

Insights

LIFE SCIENCES - ESG HOLY GRAIL FOR THE LIFE SCIENCES SECTOR

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Together with an imperative for being a responsible ethical citizen, environmental, social and governance (ESG) standards will help deliver sustainable growth that creates both commercial and societal value. Investors are increasingly focused on the real-world impact of their investments, and under more and more pressure not only to declare their green credentials but demonstrate that any statement issued is capable of being delivered.

The life sciences sector already more than holds its own when considering the “S” or social element in the ESG sustainability equation which has been brought into even sharper focus following the Covid pandemic. Caring for patients, ground-breaking research and creating vaccines, medications and drug delivery devices all improve human health and help save lives. However it suffers an existential fight to meet the ever increasing operational demands of the “E” or environmental element in the ESG sustainability equation.

The “G” or governance is more generically applied. Transparent auditing and clearly displayed (and lived) core values will lead to ethical decision-making at C-suite level. Strong governance is crucial for a regulatory compliant, ethical and accountable life sciences company and will provide the sector with a clear ability to demonstrate its ESG credentials without being at risk of greenwashing.

For life sciences real estate, the “E” focuses on the balance on buildings reaching net zero, energy consumption, water usage, waste disposal and recycling. Currently the life sciences sector accounts for a small proportion of total UK real estate but laboratories are likely to have a disproportionate impact and therefore must create actionable strategies to effectively monitor and reduce greenhouse gas production, limit environmentally persistent pharmaceutical pollutants (EPPP), control/neutralise bio waste and challenge themselves in terms of high and complex energy usage. If it can do so successfully, the life sciences sector will be on its way to achieving the ESG Holy Grail employing lived principles to deliver sustainable growth.

For operators, labs themselves have very high energy usage requirements and often need to be in operation all day every day (such as cold storage units and fume hoods). The life sciences sector uses vast quantities of single use plastics, such as PPE, pipettes and gloves, many of which are not or cannot be recycled. Add to that the biomedical waste and hazardous chemicals requiring

disposal as well as careful storage and regulation which all leads to energy intensive operations. Smaller life sciences companies will be heavily focussed on research and medicinal discovery with limited resource to deal with environmental sustainability and therefore the larger pharmaceutical companies with much broader shoulders will need to bear the weight of responsibility here and can do so when investing in those smaller entities particularly as the regulatory environment tightens and constrains.

For investors, wet labs require specialised development to cater for the requisite floor loads, vibrations, significant air circulation requirements and much bigger floor-to-ceiling heights. This will need careful scrutiny when seeking to repurpose existing buildings otherwise the investment may be lost and retrofitting/further refurbishment could be economically unviable. New life sciences stock must utilise heat pumps, photovoltaic panels, automated lighting and water storage/recycling facilities to reduce energy usage but will also need to be developed with cutting edge technology to meet carbon challenges or face becoming obsolete by the time it reaches practical completion. Occupier attraction and the ability to retain them, as well as an environmentally sustainable brand, drive life sciences real investors to take sustainability seriously. Add increasingly ethically motivated, purpose driven employees to the mix for an internal pressure as well as the expected external ones. Green credentials do not expire at practical completion: investors and occupiers must commit to behaviours during the lease term that support and promote sustainability and environmental performance. Increasingly we see this baked into leases through co-operation, data sharing, metering, alterations and energy clauses which place obligations on the landlord and the tenant to work together to achieve a common goal for the building. Investors who place real importance on meeting ESG standards in the life sciences sector will undoubtedly gain a competitive edge.

The life sciences sector is renowned for its innovative approach and many leading pharmaceutical companies are already taking great strides towards more environmentally sustainable business with GSK and AstraZeneca having been ranked first and fourth, respectively, in the top ten companies amongst the FTSE 100 for highest scoring climate reporting and performance*. This immense challenge must continue to be met to help solve some of the biggest problems faced by the planet.

**2022 Corporate Climate Reporting Performance Report, published by EcoAct.*

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