement. Companies identified codes of conduct and ethics, corporate governance guidelines and board committee charters when discussing their governance practices in their CSRs, often duplicating or cross-referencing their proxy statement disclosures.

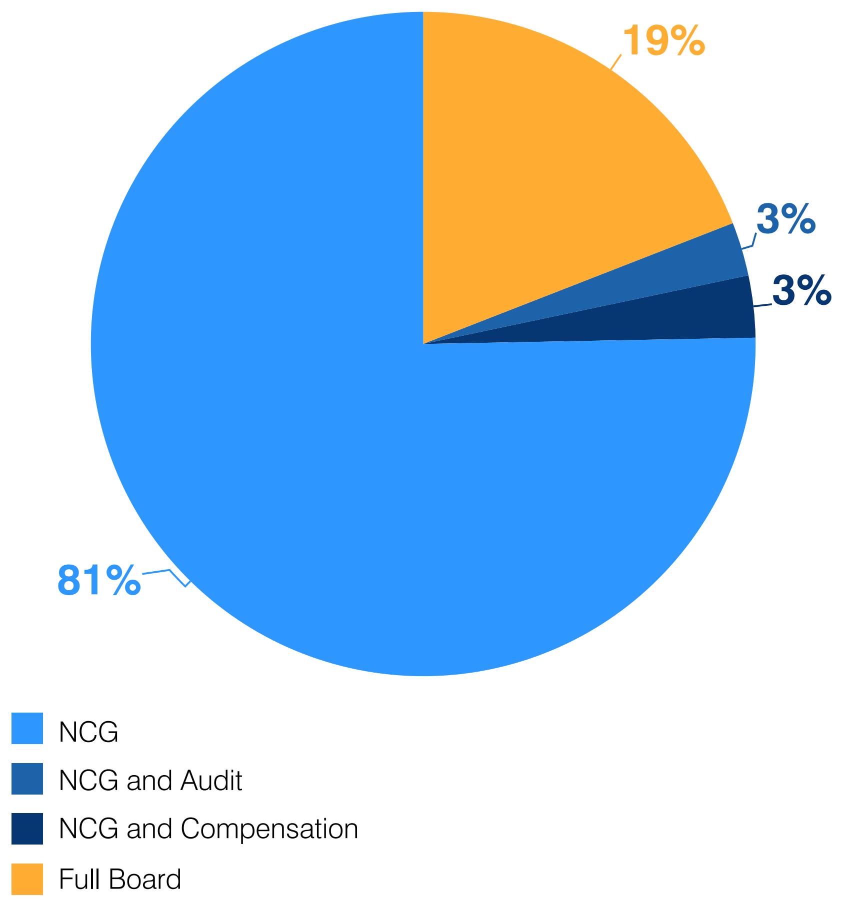
Governance disclosure often discussed the board's oversight of ESG matters, including whether the full board or a particular committee or multiple committees had primary oversight of ESG. Thirty-six or 49% of the companies reviewed (representing 84% of the disclosing companies) reported on board or board committee oversight of ESG matters.

The nominating and corporate governance committee or its equivalent (the NCG committee) continues to predominate ESG oversight: 29 or 81% of disclosing companies identified the NCG committee as having primary responsibility of ESG matters.

The remaining companies disclosed oversight as follows: the full board (seven or 19%), both the audit and NCG committees (one or 3%) and both the compensation and NCG committees (one or 3%).

Governance disclosures also addressed management's role in overseeing ESG, including the formation of committees or working groups to set ESG strategy, gather and verify data, and report regularly to the board. Companies also noted engagement efforts by board members or management with key shareholders and other stakeholders on certain ESG issues.

### ESG Governance



# Common ESG Disclosure Topics

continued

## Access to Medicine

The percentage of companies reporting on access to medicine almost tripled in 2023, with 70% of disclosing companies providing such information compared to just 24% in 2022. This dramatic increase may be attributed to the increased number of disclosing companies using the SASB standards when developing their disclosure. Companies provided information regarding drug access policies, compassionate use programs and drug pricing strategies.

They also discussed efforts to engage with stakeholders to address access to drug treatments, including by entering into advance purchase agreements to allocate and distribute medications, providing educational programs and ensuring participation of underrepresented groups in clinical trials.

## Cybersecurity

In 2023, cybersecurity also saw a marked increase in disclosure with 25 or 58% of disclosing companies choosing to address cybersecurity and measures taken to safeguard patient information and other sensitive data. This compares with only 21% of disclosing companies in 2022. Companies generally provided qualitative disclosure regarding testing, audit committee oversight, employee training and vendor compliance with cybersecurity protocols.

In July 2023, the SEC adopted rules that require companies to publicly disclose cybersecurity incidents, risk management, strategy and governance in SEC filings (see our prior alert here). Although these rules require disclosure in annual and current reports, we anticipate an increase in other public disclosure of public biotech companies, including CSRs and proxy statements.

## Drug Safety

In describing programs in place to ensure the safety of their products, companies typically discussed clinical trial processes, including their use of contract research organizations, and employee training. Some companies noted adherence to the current Good Manufacturing

### Increase in Cybersecurity Disclosures

**58% in 2023**

58% of disclosing companies chose to address cybersecurity and measures taken to safeguard patient information and other sensitive data

**vs.**

**21% in 2022**

21% of disclosing companies chose to address cybersecurity and measures taken to safeguard patient information and other sensitive data

# Common ESG Disclosure Topics

continued

Practices (cGMP) regulations of the Federal Drug Administration (FDA) or the International Conference for Harmonisation's Good Clinical Practice (GCP) guidance.

In 2023, 24 or 56% of disclosing companies provided information regarding drug safety, compared to 34% of the disclosing companies in the prior year. Quantitative metrics included the number of recalls or fatalities associated with their products or any FDA enforcement actions, although because many companies were in the pre-commercial phase, in most cases none were reported.

## Patient Advocacy

Disclosing companies provided information regarding their work with or membership in different organizations to address patient issues. In 2023, 23 or 51% of disclosing companies reported on patient advocacy, compared to only 21% of disclosing companies in 2022. This disclosure discussed their work with patient advocacy organizations to bring therapies to patients and to raise awareness of conditions or diseases being treated. Disclosures also mentioned partnering with patients during clinical trials to shape trial designs.

## Supply Chain Management

Supply chain issues also saw a dramatic increase in disclosure. In 2023, 19 or 44% of disclosing companies provided such disclosure, compared to 14% of disclosing companies in 2022. Companies discussed their relationships with suppliers and vendors and their policies and procedures to monitor the risks that they posed.

In some cases, companies stated that suppliers and vendors were expected to adhere to their policies, including supplier codes of conduct, and all legal and regulatory requirements. Monitoring and remediation efforts were also discussed as part of a company's oversight in this area.

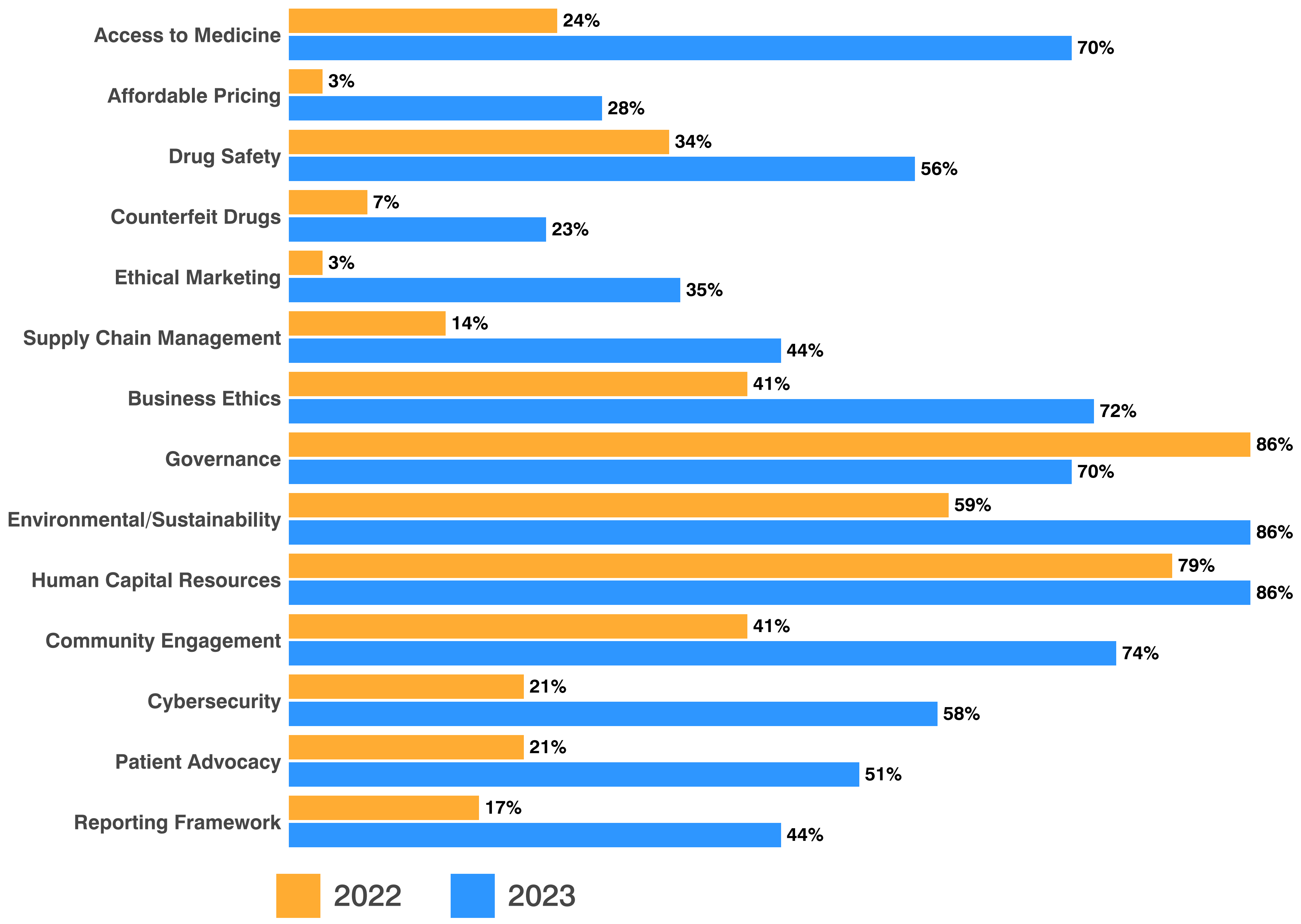
## Other Topics

Other topics for which disclosing companies provided information in 2023, which we did not report in 2022, include affordable pricing, counterfeit drugs and ethical marketing. Fifteen or 35% of disclosing companies reported on policies or codes of ethics regarding the promotion of off-label uses for their products or interactions with healthcare professionals. Twelve companies provided disclosure regarding affordable pricing programs or policies. Finally, 10 companies discussed their policies related to the prevention of counterfeit drugs, including processes for notifying customers or business partners.

# Common ESG Disclosure Topics

continued

## ESG Disclosure Topics



# Beginning or Enhancing ESG Disclosures

As indicated by this and our prior reports, biotech companies have been developing and reporting on their ESG practices at a significant rate over the last couple of years. Demands for this information is not likely to decrease in the near term.

Accordingly, a biotech company that has not initiated ESG reporting should consider whether it is appropriate to begin reporting and must contemplate the necessary resources and steps to do so. Below, we discuss several issues to consider for those companies looking to initiate ESG reporting.

## Determine the Most Important ESG Risks and Opportunities for Your Company

While reporting frameworks may identify ESG topics that are important to most biotech companies and their investors, each recommended disclosure topic may not be relevant to every biotech company. A company should perform its own assessment of the ESG issues that are most relevant for its business and on which it wants to publicly report. This determination may be aided by a reporting framework, benchmarking against the ESG disclosures of peer companies, and/or engaging with its key stakeholders, including institutional investors.

- **Frameworks and Standards.** The SASB standards are favored by many large institutional investors, such as BlackRock. However, disclosure is voluntary, so a company can decide which topics or metrics to disclose initially and expand its disclosure over time.
- **Peer Company Benchmarking.** Looking at other public biotech companies at a similar development stage or with similar products may help a company to determine appropriate ESG disclosure topics and metrics. It may also reveal the information that investors and other stakeholders may be expecting from the company in the absence of direct engagement.
- **Direct Engagement.** Outside of its own analysis, direct engagement with its most important stakeholders may offer a company the best means for determining what information it should disclose. A biotech company's stakeholders may include its shareholders, patients, employees, suppliers, business partners, government agencies and the community in which it is located. Discussions with stakeholders can help to ensure that a company is disclosing the most relevant information to its stakeholders.

## Oversight

Once a company decides the ESG topics or metrics on which it wants to focus, it should establish an appropriate management structure and controls and procedures to implement its ESG strategy. This may consist of forming an internal working group of senior members of key corporate functions such as finance, legal, risk management and relevant business units.

Regardless of the oversight structure, the person or persons responsible for oversight should coordinate with relevant business functions to ensure that data is collected, verified and reported to the board of directors and externally. This also requires a company to establish appropriate disclosure controls and procedures to ensure that ESG information is accurate and to reduce the risk of fraudulent disclosures.

The company's board of directors (or one or more of its committees) should also oversee ESG. This would entail understanding how

# Beginning or Enhancing ESG Disclosures

continued

ESG impacts the company's strategy, understanding the primary ESG risks and opportunities for biotech companies, and engaging with key investors and other stakeholders on ESG issues. For more information on establishing effective disclosure controls for ESG reporting and oversight, see our alert here.

## Leveraging Existing Disclosures

A company should consider those ESG activities that it may be conducting already and how it may better highlight them. For example, summaries of donations or philanthropic activities in the community that may currently reside on the company's website can be repurposed for use in the ESG section of its proxy statement or as part of a CSR.

Existing proxy statement disclosure could be enhanced to indicate how the board provides oversight for ESG (e.g., revising the descriptions of the board committee's responsibilities to note oversight of ESG or an aspect of ESG). Furthermore, the governance policies and documents disclosed in other sections of the proxy statement could be summarized or cross-referenced in an ESG section. A company can also repurpose or expand upon the human capital resources disclosure from its Form 10-K in its proxy statement.

Most public biotech companies are likely already tracking or reporting significant ESG data. However, ESG reporting, particularly in SEC filings, is subject to the SEC's anti-fraud provisions. Even disclosures on websites or standalone reports that prove to be false or misleading can subject a company to litigation or an SEC enforcement action, as demonstrated by SEC v. Vale S.A. (No. 22-cv-2405), in which the SEC charged a Brazilian mining company with making false and misleading claims about the safety of its dams in its public sustainability reports and other public filings.

Accordingly, in addition to making sure its ESG disclosures are accurate in its SEC filings, a company should also strive for consistency across disclosure platforms. The SEC has also scrutinized and issued comment letters where certain ESG disclosure was included in a public company's CSR but not its Form 10-K, which underscores the importance of establishing appropriate disclosure controls.

As a company increases its resources and improves its infrastructure, it should be in a better position to augment its ESG disclosure. Over time, a company may look to expand upon some of its ESG initiatives and related reporting. Such expansion will necessitate the gathering and verification of additional data and the related establishment of controls and procedures required for analysis and verification.

For example, in discussing how it addresses environmental concerns, a company may initially just disclose qualitative sustainability initiatives, such as recycling policies or LEED building certifications. Over time it may evolve to tracking and reporting its Scope 1 and Scope 2 GHG emissions and energy usage. Eventually, it could set and disclose scientifically based targets for GHG emissions reduction.

Because of the additional effort that would be required to gather more granular and quantitative data, a company would need to increase its internal and/or external resources to be able to provide such data, which may not be a priority for a less mature or profitable company. However, potential mandates could force companies to develop their ESG programs sooner than planned.

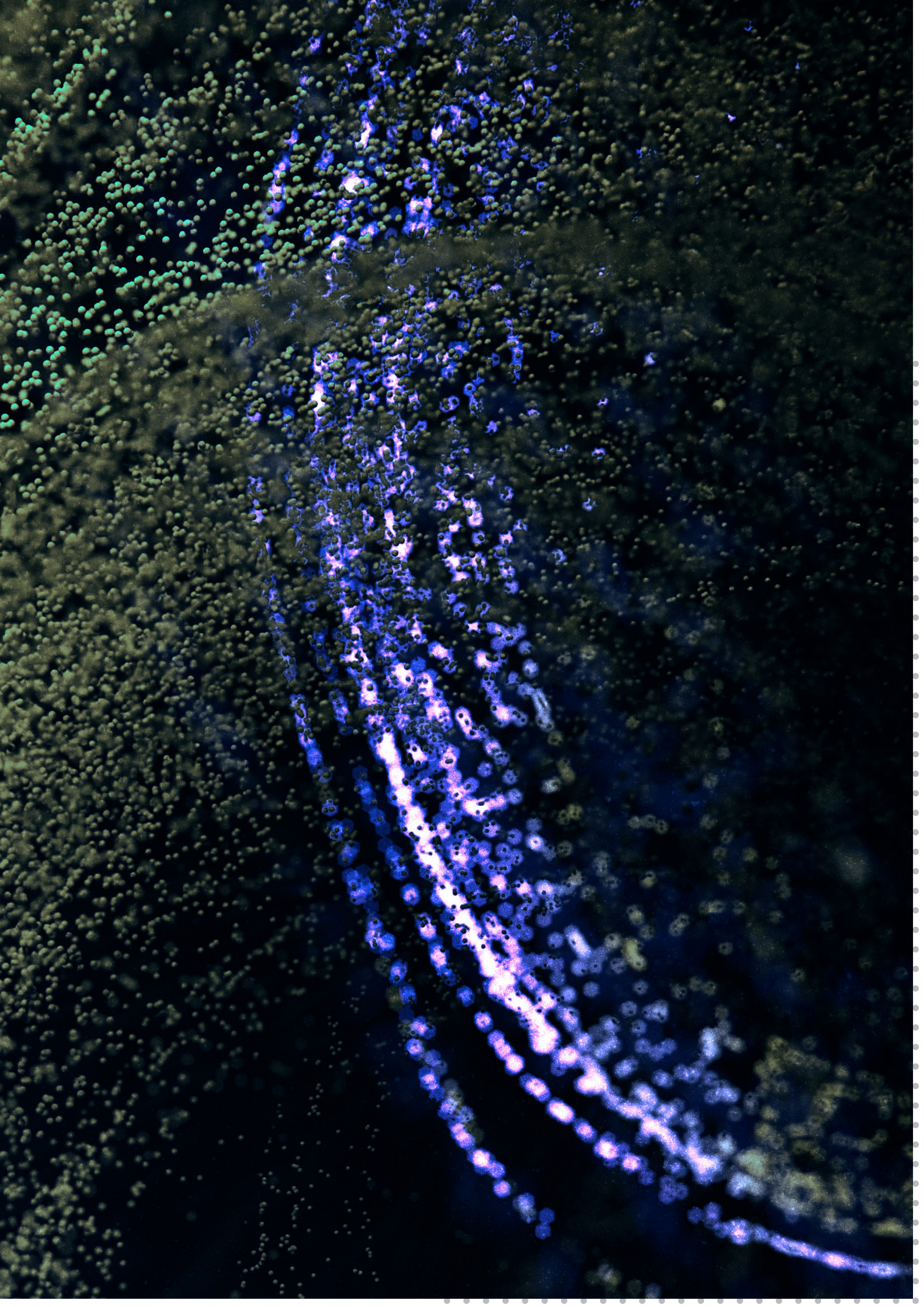
# The Potential Impact of Regulation

The interest in ESG has led to increased scrutiny from regulators and the prospect for more mandated ESG disclosure. The SEC has signaled a desire to enact regulations requiring public companies to provide more prescriptive ESG disclosure. In addition to the proposed SEC climate rules and the adopted cybersecurity disclosure rules, the SEC has indicated that it intends to propose rules that would require disclosure in the key ESG areas of board diversity and human capital resources. If these rules are adopted, they would change the voluntary nature of much of ESG reporting in the U.S. and accelerate the timetables for companies to begin ESG reporting.

In addition to state and federal disclosure regulation in the U.S., biotech companies may also be subject to international regulations that may force them to provide ESG disclosure. For example, in 2022, the European Union (EU) adopted the Corporate Sustainability Reporting Directive, which extends ESG reporting obligations to non-EU companies that have significant operations (over €150 million in net turnover in the EU for the last two financial years) and a large or EU-listed subsidiary or branch generating over €40 million in net turnover for the preceding financial year. The EU has also proposed regulations regarding due diligence and risk mitigation for climate and human rights-related risks that could impact non-EU biotech companies.

Even companies that are not subject to these regulations may be indirectly impacted if their suppliers or commercial customers who are subject to these regulations require such ESG information for their own reporting. As a result, companies that have not started reporting on these issues should consider preparing for such reporting ahead of actual mandates.

**The SEC has indicated that it intends to propose rules that would require disclosure in the key ESG areas of board diversity and human capital resources.**



# Conclusion

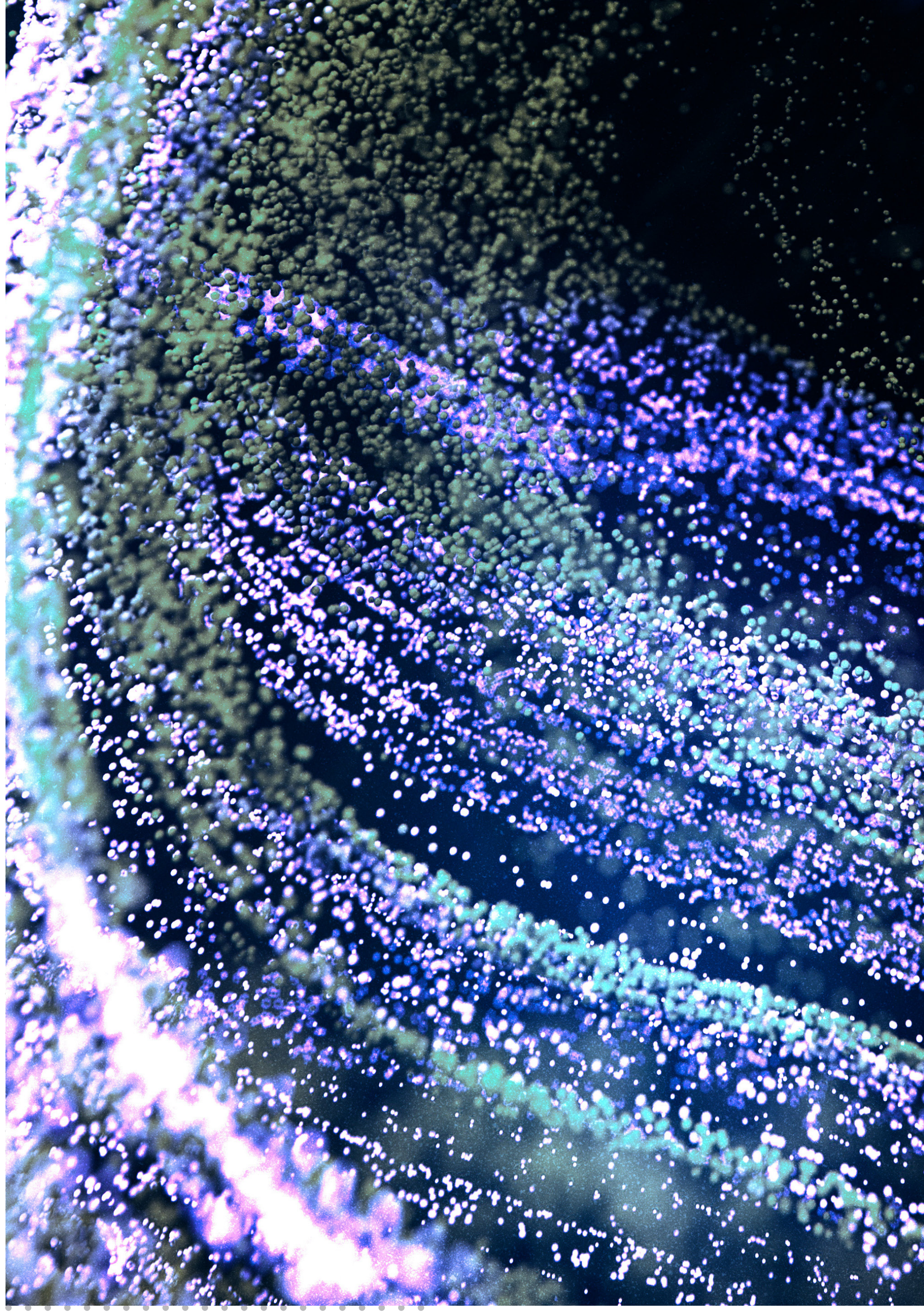
While opponents of ESG have become more vocal, demands for ESG information, including by large institutional investors and regulators, is expected to continue. Biotech companies that fail to provide ESG disclosure risk greater scrutiny, criticism, and potentially higher capital costs by failing to address ESG. Although the costs of gathering some types of ESG data or implementing some initiatives may be challenging, companies can still pursue an incremental approach and expand their capabilities and related disclosure as their operations grow.

# Methodology –
# Defining ESG Disclosure

For purposes of this report and our review, in determining whether a company provided ESG disclosure, we credited companies that specifically used the term "ESG" or "corporate sustainability" (or a similar term) in headings or titles followed by relevant descriptions. Also, if a company indicated that it was managing a broad set of environmental, social and governance–related topics that it viewed as part of a unified set of risks and opportunities (even if it did not specifically use the term "ESG"), we considered it to be ESG disclosure. Furthermore, we counted only disclosure where, in our opinion, substantive descriptions of risks, opportunities and programs were provided and generally did not count instances where there was only brief mention of oversight of ESG without additional details.

# Disclaimer

The preparation of the information contained herein involves assumptions, compilations and analysis, and there can be no assurance that the information provided herein is error-free. Neither Fenwick & West LLP nor any of its partners, associates, staff or agents shall have any liability for any information contained herein, including any errors or incompleteness. The contents of this report are not intended, and should not be considered, as legal advice or opinion.



# Appendix

89bio, Inc.
ACADIA Pharmaceuticals
Acelyrin, Inc.
Agios Pharmaceuticals, Inc.
Akero Therapeutics, Inc.
Amicus Therapeutics, Inc.
Arcellx, Inc.
Arcus Biosciences, Inc.
Arrowhead Pharmaceuticals, Inc.
Beam Therapeutics, Inc.
BioCryst Pharmaceuticals, Inc.
Biohaven Ltd.
Blueprint Medicines Corporation
BridgeBio Pharma, Inc.
Catalyst Pharmaceuticals, Inc.
Celldex Therapeutics, Inc.
Cerevel Therapeutics Holdings, Inc.
Cytokinetics, Incorporated
Day One Biopharmaceuticals, Inc.
Deciphera Pharmaceuticals, Inc.
Denali Therapeutics, Inc.
Dynavax Technologies Corporation
Exelixis, Inc.
Geron Corporation
Halozyme Therapeutics, Inc.
IDEAYA Biosciences, Inc.
ImmunityBio, Inc.
ImmunoGen, Inc.
Immunovant, Inc.
Inhibrx, Inc.
Insmed Incorporated
Intellia Therapeutics, Inc.
Ionis Pharmaceuticals, Inc.
Iovance Biotherapeutics, Inc.
Ironwood Pharmaceuticals, Inc.
IVERIC bio, Inc.
Karuna Therapeutics, Inc.
Keros Therapeutics, Inc.
Krystal Biotech, Inc.
Kymera Therapeutics, Inc.
Madrigal Pharmaceuticals, Inc.
MannKind Corporation
Mirati Therapeutics, Inc
Morphic Holding, Inc.
Myriad Genetics, Inc.
Natera, Inc.
Neurocrine Biosciences, Inc.
Nuvalent, Inc.
Prime Medicine, Inc.
Protagonist Therapeutics, Inc.
PTC Therapeutics, Inc.
Recursion Pharmaceuticals, Inc.
Relay Therapeutics, Inc.
Replimune Group, Inc.
Revolution Medicines, Inc.
Rocket Pharmaceuticals, Inc.
Sage Therapeutics, Inc.
Sana Biotechnology, Inc.
SpringWorks Therapeutics, Inc.
Summit Therapeutics, Inc.
Syndax Pharmaceuticals, Inc.
TG Therapeutics, Inc.
Travere Therapeutics, Inc.
Twist Bioscience Corporation
Ultragenyx Pharmaceutical, Inc.
Vaxcyte, Inc.
Veracyte, Inc.
Vericel Corporation
Verve Therapeutics, Inc.
Viking Therapeutics, Inc.
Vir Biotechnology, Inc.
Viridian Therapeutics, Inc.
Xencor, Inc.
Zentalis Pharmaceuticals, Inc.

# Why Fenwick

## Corporate Governance

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