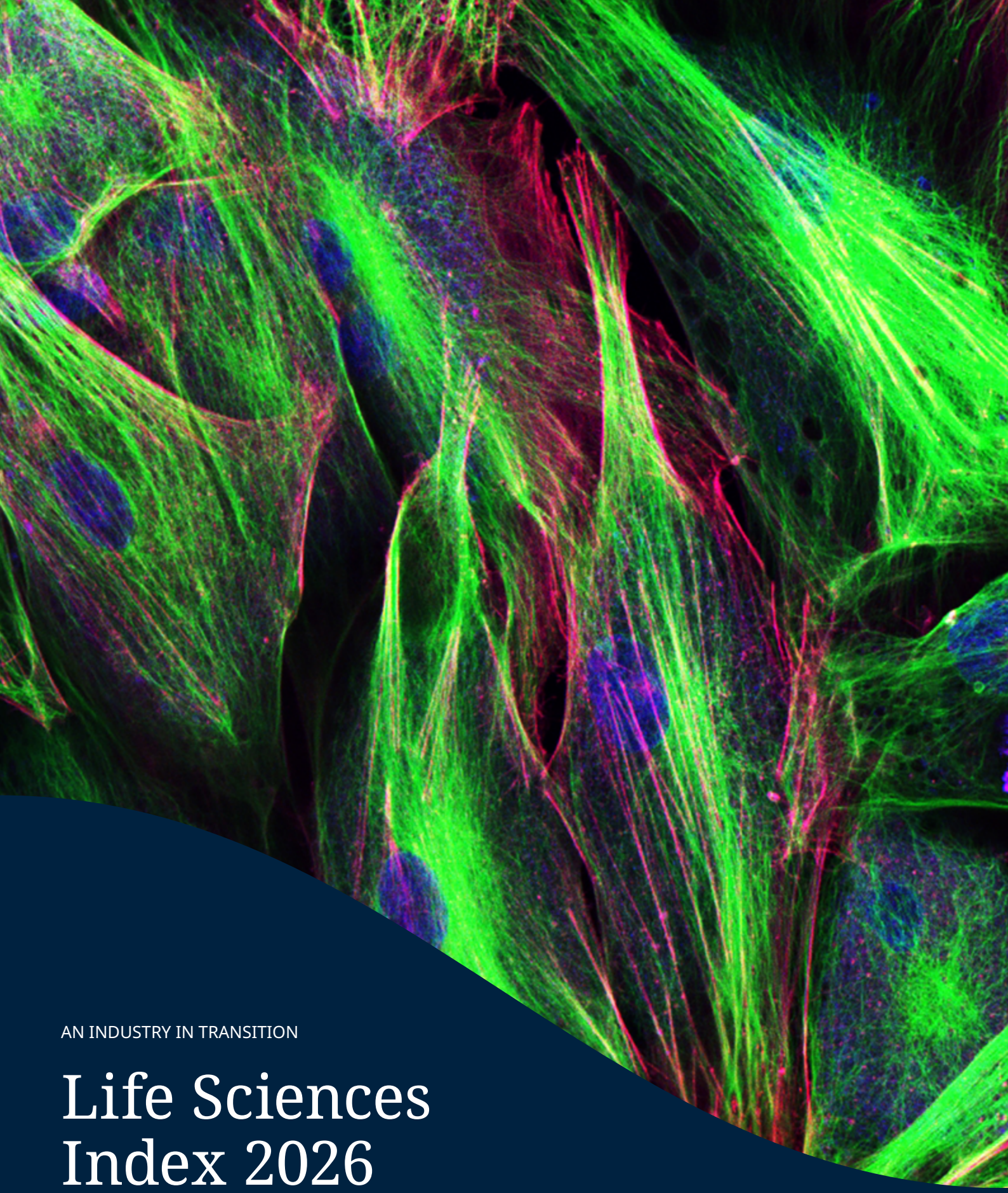


AN INDUSTRY IN TRANSITION

Life Sciences Index 2026

CHAPTER FOUR: SUSTAINABILITY

DLA PIPER

Sustainability

Sentiment around sustainability and ESG has shifted notably over the past two years. Increased polarisation, caution, quiet resilience and strategic recalibration; the sustainability environment is changing across sectors, not just in life sciences.

ESG has become a particularly politically charged term in the US, leading to many companies greenhushing to avoid scrutiny and rebranding away from the term, but maintaining underlying sustainability efforts.

"Outside the US, anti-ESG sentiment is less prominent, but life sciences businesses are being more cautious. Fewer ESG-specific topics are stated to be top of mind for boards and business in general," says Moritz von Hesberg, Corporate Partner in our Life Sciences practice, with a focus on sustainability.

Investor scepticism of sustainability initiatives is also increasing, with many worrying that they could harm short-term corporate performance and might fail to deliver on their promise of positive long-term effects. Many investors think ESG's importance in deal decision-making will decline, despite increased reporting.

ESG backlash – mostly resulting from changing perceptions in the US – is expected to continue over the next few years, but corporate sustainability strategies will continue. They're just recalibrating and maturing. The focus is increasingly on materiality, ensuring compliance across key jurisdictions in the face of regulatory divergence, and how sustainability can give businesses a competitive edge via operational resilience and customer retention.

For many life sciences companies, sustainability is increasingly about return on investment and is no longer a mere reporting requirement. Despite the scepticism, sustainability is now widely accepted as a strategic imperative and core to how life sciences businesses operate, innovate and grow.

Only 9% of our survey respondents say ESG forms a clear part of their overall business strategy and that they invest significantly in it **(Figure 12)**. This is a four percentage-point decrease on the 2024 result.

The decline of ESG as a top priority could be down to anti-ESG sentiment and may reflect a deliberate effort to deprioritise or simply to greenhush. But overall, anti-ESG sentiment is considered lower in the life sciences than in other sectors.

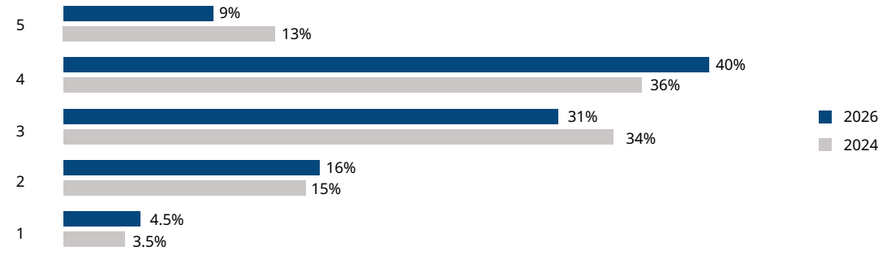
ESG is still on the agenda for most businesses, with at least some level of resource and capital allocated to it. Areas like supply chain resilience, access to medicines and climate risk mitigation are critical for maintaining a license to operate in the sector.

Perhaps the data reflects how sustainability has become embedded in corporate strategies and is now business as usual.

"It may also be a confirmation that life sciences innovators have been paying attention to ESG-related areas core to their long-term operational and economic success for some time, irrespective of the ups and downs of specific ESG regulation," says Moritz von Hesberg.

Figure 12: How much of a strategic priority are ESG issues for your business?

1 to 5 scale (1 not a priority at all; 5 a significant priority that forms a clear part of the overall business strategy)



For the life sciences businesses we surveyed, governance is what they're focused on most, followed by environmental and then social issues. This is a change from two years ago, when the social element gained the most attention, governance was second, and the environment was third **(Figure 13)**.

It's unsurprising governance is top of mind. Life sciences innovators have stepped up their compliance efforts because of increased reporting requirements. And to mitigate compliance risks – including those related to greenwashing, concerns about which are rising – they've increased investment in data quality and governance, both in-house and via third parties.

To help reduce compliance costs for companies, policymakers are keen to simplify ESG regulation.

In early 2025, the EU started to refine and rearticulate its regulations – notably CSRD and CSDDD – via an omnibus package, but this has created ongoing uncertainty for businesses on how to proceed with their sustainability strategies.

Moritz von Hesberg adds, "another factor contributing to the focus on governance is the global fragmentation of ESG regulation. Federal climate disclosure rules have stalled in the US, while state-level mandates (eg in California) and EU regulations continue to evolve. Companies with global operations must monitor and adapt to divergent requirements and pay particular attention to their global governance and compliance set-ups."

Uncertainty around AI adoption is also driving the importance of corporate governance.

Moritz von Hesberg and Alex Tamlyn, Chair of DLA Piper's Boardroom Counsel practice, agree that the adoption of AI will have a strong impact on sustainability in the life sciences sector. "From an innovator's perspective, the use of AI to reduce lead time between drug discovery and commercial production is at the forefront of their mind. However, ESG-related challenges remain – in particular, properly controlling AI deployment so that product safety and quality aren't compromised," they say. "Another interesting development is that agentic strategies are moving beyond isolated pilots. Life sciences companies are beginning to orchestrate AI agents across workflows, which can unlock significant operational efficiencies but requires robust oversight to avoid 'AI sprawl' and ensure ethical use. Boards will face multiple challenges and heightened governance responsibility when deciding on the right balance of AI implementation in the coming years."

The environmental sustainability of life sciences businesses is critical. It's about reducing their significant environmental footprint – from high energy and water consumption in labs to plastic waste and embodied carbon – by adopting green chemistry, circular economy principles, and sustainable manufacturing and supply chain practices. Nature and biodiversity are becoming more important in reporting and supply chain compliance, particularly given how material they could be to the sector.

Health systems are responsible for about 4-5% of global GHG emissions. And biopharma and medtech innovators are significant contributors to health system emissions; pharmaceuticals alone can contribute as much as half in some nations.

More than 75% of GHG emissions from the life sciences sector are Scope 3, ie occurring in the value chain, so more businesses are focusing on how they can make their supply chains more sustainable.

Medtech supply chains are particularly complex and resource intensive. In 2024, the Collective Healthcare Action to Reduce MedTech Emissions (CHARME) collaborative launched to improve sustainability in medtech supply chains and addresses the lack of a coordinated and large-scale approach to reducing GHG emissions in the medtech industry. CHARME brings together healthcare providers, medtech innovators, NGOs, distributors and GPOs, with a focus on the US market.

Biopharma is making similar efforts. The Pharmaceutical Supply Chain Initiative (PSCI), a collaborative industry group focused on sustainability, ethics and responsible sourcing, helps pharma and biotech companies coordinate ESG efforts, in particular around Scope 3 emissions and supplier engagement.

"Supply chain transparency and disclosure remain a cornerstone of ESG regulation in many countries, including in the EU," says Alex Tamlyn. "Combine this with the fact that life sciences supply chains are typically long, complex, and have specific needs such as specialised transport conditions, and you have the dual challenges for innovators of accurate disclosure and practical resilience. Whether or not boards buy into the 'philosophical,' 'normative' or 'commercially advantageous' aspects of ESG, the necessity of supply chain integrity and compliance is crucial and cannot be deprioritised or negotiated away."

Increasing numbers of life sciences companies – representing over half of the biopharma sector by revenue – are joining the UN-backed Race to Zero initiative, reflecting a growing commitment to net zero goals across the sector.

Nearly two-thirds of pharma and medtech companies in the Race to Zero initiative have started a My Green Lab Certification, which is a 2030 Breakthrough Outcome for the sector. And nearly half of those certifications are being implemented at a global scale, highlighting businesses' deep commitments to improving their environmental footprints.

The challenge is in extending this commitment to suppliers to help reduce Scope 3 emissions. Innovators are putting increasing pressure on their suppliers to achieve My Green Lab certification, via the Converge initiative (endorsed by the PSCI), a pharma-supplier sustainability partnership. Certified suppliers will have a competitive advantage in procurement processes.

The social element of ESG, while less of a focus on average according to our respondents, is still important to life sciences innovators. Not least because access to, and quality and safety of medicines and medtech, is their raison d'être. Anti-DEI sentiment, particularly in the US, could be pushing the "S" down the ESG agenda, while geopolitics and macroeconomics are pushing the "G" and the "E" up the agenda, as companies seek resilience in a VUCA world. These dynamics are broadly reflected in respondents' ranking of the ESG themes listed in **Figure 14**, which are largely unchanged from our 2024 report.

At the top are themes at the core of life sciences business growth: product safety and quality; affordability and access; and business ethics. Business ethics is in third place again, given the unique responsibilities life sciences innovators face in terms of public safety, regulatory compliance and societal trust.

Next in the ranking are two themes covering supply chain resilience and sustainability. Sustainable sourcing, product lifecycles and a circular economy has moved up one rank, swapping with patient access to and diversity in clinical trials.

Decentralised trials (DCTs) play a key part in improving patient access and enrolment while engaging with fewer trial sites. But some respondents say the use of DCTs is tapering off after peaking during the COVID-19 pandemic, as innovators wait for more evidence that they offer the right return on investment.

Add this to the anti-DEI sentiment seen particularly in the US, and this clinical trial theme has become less important for business growth. Finally, despite the scale of the challenge in this sector – or perhaps because of it – decarbonisation still ranks last.

Figure 13: How much focus does your business currently put on each of the three ESG pillars?
Average based on 1 to 5 scale (1 no focus at all; 5 strongest focus)

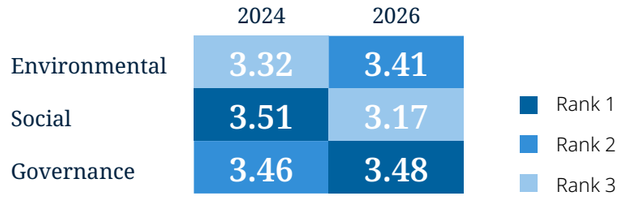


Figure 14: How important are these ESG-related themes for your business growth?
Weighted average per theme based on 1 to 7 ranking (1 most important; 7 least important)

Rank	Theme	Weighted average 2026	Weighted average 2024
1	Product safety and quality	5.89	5.96
2	Access to and affordability of innovations	4.39	4.62
3	Business ethics	4.33	4.49
4	Supply chain compliance and resilience	4.19	4.34
5	Sustainable sourcing, product lifecycles and a circular economy	3.47	3.20
6	Access to and diversity in clinical trials	3.45	3.39
7	Net zero decarbonisation	2.29	1.98

How ESG-ready is your board? Our survey suggests businesses are better prepared than two years ago, with more boards believing they now have everything they need to implement their sustainability strategies (+6pp) and more in the process of enhancing their ESG skillsets (+3pp). The number of respondents saying their boards get external ESG support has halved since our 2024 report **(Figure 15)**.

Alex Tamlyn highlights the difficulty of interpreting this data. "Potentially it could indicate that the 'shock of the new' has subsided and that businesses are developing an internal ESG skillset as they progress up the ESG maturity curve. That would be a good thing. But there's also certainly empirical evidence that it shows a reallocation of resources by companies away from ESG to address the stated priorities of their investors in pursuit of financial returns, not a means to an end of long-term decision making at all."

To complicate matters, transition plan disclosures by in-scope businesses are at the forefront of ESG climate regulation, particularly in the EU and potentially also in the UK. The forward-looking nature of this regulation will test the risk perception and appetite of boards familiar with older style "rear view mirror" disclosures based on historical data, and the long-tested verification processes that support them.

Alex Tamlyn believes that "business leaders should view mandatory plan disclosure as an opportunity to produce highly decision-relevant information for the providers of capital" and that "boards should ensure that they have access to good quality data covering not only the 'what?' but also the 'how?' and the 'when?' of their emissions reduction strategy."

Figure 15: How ESG-ready is your board?

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"Through our work with life sciences practitioners, executives and standard setters, we're seeing effective governance, sustainable packaging and decarbonisation crystallising as priorities for the sector's innovators. Aligning global operations with fragmenting local regulations is complex. The sector's reliance on energy-intensive processes and single-use plastics poses a unique dilemma. And Scope 3 emissions are notoriously difficult to measure.

Meanwhile, intelligent technology is emerging as a key sustainability enabler. For example, AI is driving smarter resource use and more efficient trial design, and blockchain is being explored to enhance supply chain traceability.

Overall, the sustainability challenge and opportunity lie in closing the loop, embedding sustainability not just as a response, but as a proactive, cross-functional driver of risk management and value creation. This requires upskilling leadership to navigate the regulatory and reputational landscape, investing in robust sustainability data infrastructure and governance — enabled by intelligent technology — and refocusing procurement through a sustainability lens. Those who act with clarity and focus will not only meet stakeholder expectations but also unlock new growth opportunities in a rapidly greening global economy, even in the face of regulatory and geopolitical challenges."

Moritz von Hesberg and Alex Tamlyn
Co-Leads, International Life Sciences ESG team, DLA Piper

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Our award winning lawyers combine subject matter expertise with deep sector knowledge to support all your legal needs. We provide comprehensive advice and representation across the full product lifecycle, including regulatory and strategic advice, corporate and commercial transactions, and disputes.

Our clients span the full life sciences ecosystem, from the largest pharmaceutical and medtech innovators, biotech and healthtech trailblazers, suppliers and distributors, to contract research organisations, diagnostic companies, care providers, investors and payers.

Working across more than 40 jurisdictions and always exposed to the latest innovations – including mRNA vaccines, cell and gene therapies and cutting-edge healthtech – our global team can help you succeed.

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