

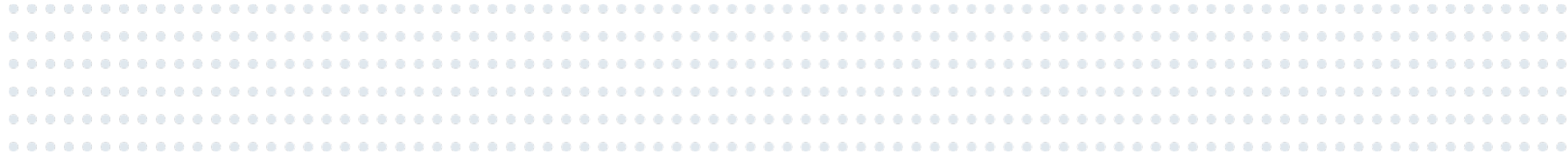


**Biopharma
Sustainability
Roundtable**

Biopharma Sustainability and Long-Term Planning

October 2020

Developed in partnership with CECP's CEO Investor Forum

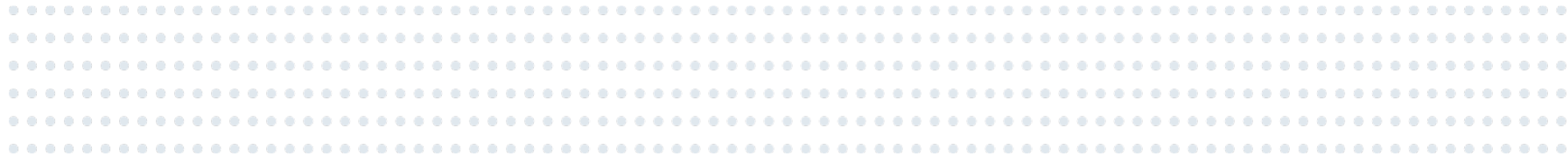




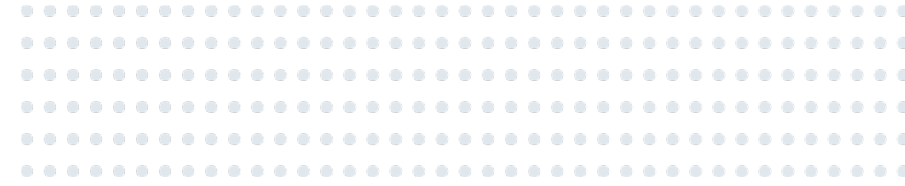
PART 1

Communicating Long-Term Plans is a Key Motivation for Executives and an Action of Interest to Investors

Investors want Sector-Specific Information in Long-Term Plans that Is Comparable, Relevant and Decision-Useful

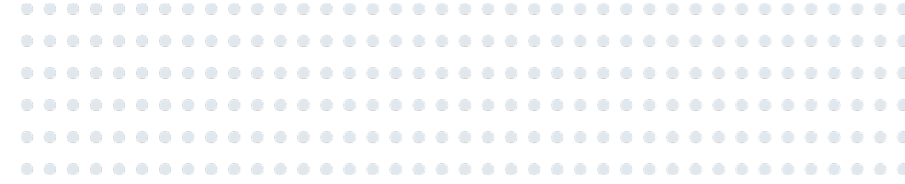


Purpose of this Deck



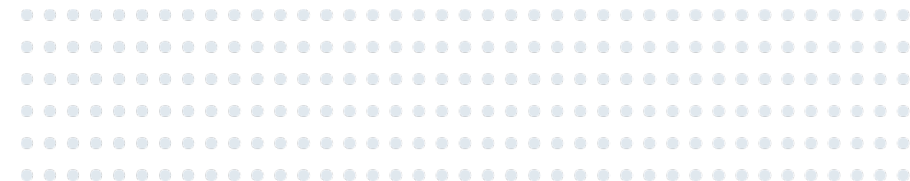
- This deck is designed to provide practical guidance for biopharma CEOs and their teams in the development of sector-specific Long-Term Plan presentations. It examines themes from the Long-Term Plan framework developed by CECP's CEO Investor Forum, and highlights areas where the Biopharma Investor ESG Communications Guidance can inform content relevant to the biopharma sector.
- Both CECP's CEO Investor Forum and the Biopharma Sustainability Roundtable (BSRT) are available to offer personalized guidance and support to help companies prepare Long-Term Plans relevant to the biopharma sector.
- Complementing this deck, we have also developed a thought leadership whitepaper that discusses the importance of developing and implementing a sector-specific approach to communications with the capital markets that integrates ESG.

CECP and BSRT Partnership

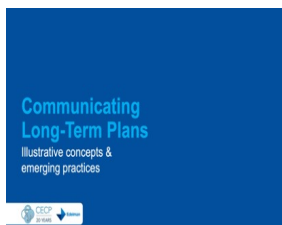


- Chief Executives for Corporate Purpose's (CECP) CEO Investor Forum and the Biopharma Sustainability Roundtable (BSRT) are embarking on a partnership on an investor conference with a biopharma focus in June 2021. The partners will work together using the [Biopharma Investor ESG Communications Guidance](#) and the Long-Term Plan framework to inform the ESG topics and narrative of the presentations the biopharma CEOs will deliver.
- CECP's CEO Investor Forum is a coalition of cross-sector companies, institutional investors and professional services firms committed to reorienting the capital markets toward the long-term. Through leading research, the Forum assists companies in developing and communicating Long-Term Plans that help inform the decisions of institutional investors.
- The Forum enables CEOs to share Long-Term Plans with institutional investors in a Reg FD setting. A Long-Term Plan enables a corporation to present the key elements of its strategy over a three- to seven-year time horizon, incorporating forward-looking key ESG issues.
- The Biopharma Investor Environmental, Social and Governance (ESG) Communications Initiative (the "Initiative") was convened in mid-2018 by BSRT to address the common interest of leading biopharma companies and investors in achieving more effective, efficient, and decision-useful communication about the sector's most important ESG topics.
- In April 2020, the first public version of the Guidance was released, following almost two years of dialogue facilitated by the Roundtable between biopharma companies and institutional investors.

Distinct Tools with Strong Connections

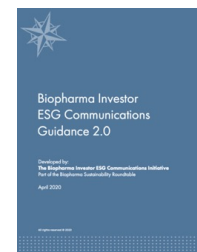


CECP Long-Term Plan (LTP) Framework



- The LTP framework provides a method by which corporations in every sector can develop and deliver a long-term plan at an investor conference.
- The LTPs are usually prepared by the Investor Relations team in collaboration with the ESG or sustainability function and delivered to an investor audience by the CEO.
- Issuers have identified several motivations for delivering an LTP. These include frustrations with market short-termism; a desire to demonstrate leadership in corporate practice; present a coherent narrative to the capital markets across an expanded disclosure eco-system; cultivate a longer-term investor base; and develop investor relationships that will assist with activism preparation and defense.
- An LTP also provides an opportunity for direct engagement with institutional investors on themes related to long-term value.

Biopharma Investor ESG Communications Guidance



- The Guidance is a sector-specific resource for biopharma companies. It has been developed primarily to help companies communicate their ESG narrative, including strategy, governance, risks, opportunities, and performance, in a well-structured and comparable manner. It also aims to help investors engage with companies more effectively.
- The Guidance can be used for stand-alone print or web-based ESG investor communications, for investor presentations and roadshows, in one-on-one engagement with investors, or to prepare the CEO and Board members' narrative about the company's ESG strategy.
- The motivation for developing the Guidance was the frustrations of corporates and investors alike. These revolve around misalignment on what are the most material ESG topics; inefficient and laborious ESG reporting and research processes; uneven quality and poor transparency of third-party ratings and performance analyses; and confusion and survey fatigue from the proliferation of sustainability surveys and questionnaires.

CECP Long-Term Plan Framework

An overview



The Long-Term Plan Framework is informed by research, feedback from market participants, and was developed in collaboration with Professor George Serafeim and KKS Advisors. The Framework sets out Nine Themes and 22 Line Items for an effective, decision-relevant presentation.



Competitive Strategic Positioning

Long-term value drivers
Medium-term value drivers
Short-term value drivers



Corporate Purpose

What is the purpose and is it aligned with long-term strategy



Trends

Market trends
Mega trends



Corporate Governance

Executive compensation
Board compensation
Role of board
Shareholder engagement



Risks & Opportunities

Assessment of financially material ESG issues
Risk management
Opportunities



Human Capital

How is human capital managed over the long-term



Long-Term Value Creation

Value of partnerships/
improving the operational ecosystem



Financial Performance

Capital efficiency
Leverage
Revenue growth



Capital Allocation

Capital allocation plan
M&A discipline
R&D investment
Excess cash

[Journal of Applied Corporate Finance: "The Economic Significance of Long-Term Plans"](#)

Successful Long-Term Plans

CECP's CEO Investor Forum Guidance

Internal Processes for a Successful Long-Term Plan:

- Cross-function collaboration (for example, IRO, CSO and corporate secretary)
- Developing a shared understanding of materiality across functions
- Un-siloing ESG
- Building a broader set of themes and longer time-horizon into the default IR deck

Disclosure Principles for a successful Long-Term Plan:

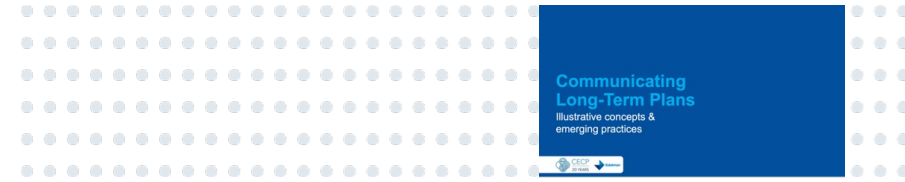
Context: meaningful contextualized disclosures, expectations and targets

Materiality: financially material topics for the relevant industry and business model

Integration: ESG issues and sustainability integrated discussion

Forward-looking: provides a three to five year look-forward and is a strategic discussion related to sustainable value creation; majority is forward-looking

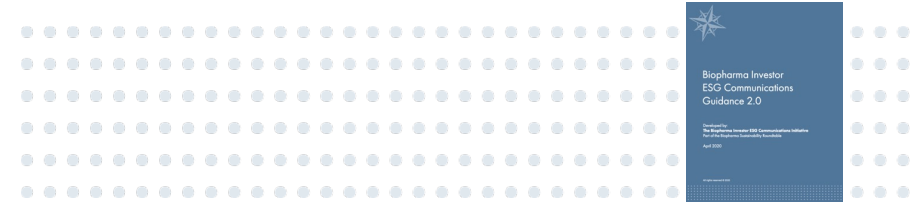
Performance: the Long-Term Plan must provide a direct connection to financial prospects and operational performance over the long-term



Source: [Emerging Practice in Long-Term Plans: How CEOs Talk About the Long Term](#)

The Biopharma Lens

Biopharma and investors align on 12 highest-priority ESG topics



The Biopharma Investor ESG Communications Guidance outlines a core set of high-priority ESG topics for the biopharma sector, which reflects the consensus of investor and biopharma representatives. The list of ESG topics is indicative; each company should explain their own priorities as appropriate for their business model and strategy.

»» 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 ANTI-MICROBIAL RESISTANCE

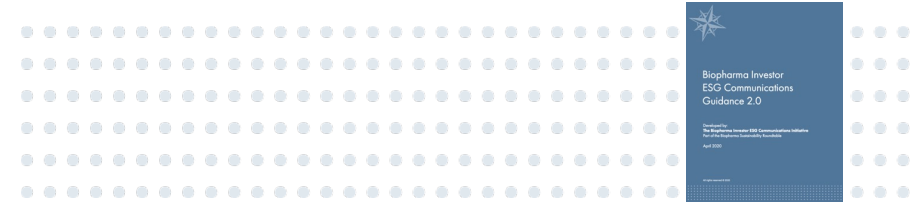
»» PRODUCT QUALITY AND PATIENT SAFETY

»» RISK AND CRISIS MANAGEMENT

»» SUPPLY CHAIN MANAGEMENT

How to Address ESG

Recognize both strategic and tactical aspects of sustainability



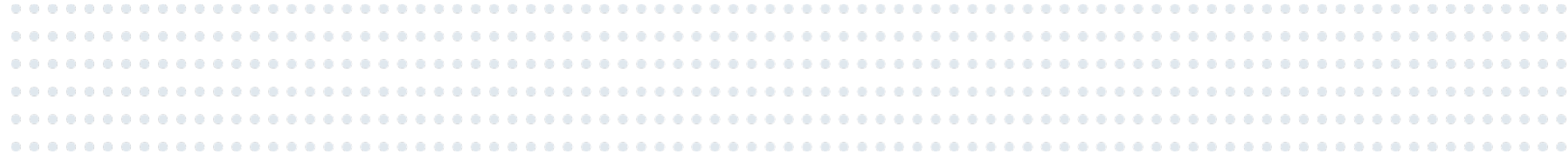
The Biopharma Investor ESG Communications Guidance proposes building your discussion around five core elements, with discussion at both corporate and topical levels.





PART 2

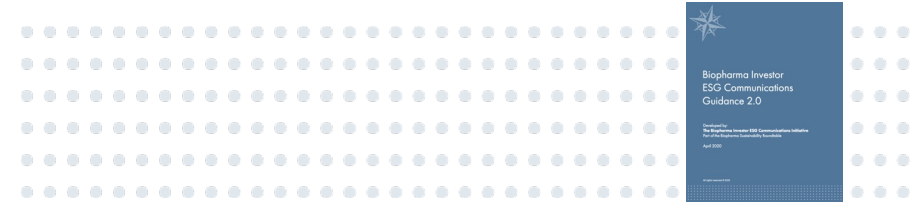
**Using the Biopharma Investor ESG Communications Guidance
for Long-Term Plan Development: analyzing each theme and embedding
ESG guidance**



Theme: Business Overview

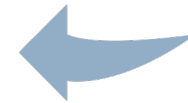
The LTP framework recommends

- Overview of content that will be covered in the presentation
- Key takeaways that you want the audience to understand re the Long-Term Plan
- Overview of your current business:
 - Briefly set context and level-set audience to prepare for elements of the Long-Term Plan
 - Outline business model
 - Review portfolio of businesses
 - Overview of segments, sectors, geography, supply chain
 - Views of the business “through the eyes of management”
 - Peer comparison / competitive set



Applying a biopharma-specific lens

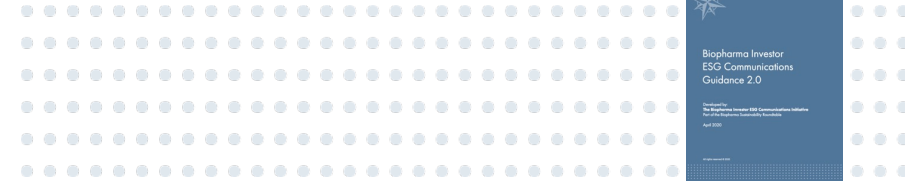
- Review the 12 high-priority ESG topics identified in the Guidance to identify strategic ESG matters that should be addressed as part of your Business Overview.
- Address the five elements outlined on slide 9 for each of your high-priority topics to walk through the discussion.



Theme: Trends

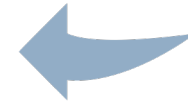
The LTP framework recommends

- Management’s view of major trends that broadly impact the planet, people and business operations
- Describe methods or plans for reporting on key trends to investors. For example, TCFD regarding climate change and related “scenario analysis”
- Build on existing disclosures, such as MD&A risk factor disclosures and “known trends and uncertainties”



Applying a biopharma-specific lens

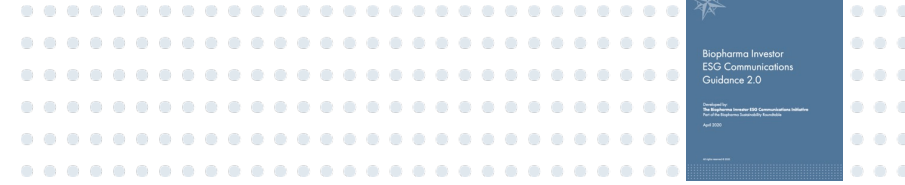
- Review the 12 ESG high-priority topics of the Guidance, which are the result of a sector-specific assessment agreed upon between corporates and investors. They can be used as a list of topics that need to either be addressed at a high level in the Trends section or explicitly ruled out for a specific business or business model.



Theme: Corporate Purpose

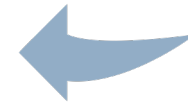
The LTP framework recommends

- Describe the corporate purpose of your company and how it connects to long-term business strategy
- Identify how your corporate purpose is “operationalized” with metrics and examples
- Purpose and Culture can be discussed at different levels of the organization, including as a board-level issue



Applying a biopharma-specific lens

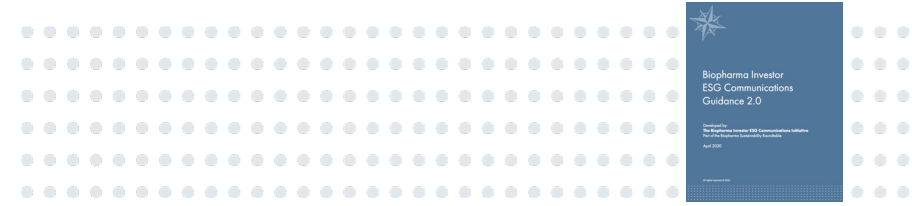
- Although the Guidance is not meant to drive corporate purpose, it is recommended that you communicate how it aligns with your core ESG issues and strategy.



Theme: Risks and Opportunities

The LTP framework recommends

- Set out an assessment of financially material ESG issues
 - Highlight the framework used for identifying financially material ESG issues (e.g., [Sustainability Accounting Standards Board](#))
 - Set out key metrics, KPIs, and forward-looking targets
- Describe how financially material risks are identified, managed and overseen (e.g., disclose and contextualize the Materiality Assessment)
- Elaborate on how financially material opportunities are seized



Applying a biopharma-specific lens

- Extend the review of high-priority ESG topics highlighted by the Trends and Purpose themes to identify sector- and company-specific risks and opportunities related to non-financial performance (pg. 6-7 of the Guidance).
- Describe how your company identifies and assesses ESG-related risks and opportunities, and how these processes integrate with traditional enterprise risk assessment and opportunity identification processes (pg. 11-12 of the Guidance).
- Highlight how your company manages and optimizes the balance between risk and opportunity (pg. 13 of the Guidance).
- Remember: ESG topics can either support (opportunity) or threaten (risk) the achievement of your long-term business objectives.

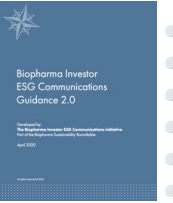
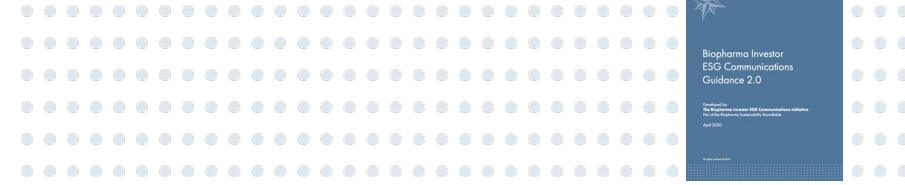


Theme: Competitive Positioning

The LTP framework recommends

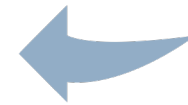
Identify and explain the key elements of your Long-Term Plan:

- Describe the key value drivers for the firm and the priority initiatives (by theme or example)
- Breakout by key priorities and initiatives for each strategy; including ESG factors and measurement system for each; tie back to Trends, Risks & Opportunities
- Provide future goals, metrics and milestones (figures, range, strategic objectives)
- Directional or aspirational targets, with supporting commentary, help to establish intent under circumstances of uncertainty



Applying a biopharma-specific lens

- Describe *which* of the high-priority ESG topics that are relevant to your company relate to value drivers like efficiency/cost, risk or growth/margin.
- Identify those high-priority ESG topics that have the biggest lever for competitive positioning.



Theme: Long-Term Value Creation

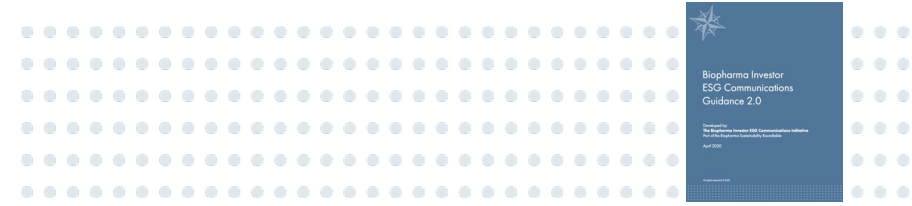
The LTP framework recommends

Describe key implementation strategies for delivering your Long-Term Plan:

- Connect this commentary to the discussion of Competitive Positioning and Capital Allocation
- Give commentary on managing innovation and new technology
- Discuss balance between M&A and organic growth
- Offer commentary on evolving mix of portfolio businesses (related to underlying mega/market trends)

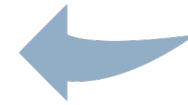
Describe headline strategy without disclosing proprietary information or undermining competitive advantage:

- Describe key strategic partnerships aligned with delivering long-term strategy
- Provide examples of how such partnerships impact your operational ecosystem (such as access to specific product or geographic markets)



Applying a biopharma-specific lens

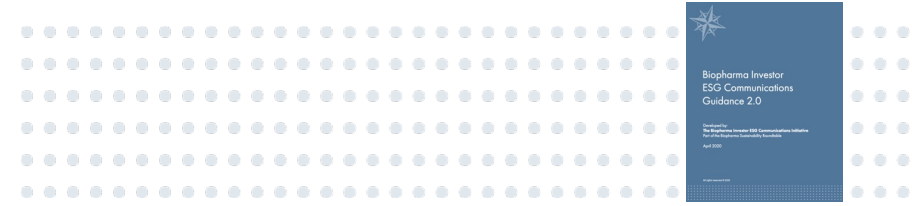
- Describe *how* the high-priority ESG topics that are relevant to your business translate into financial value drivers like efficiency/cost, risk or growth/margin.



Theme: Human Capital

The LTP framework recommends

- Describe your human capital management practices in the context of your long-term strategy
- Outline key initiatives and metrics for your industry / business model
- Give salient examples and provide projections of likely impact; connect to financial performance
- Commentary on role of the board in oversight of talent management and succession planning



Applying a biopharma-specific lens

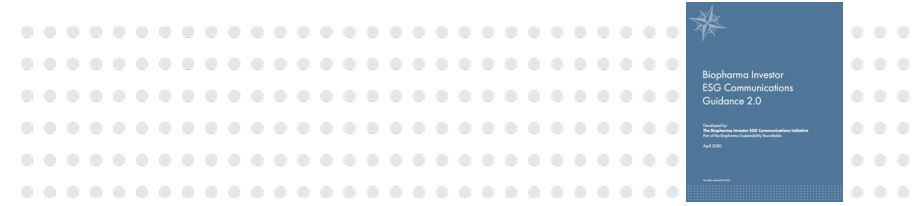
- Describe the mechanisms by which your company prioritizes Human Capital Management (using the five elements outlined on slide 9).
- Quantify how Human Capital Management supports the execution of your long-term strategy.
- Consider how Human Capital Management can be linked back to corporate purpose and the desire of employees to work for a company that is aligned with their personal values.
- Refer to the Guidance for a non-exhaustive list of examples detailing types of information and data points investors seek related to Human Capital Management.



Theme: Corporate Governance

The LTP framework recommends

- Describe the role of the board in long-term strategy
- Provide commentary on how board practices are structured to enable meaningful strategy development, engagement and monitoring - provide specific examples of high-quality board oversight
- Describe how the composition of your board (today and in the future) helps guide the corporation to its long-term strategic goals - identify frameworks / targets for composition and relate those to strategy



Applying a biopharma-specific lens

- Discuss your company's corporate governance processes and how they relate to the company's long-term strategy. This includes, for example, the structure of oversight committees and governance communications, the Board's ESG oversight process, Board and executive remuneration, and assurance of ethical business practices (pg. 10 of The Guidance).
- Show how external stakeholder perspectives are used in developing strategy.

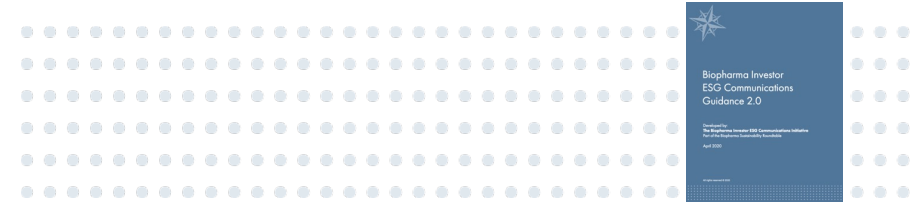


Theme: Financial Performance

The LTP framework recommends

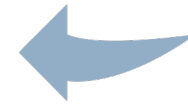
Forward-looking financial metrics that relate to the long-term strategy outlined. Key performance indicators can be any of a wide-range of relevant financial metrics and time horizons, including:

- Revenue, EBITDA growth (Economic Profit, if available), Capital efficiency and profitability (ROIC, ROE, CAGR, RONA)
- How leveraged will the company be in years ahead
- Explain the trajectory of financial performance
 - Describe how the Long-Term Plan is tracked in short-term reporting (e.g., earnings calls). Indicate frequency with which long-term goals are updated
 - If the company does not provide long-term financial guidance (more than one year) or issues quarterly earnings guidance, explain why



Applying a biopharma-specific lens

- Consider ESG-related drivers of financial performance or factors that may become drivers in the future, as identified through a company's internal assessment.

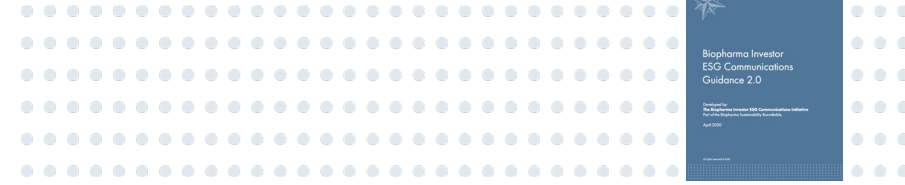


Theme: Capital Allocation

The LTP framework recommends

Describe how capital allocation powers the long-term strategy:

- Outline the framework for allocating capital and how the framework enables strategy implementation and the initiatives outlined
- Supplement with:
 - Long-range capital distribution goals, such as maintaining the historic dividend trajectory and plans for excess cash
 - M&A discipline
 - Investments in R&D as % of budget
 - Capex
- Tie back to Trends, Risks & Opportunities and corporate purpose
- Highlight how the long-term strategy adjusts the capital allocation mix overtime.



Applying a biopharma-specific lens

- Capital Allocation decisions must include ESG-related externalities, which should be priced-in already or at some point in the lifetime of the investment under consideration.
- In this context, address any ESG topics and related strategy and objectives that have been introduced in the LTP.



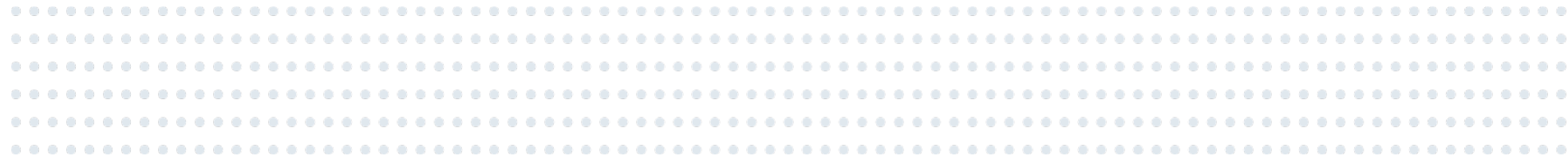


APPENDIX

Connecting CECP's CEO Investor Forum and the Biopharma sector

Biopharma Investor ESG Communications Initiative

Overview: Guidance 2.0



Contributing to the LTP Process

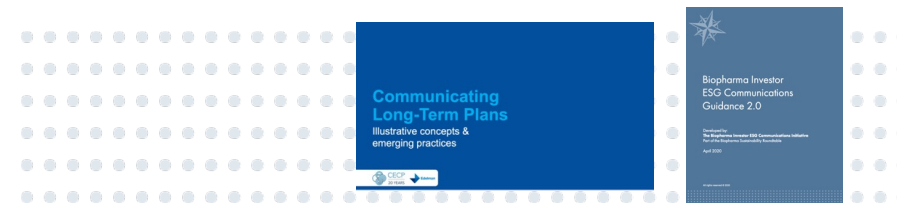
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CECP's LTP Themes	Contributions from the Biopharma Investor ESG Communications Guidance
Business Overview	Use the Guidance model (12 ESG high-priority topics x 5 elements) to identify strategic ESG matters of known interest to investors that should be addressed as part of the Business Overview.
Trends	The 12 ESG priority topics of the Guidance are the result of a sector-specific assessment of trends and drivers and should be seen as a list of meaningful topics that need to either be addressed at a high level in the Trends section or explicitly ruled out for a specific business or business model.
Corporate Purpose	The Guidance is not meant to drive corporate purpose, but we are interested to understand how a corporate purpose could highlight elements of a company's ESG strategy.
Risks & Opportunities	Extend the review of high-priority ESG topics highlighted by the Trends and Purpose themes to identify sector- and company-specific risks and opportunities related to non-financial performance (Guidance pg.6-7). Include description of how the company identifies and assesses ESG-related risks and opportunities, and how these processes integrate with traditional enterprise risk assessment and opportunity identification processes (Guidance pg. 11-12). Highlight how company manages and optimizes the balance between risk and opportunity (Guidance pg. 13).
Competitive Positioning	Every ESG priority topic could have to do with efficiency/cost, risk, or growth/margin. Use the list of ESG priority topics to determine which are most relevant for competitive positioning.

Contributing to the LTP Process

Page 2 of 2



CECP's LTP Themes	Contributions from the Biopharma Investor ESG Communications Guidance
Long-term Value Creation	Every ESG priority topic could have to do with efficiency/cost, risk, or growth/margin. This is the translation of ESG priority topics, how they drive long-term financial value, and what it will take.
Human Capital	The Guidance identifies Human Capital Management as a high-priority ESG topic. Examples of topics investors seek more information on include employee turnover rates (voluntary & involuntary), training and career development, strategies for talent recruitment and retention, and efforts around diversity and inclusion. Human Capital Management can also be linked back to Corporate Purpose and the desire of employees to work for a company that is aligned with their personal values.
Corporate Governance	The Guidance recommends discussing cross-organizational processes and how they relate to a company's long-term strategy, the structure of oversight committees and governance communications, the Board's ESG oversight process, and Board and executive remuneration (Guidance pg. 10). Show how external stakeholder perspectives are used in developing strategy.
Financial Performance	Consider ESG-related drivers of financial performance or factors that may become drivers in the future, as identified through a company's materiality assessment.
Capital Allocation	Capital Allocation is an expression of corporate priorities and reflections of future assumptions (i.e., upcoming regulation), and so should address any ESG topics, and related strategy and objectives, that have been introduced in the LTP.

CECP and BSRT

Model sector-focused collaboration



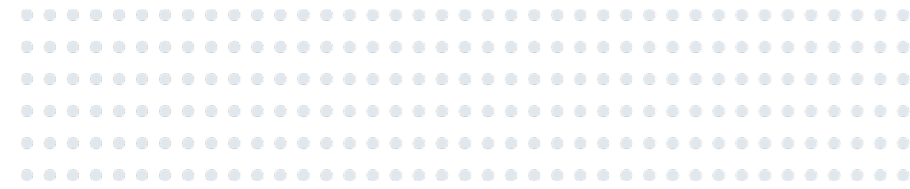
Chaired by Bill McNabb, former Chairman and CEO of Vanguard, CECP's CEO Investor Forum supports and guides cross-functional corporate leaders and their CEOs on developing and communicating their long-term value creation strategy to institutional investors and other key stakeholders. Through the Long-Term Plan Framework, developed in partnership with Harvard Business School Professor George Serafeim and KKS Advisors, bespoke tools and advisory services, and both educational and Reg-FD events, the Forum empowers corporate leaders and their CEOs to proactively set the context, own the narrative, and lead for the future.

To date, this market-tested investor communications solution has been utilized by 35 CEO's representing over \$2T in aggregate market cap.



The Biopharma Sustainability Roundtable is a sector-specific collaboration platform that helps senior biotech and pharma executives drive their sustainability agendas forward. We facilitate an annual cycle of webinars and topical forums, a sector-focused survey, and Sustainability Month in the Fall, a series of online discussions addressing broad agenda of ESG topics defined in collaboration with our participants. Executives and invited thought leaders come together to explore sustainability challenges and trends, examine cutting-edge industry topics, share best practices, and learn from each other.

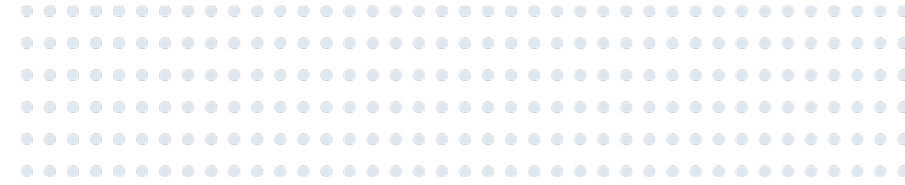
The Roundtable also facilitates focused initiatives that engage participating biopharma companies and key stakeholders, such as the Biopharma Investor ESG Communications Initiative now working with CECP.



Initiative Phase 3

Applying the Guidance for better investor communications

- Initiative created to address common interest of leading biopharma companies and investors in more effective, efficient, and decision-useful communications about the sector's most important ESG topics.
- Facilitating a sector-specific dialogue between biopharma companies and ESG-oriented investors since mid-2018.
 - More than 30 senior executives from 17 biopharma and 18 investor companies have participated in interviews, discussions, and document reviews
 - 3 working meetings between biopharma companies and the investor community
 - Guidance 2.0 released in April 2020
 - Supporting Investor Statement for internal use by biopharma companies
- Initiative Phase 3 launched June 2020
 - Ongoing collaboration between biopharma and investors to apply the Guidance
 - Engage with strategic partners like CECP to develop new use-cases
 - Engage with key stakeholders to update and extend the Guidance by Spring 2021



ESG Communications Guidance 2.0

Key Features

- Sector-specific
- Developed through engagement with investors
- Reflects best practices
- A resource, not a framework
- Influences from SASB and TCFD

What's in the Guidance

- Biopharma sector high-priority ESG topics
- Recommendations for ESG communications content
- Suggestions for ESG communications process
- Key learnings from biopharma-investor dialog



Biopharma Investor ESG Communications Guidance 2.0

Developed by:
The Biopharma Investor ESG Communications Initiative
Part of the Biopharma Sustainability Roundtable

April 2020

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Guidance Information Overview

What investors are looking for

Recommendations are provided for both “Cross-organizational” and “Topic-specific” levels. Both levels are important to investors.

- Setting strategy and telling the company’s sustainability story to set context
- Communicating ESG goals and performance, with supporting evidence and robust data to demonstrate progress





**Biopharma
Sustainability
Roundtable**

Roundtable Team

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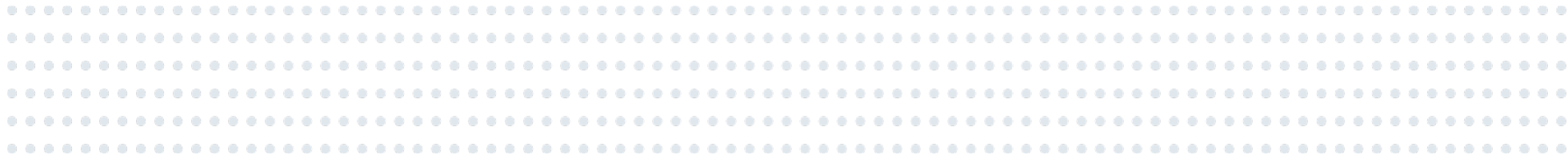
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