

ESG

















The importance of diversity in
healthcare & life sciences



There is no doubt that healthcare & life sciences companies, like those in other sectors, are seeing a growing interest in their position on environmental, social and governance (ESG) issues from candidates. Inevitably, that interest is greater among younger recruits who are generally not yet being considered for senior positions. But with investors increasingly concerned about sustainability, even older executives are starting to pay attention.

On the face of it, the healthcare & life sciences industry has a good story to tell. It is, after all, in the business of saving people’s lives and improving their health. However, while this altruism meets the employees design to work for companies that exhibit a “purpose” and “do good”, that alone will not ensure the sector meets the highest ESG standards. Making a contribution to society beyond employing people and paying taxes might have given an organisation a strong profile in the days when corporate social responsibility (CSR) was a key feature in annual reports, but it is no longer nearly enough.

PwC’s Health Research Institute (HRI) analysed the ESG efforts of 32 pharmaceutical and life sciences companies and found that between Jan. 1, 2020, and April 15, 2021, 77% of press releases from the companies touched on social-related priorities. A smaller share was split between environmental and governance initiatives, highlighting the opportunity to increase the environmental and governance focus in their overall strategy.

 Environmental	 Social	 Governance
 Sustainable vehicle fleet initiatives	 Significant financial contributions toward accessible medicines and therapies to underserved communities	 Comprehensive corporate social responsibility report to track and share measurable ESG progress
 Carbon neutrality within 5-10 years	 Early adoption and incorporation of clinical trial diversity for research and development	 ESG leader appointed
 Advanced waste management and manufacturing cost reduction through investment in continuous manufacturing or other technologies	 Supply chain resiliency through supplier diversity and risk assessment	 Gender and racial diversity within governing board
	 Efforts to improve product safety	 Pay equity goals
	 Comprehensive D&I or diversity and inclusion programs such as recruitment and mentorship programs	 Ethics, compliance and fraud policies

Source: <https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-esg-health-insights-pls.pdf>

Additionally, health leaders responding to [PwC's US Pulse Survey of C-Suite executives in March 2021](#) were mainly focused on diversity as opposed to changes around environmental reporting.

Overall, there are big differences in how ESG is viewed in different markets due to factors such as culture and religion. And even in situations where there is an acceptance of ESG and its principles, there are more differences than might be expected. On the issue of diversity and inclusion, for example, the U.S. is much more interested in mandating diversity to the extent that candidate shortlists are often required to include at least two female candidates. In Europe, the prevailing attitude is that it would be great to have women, but experience is still the key factor. The ethnic background of candidates also tends to be much more important in the U.S. than in Europe.

Recently, I sat down with a number of executives from a range of businesses across the life sciences sector to explore their perceptions of ESG and how it impacts their organisations.

The primary focus on the social element of ESG was immediately clear. In the words of Antonio Martin, global head of medical affairs at Novartis:

●● We double down on healthcare disparities. Diversity and inclusion are always a part of that because there is a link between ethnicity and geographic status and access to healthcare, even healthcare outcomes. ●●

And as Rohit Sood, executive vice-president at Eversana, added:

●● Diversity and inclusion is a huge priority in the sector and will continue to be. ●●

For Natalia Kozmina, chief human resources officer and ESG steward at ConvaTec:

●● Inclusion is a feeling that you belong. A good work environment and rewarding pay are important for the younger generation. In contrast, older members of the workforce are more inclined to be driven by the work and the value brought by the individual. ●●

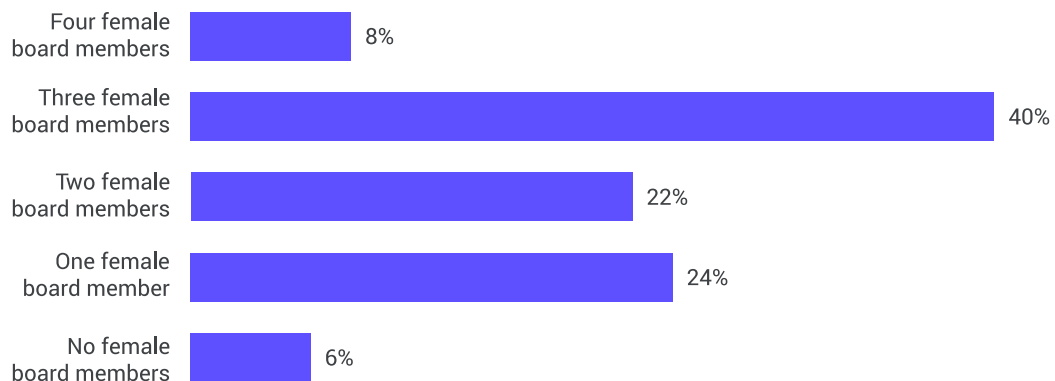
The biggest driver for ESG disclosures is coming from investors because they themselves are under increasing pressure from fund managers and their clients to put their money into more responsible businesses.

In an effort to understand the ESG practices of pre-commercial biotech companies, law firm Fenwick collected data through the review of the public disclosures of 50 U.S. based, development-stage public biotech companies. Their analysis indicated that 94% had at least one female board member and 70% had at least two female board members.

When asked about different types of diversity on which they reported, biotech executives were most focused on disclosures related to gender. Almost three-quarters said their organisations are reporting – or planning to report – gender diversity-led information.

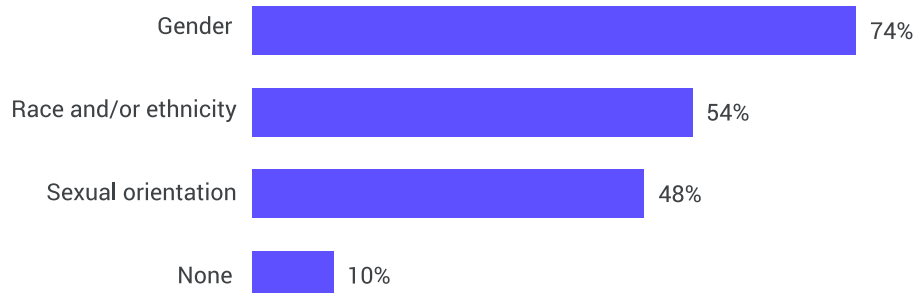
The data also shows that both executives and investors are looking for clear guidance and standardisation around ESG, because there is currently no consensus on how or what to report. And whilst biotech executives and investors agree that ESG should be or will be a focus in the future, efforts to prepare for anticipated disclosure requirements vary across companies.

Female Board Member Composition
(Based on review of 50 biotech company disclosures)



Asked to biotech executives:

On which types of diversity does your company report or plan to report?



Source: *Biotech's ESG Crossroads Executives and Investors Deploy Varying Approaches Amid Calls for Reporting and Standardization*

While diversity and inclusion also come under the governance pillar, this aspect of ESG is still largely seen as the preserve of boards. Hence, it is of greater concern to candidates for senior positions. However, given that investors are increasingly focusing on businesses that meet sustainability standards, an awareness of the importance of good governance is becoming more widespread.

Another key challenge for life sciences businesses is the environment. For example, supply chains involving treatments being developed in one country, manufactured in another, possibly stored in still another, and then shipped across the world are making it highly complex to manage carbon footprints. There are also issues such as waste and the extensive use of plastics and other forms of packaging.

However, from the conversations I had with senior executives, there's still a feeling that failings in this area are to some extent compensated for by the fact that the industry is in general, "doing good." Additionally, the life sciences sector is still enjoying something of a "halo effect" as a result of the speedy production of treatments and vaccines against Covid-19. Nevertheless, some acknowledge that further action is required. In the words of Natalia Kozmina:

●● **The life sciences sector is overall 'clean'—but considering water use, packaging, manufacturing, and waste are critical components.** ●●

Making this adjustment will have an impact on revenue and profitability. There will need to be efforts within businesses and the sector as a whole to create an understanding of the new priorities and ensuring that the senior people as well as the younger employees are committed. Deepak Khanna, recently retired leader of Merck's operations outside the U.S., explained this to me as follows:

●● **What has changed is the understanding that [ESG] is as important as our earnings. There need to be very tangible ESG goals that we can communicate, operationalise and see improvements on.** ●●

Both Merck and Novartis are Initiative Partners & Sponsors of the **The Biopharma Investor ESG Communications Initiative** which was set up to address the common interest of leading biopharma companies and investors in achieving more effective, efficient, and decision-useful communications about the ESG issues affecting the sector.

Although the climate crisis is becoming increasingly urgent and the drive to create more sustainable businesses is seen to be in everybody's interest, there are few signs as yet that life sciences companies are using their stance on ESG as a key driver to recruit senior executives.

But as the younger employees move up their organisations and investors raise their demands for ESG targets to be met, this, too, will surely change. As Simon Newton, general manager, UK and Ireland, at Jazz Pharmaceuticals told me:

●● **The younger generation is much more aware and want to do good versus just doing a job. That generation will be tomorrow's leaders.** ●●

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