Environmental, Social & Governance 2020 Report
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Dear Stakeholders,

At Arena we seek to build a sustainable, vibrant enterprise to deliver our important medicines to people who need them most. We recognize that the sustainability of our company is inextricably linked to our ability to understand and engage our stakeholders in a consistent and meaningful manner.

In order to protect and enhance value for these stakeholders, we have launched a corporate Environmental, Social & Governance (ESG) initiative, overseen by the Corporate Governance and Nominating Committee of our Board of Directors. This committee is responsible for overseeing ESG-related risks and opportunities at the Board level, including monitoring significant strategies, activities and policies regarding sustainability, access to medicines, social impact and charitable activities, among other duties.

In connection with our ongoing ESG initiative, we are proud to announce the release of our first ESG report. This report operates in line with Sustainability Accounting Standards Board's (SASB) standards and aims to highlight a deeper purpose across everything we do, including the delivery and access of important medicines to patients, clinical and regulatory activity, employee engagement and responsibility to our investors. With these efforts comes a significant responsibility to promote long-term value and sustainable growth for all stakeholders. It is our belief that a sound governance structure, coupled with a socially responsible mindset, provides the underpinning for conscientious collective decision making and accountability across all facets of Arena.

We believe that understanding and improving ESG factors correlates with our long-term financial viability, and our goals are to leverage opportunities and mitigate risk while working to support endeavors that are larger than ourselves. Our approach to integrating ESG into our business strategy sets the tone across the organization and embodies Arena’s greater purpose.

Amit D. Munshi
Director, President and Chief Executive Officer
Company Overview

Arena Pharmaceuticals, Inc. (“Arena” or the “Company”) is a biopharmaceutical company that aims to deliver novel, transformational medicines with optimized pharmacology and pharmacokinetics to patients globally. Our operations are located in San Diego, California (corporate headquarters); Boston, Massachusetts; and Zug, Switzerland. Our proprietary, internally-developed pipeline includes multiple potentially first- or best-in-class assets with broad clinical utility.

Governance of Sustainability

ESG oversight at Arena starts with our Board of Directors. In December 2019, our Board’s Corporate Governance and Nominating Committee formally adopted oversight responsibility for ESG by including such oversight duties in its charter. The Committee’s responsibilities include oversight and review of the company’s ESG strategy, initiatives and policies, as well as communications with employees, investors and other stakeholders. The Committee will also periodically provide reports to the Board on ESG matters.
Human Rights & Clinical Trials

Human Rights

Arena supports the principles outlined in the United Nations’ Universal Declaration of Human Rights (UDHR) and Guiding Principles on Business and Human Rights. These tenets are reflected in our fundamental values as we strive to uphold responsible human rights practices in all our business activities.

Arena does not tolerate human rights abuses of any kind. We expect that all Arena employees, contractors, subsidiaries, suppliers and business partners abide by this same commitment. Through compliance with local laws and regulations, supplemented by our policies, practices and programs, Arena supports the protection of human rights around the world. Our commitment to human rights is further supported by our Code of Business Conduct and Ethics (Code of Conduct) and accompanying policies that are designed to ensure that neither Arena employees, nor our suppliers or partners, engage in human rights abuses.

Clinical Trials

As we have investigational drug candidates in different phases of development, we actively engage in preclinical studies and clinical trials globally. The U.S. Food and Drug Administration (FDA), and comparable regulatory agencies in state and local jurisdictions and in foreign countries, impose substantial requirements upon the preclinical and clinical development, pre-market approval, manufacture, import, export, marketing and distribution of pharmaceutical products. For example, our clinical trials must satisfy extensive good clinical practices (GCPs) as set forth by the FDA and must adhere to regulations for informed consent and privacy of individually identifiable information. We have standard operating procedures (SOPs) in place to address these requirements and protect patient safety during clinical trials and have instituted a two-tiered safety governance process.

In the course of our discovery process, preclinical testing and clinical trials, we and our collaborators may from time to time rely on third parties, including laboratories, investigators, clinical research organizations and manufacturers, to conduct our clinical trials and many of our preclinical studies and perform other critical services. Clinical research organizations (CROs) are responsible for many aspects of the trials, including finding and enrolling subjects and administering the trials. Although we rely on these third parties to conduct our clinical trials and carefully monitor them following SOPs, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its investigational plan and protocol.
Access And Affordability

Access to Medicines

Arena has active patient recruitment programs in place for certain ongoing clinical trials. Arena partners with companies to recruit patients for our trials. We work with our partners to learn about the patient experience and connect with patient advocacy groups.

Our enrollment optimization team conducts patient research to inform trials and programs. When applicable, we provide patients that participate in our clinical trials with open-label extension options to allow patient access to investigational medications and/or standard of care as well as Arena covered healthcare for an extended time period.

Patient Assistance and Advocacy

Arena fully supports patient assistance programs. Through our partnership with a large ridesharing company, Arena improves access to investigational drug candidates by offering patients free transportation to and from clinical trial sites and certain other accommodation costs.

Arena also partners with local stakeholders to promote disease awareness. In 2019, we collaborated with the Crohn’s and Colitis Foundation to host Crohn’s and Colitis Awareness Week, finishing 11th in the country in overall donations toward the “Take Steps” campaign in support of combatting Crohn’s and ulcerative colitis. We participate in national meetings and discussions on how to improve the patient experience. We are also involved with integrated delivery networks (IDNs) and actively participate in market access conferences.

Arena supports patient advocacy at all levels. In 2020, Arena announced the launch of the Arena of Care™ Award in Inflammatory Bowel Disease (IBD)—a global competitive grant opportunity offered to 501(c)(3) or similarly credentialed non-profit organizations to fund novel programs addressing unmet need in the IBD community.

Product Quality & Safety

Product Quality and Safety

Arena is focused on research and development activities and does not currently commercialize or market any prescription drug products. Arena has Guidelines for Communications about Investigational Drugs to prohibit the promotion of an investigational drug prior to U.S. FDA approval. We also perform safety monitoring for any adverse events.

A separate submission to an existing Investigational New Drug (IND) must be made for each successive clinical trial conducted during product development.

Further, an independent Institutional Review Board (IRB) for each medical center proposing to conduct a clinical trial must review and approve the plan for any clinical trial before it commences at that center. The IRB also must monitor a study until it is completed.

We and our collaborators are subject to significant governmental regulation. We have a Quality Department and a Quality Management System along with mandatory training on SOPs across the company to help us meet extensive U.S. and foreign regulations focused on quality and safety.
Employee Engagement, Diversity & Inclusion

Employee Engagement

At Arena, our goal is to develop an environment where employees can work on winning teams, doing important and meaningful work with a diverse group of inspirational leaders and co-workers.

In order to ensure that we are fulfilling our mission, Arena conducts all-employee engagement surveys at least every two years. In 2020, we are meeting with individuals, hosting focus groups and surveying employees to solicit their feedback on the alignment of our values in our employee programs and throughout the employee experience.

Our approach to employee engagement includes a focus on continuing education. Arena has a tuition assistance program that supports ongoing academic and career development education programs. We host in-house educational programs under our “Grand Rounds” and “Feed the Mind” platforms. We also encourage employees to attend educational medical congresses to support their professional development.

HUMAN CAPITAL AT ARENA

We exist to have meaningful impact on organizational performance and enable a competitive advantage through our people.

We do this by acting with purpose, passion and quality in everything we do.

BETTER. SMARTER. STRONGER.

<table>
<thead>
<tr>
<th>Business Value &amp; Enablement</th>
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<tbody>
<tr>
<td>Getting the “Talent Equation” right — advancing the strategy by driving organizational performance.</td>
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<tr>
<th>Team Member Experience</th>
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<tbody>
<tr>
<td>Enable a thriving and inclusive community by continuing to invest in and enhance the employee experience.</td>
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<table>
<thead>
<tr>
<th>Operational Efficiency</th>
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<tbody>
<tr>
<td>Build capabilities and enhance operational and productivity efficiencies.</td>
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Leadership Development Training and Succession Planning

In an effort to build a company that is both disciplined and agile, in 2018 we implemented a program called Scale For Success, through which we invested significantly in training leaders in the areas of goal setting, focused feedback, and recognition and reward of performance and behaviors that support the strategy and purpose of Arena. In 2019, we introduced professional and leadership development programs on-site and through curated content on-line, at local universities and with external programs.

In 2020, we plan to implement a talent development function dedicated to the enhancement of professional and leadership capabilities that support our strategies and drive better performance. We also reviewed our formal succession plan at the executive level in 2019, and plan to expand our succession planning to the director level in 2020.

Leveraging the Power and Diversity of the Team

Part of our success at Arena stems from valuing diversity. As an equal opportunity employer and as outlined in our Code of Conduct and supporting policies, we are committed to:

- Providing a safe workplace free from violence and intimidation;
- Promoting equal employment opportunities across all levels;
- Promoting a workplace free from discrimination on the basis of race, color, national origin or ancestry, sex, age, religion, physical or mental disability, medical condition, genetic information, pregnancy, marital status, sexual orientation, gender identity, gender expression, military or veteran status or any other classification protected by applicable local, state or federal laws; and
- Complying with all laws and practices that prohibit child labor, forced or indentured labor, human trafficking and unfair wages.

These principles apply to all aspects of the employment relationship, including application and initial employment, promotion and transfer, employee benefit plan policies, retirement and termination. Arena has procedures in place to review any workplace concerns raised by employees and ensure compliance with applicable laws.

We have an open-door policy to encourage open, honest and respectful communication. All employees participate in anti-harassment and anti-discrimination training annually. Employees are encouraged to promptly report any known or suspected breach of policy or unethical behavior via our 24/7 Hotline operated on our behalf by NAVEX Global, Inc., an independent firm based in the United States. No form of retaliation, harassment, including sexual harassment is tolerated at Arena.

Talent Recruitment and Retention

Our approach to talent recruitment is focused on hiring the most qualified talent for the positions at hand and retaining them long-term. We recruit candidates globally to our three offices and promote a flexible work environment by allowing our employees to work remotely when appropriate. We evaluate our recruitment efforts based on the caliber of employees we attract and our offer-acceptance rate, time-to-hire rate, employee turnover, candidate experience and diversity of our employees. Our goal is to build and sustain a vibrant culture.

Our team of dedicated talent acquisition professionals has successfully filled more than 200 positions in the last three years with over 85% of these new employees coming from our Employee Referral Program, direct applicants and internally sourced candidates. We believe our voluntary turnover rate reflects our focus on employee retention.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>VOLUNTARY TURNOVER RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7.9%</td>
</tr>
<tr>
<td>2019</td>
<td>5.6%</td>
</tr>
</tbody>
</table>
Employee Benefits

Arena provides comprehensive benefits to our employees focused on attracting and retaining talent. We believe our employees should have a financial stake in the Company's success. As part of our One Team program, Arena provides equity awards to all employees when they are hired and additional grants to attract and retain a talented workforce and align their interests with those of our stockholders. In 2019, we also introduced an Employee Stock Purchase Plan (ESPP) to allow all eligible employees to acquire an ownership interest in Arena, attract and retain employees, and further align our employees' interests with our stockholders'.

Other employee benefits include medical, dental, vision, disability and life insurance programs, a robust holiday schedule that includes a paid week off during Summer, and Winter between Christmas and New Years Day, a Paid Family Leave (PFL) Policy for a parent bonding with a new child or as a caregiver for a seriously ill family member, a paid parental leave policy, health and wellness facilities and options for all employees, a professional development budget, a recruitment referral bonus, a mobile device stipend and a charitable matching program ($250 USD per employee per year to eligible organizations).

Employee Health and Safety

Employees are asked to support our efforts to protect their health and safety by abiding by all policies, procedures, rules and instructions. We encourage team members to play an active role in identifying potential hazards and sharing ideas on how to improve the company's safety program. We have also adopted an Emergency Action Plan (EAP) that outlines the specific strategies for emergency preparedness and the implementation of a safety culture. All new employees are provided access to the EAP upon hire without cost to employees.

Arena's Injury and Illness Prevention Plan (IIPP) designates the specific operating procedures surrounding the reduction of work related injuries, occupational diseases and work related fatalities. In 2018 and 2019, Arena received no reports of Occupational Health & Safety (OH&S) issues. Over the same period, we had a recordable incident rate of .00 and did not experience any OH&S related deaths.

Arena's safety performance is further strengthened by its near miss rate of .00 and 0 hours of employee lost time for occupational health and safety issues in 2018 and 2019. In order to maintain a strong safety performance moving forward, the company plans to align with the new ISO 45001 standards.

Arena and our partners, vendors and suppliers' research and development programs involve the controlled use of hazardous materials, chemicals, biological materials and various radioactive compounds. In the United States, we are subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the U.S. Environmental Protection Agency, the California Environmental Protection Agency, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the CSA and other federal, state or local regulations.
Supply Chain Management

Arena recognizes the important role our suppliers play in our success and the impact they have on the communities that we serve. While we cannot control all the actions of our suppliers, we go to great lengths to ensure these vendors treat their employees with respect and dignity. To comply with all legal and regulatory requirements, all of Arena’s suppliers are expected to read and understand Arena’s Code of Conduct, highlighting, among other things:

- **Committing to the fair treatment of employees;**
- **Banning forced, involuntary and child labor across the organization; and**
- **Paying workers according to applicable wage laws, such as minimum wage and overtime hours.**

We engage Contract Manufacturing Organizations (CMOs) to manufacture our investigational drug candidates. We develop Requests for Proposals (RFPs) that include specific criteria that we consider when evaluating respondents as part of our selection process. We also perform site visits and formal audits of CMOs under consideration and formally audit a CMO before selecting them as a partner.

**CMO SELECTION PROCESS: PROCESS FLOW DIAGRAM**

We have SOPs in place for actively monitoring and auditing our supply chain, including CMOs. Auditing and monitoring our supply chain includes regular interactions with our suppliers, as well as formal quality audits. Our quality department oversees an annual review of performance by each vendor against selection criteria.
Business Ethics

Arena is committed to conducting all company business with integrity and according to the highest ethical standards. In addition to fully complying with all applicable laws, we aim to avoid doing anything that suggests impropriety in any of our dealings. Our Code of Conduct reflects Arena’s core principles. All employees are required to comply with these policies by respecting the principles and observing the conduct described. Our legal and human resources departments coordinate employee training on our Code of Conduct.

Topics covered in our Code of Conduct include:

- Honest and Ethical Conduct
- Conducting Research with Integrity
- Workplace Environment
- Insider Trading
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Confidentiality
- Environmental Compliance
- Political Contributions

In 2019, Arena had no monetary losses as a result of legal proceedings associated with clinical trials in developing countries. We also had no monetary losses as a result of legal proceedings associated with corruption and bribery.

Information Technology and Cybersecurity Risk

Arena defines information technology risk (IT Risk) as any risk of financial loss, disruption or damage to the company due to a failure of our IT systems. IT Risk includes cybersecurity risk as well as inadequate change management, obsolete or inflexible architecture and noncompliance with regulations.

Our approach to IT Risk management is through a combination of leading industry frameworks such as International Organization for Standardization (ISO), National Institute of Standards and Technology (NIST) and Control Objectives for Information and Related Technologies (COBIT). We have established policies and approaches based on these frameworks to maintain the security, confidentiality and integrity of the Company's information assets. Specifically, we employ a combination of anti-malware threat prevention, device encryption, vulnerability scans, regular penetration testing, annual reviews, and continuous process improvement to mitigate IT Risk.

We have an internal Global IT Security and Compliance Policy and have adopted a European Data Protection Policy that complies with the European Union’s General Data Protection Regulation (GDPR). We employ a combination of anti-malware threat prevention, device encryption, vulnerability scans, regular penetration testing, annual reviews and continuous process improvement to mitigate risk.
Environmental Management

Arena is committed to using safer, smarter and more environmentally sustainable business practices. We look for innovative methods to improve patient health, operate responsibly and act as a steward of good environmental management.

We recognize the environmental risks associated with our operations both locally and globally and are in the process of implementing environmental management programs to mitigate such risks in the key areas of energy, water, waste and pharmaceuticals in the environment. Our environmental management system aims to ensure compliance with applicable regulations in the countries in which we operate, in addition to filling in gaps where environmentally mindful regulations do not yet exist. Through monitoring metrics that track our environmental performance, we can better manage data, oversee results, and identify more relevant risks and opportunities.

Our focus on sustainable operations begins with our own offices. Our philosophy is to create work spaces that are beautiful, functional and healthy. Specifically, our San Diego headquarters was designed and built to be environmentally sensitive incorporating windows with dual-pane laminated glazing to provide natural daylight. The office features a highly efficient solar panel array on the roof that produced approximately 43% of the electricity used on site in 2019. We also use reclaimed/non-potable water for our landscaping.

We continue to incorporate sustainable practices into our operations through a variety of initiatives. In addition to our early work implementing water-saving sinks, efficient toilets, urinals and water dispensers, we furthered our efforts in 2018 and 2019 by removing disposable cups and cutlery from our offices.

**Performance Metrics for our San Diego Office**

The below 2018 and 2019 calendar year performance metrics are for our San Diego office. We input our energy and water information into the EPA’s ENERGY STAR® Portfolio Manager, which we use to calculate greenhouse gas emissions (GHG), including the Scope 1, Scope 2 and total emissions figures below. We had 194 employees as of February 14, 2019 and 320 employees as of February 15, 2020.

**ENERGY CONSUMPTION**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NATURAL GAS</th>
<th>ELECTRICITY (GRID AND ON-SITE RENEWABLES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>16,462 therms</td>
<td>1,144 MWh</td>
</tr>
<tr>
<td>2019</td>
<td>21,155 therms</td>
<td>1,328 MWh</td>
</tr>
</tbody>
</table>

**GREENHOUSE GAS EMISSIONS**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SCOPE 1 EMISSIONS</th>
<th>SCOPE 2 EMISSIONS</th>
<th>TOTAL EMISSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>87 mtCO2e</td>
<td>275 mtCO2e</td>
<td>362 mtCO2e</td>
</tr>
<tr>
<td>2019</td>
<td>275 mtCO2e</td>
<td>319 mtCO2e</td>
<td>431 mtCO2e</td>
</tr>
</tbody>
</table>

**WATER**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WATER (ALL SOURCES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>233 kgal</td>
</tr>
<tr>
<td>2019</td>
<td>326 kgal</td>
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</table>
Methodology

To help inform our decision making regarding the content to include in our first ESG report, we performed a benchmarking analysis to help us understand what other firms in our sector were reporting. We drew upon the subject matter expertise of our colleagues throughout Arena to collect and organize the content relative to the areas we identified in our benchmarking. We relied upon SASB to help us understand the areas that may be of most relevance to our U.S. investors, and we referred broadly to the Global Reporting Initiative (GRI) to help us identify anything that we may have missed.

SASB Index

According to the SASB Industry Level Materiality Map, the following categories are “the most likely material issues for companies” in the Biotechnology & Pharmaceuticals sector, and they served as a broad guide for our report content.

<table>
<thead>
<tr>
<th>SASB CATEGORY</th>
<th>REPORT SECTION/REFERENCES AND NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety of Clinical Trial Participants</td>
<td>Human Rights and Clinical Trials</td>
</tr>
<tr>
<td>Access to Medicines</td>
<td>Access to Medicines</td>
</tr>
<tr>
<td>Affordability &amp; Pricing</td>
<td>Not reported/not applicable as Arena does not currently commercialize or market any prescription drug products</td>
</tr>
<tr>
<td>Drug Safety</td>
<td>Product Quality &amp; Safety</td>
</tr>
<tr>
<td>Counterfeit Drugs</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>Ethical Marketing</td>
<td>Code of Business Conduct and Ethics</td>
</tr>
<tr>
<td>Employee Recruitment, Development and Retention</td>
<td>Employee Engagement, Diversity &amp; Inclusion</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>Business Ethics</td>
<td>Code of Business Conduct and Ethics</td>
</tr>
<tr>
<td>Activity Metrics</td>
<td>Arena’s Pipeline</td>
</tr>
</tbody>
</table>
United Nations Sustainable Development Goals

We are aligning our activities with the United Nation's Sustainable Development Goals (SDGs). The goals SDGs were established in 2015 by world leaders to end poverty, protect the planet, and seek to ensure prosperity for all. As a result of our review, we have determined that our current activities most closely align with the following SDGs:

**Goal 3: Good Health and Well-Being**  
**Goal 8: Decent Work and Economic Growth**  
**Goal 9: Industry, Innovation and Infrastructure**  
**Goal 10: Reduced Inequalities**

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Important Legal Information:

Statements in this report that are not statements of historical fact are forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be identified by words such as “believe,” “goal,” “plan,” “potential,” “may,” “will,” “intend,” “expect,” “strive,” “seek,” and “design,” and include, among other things, statements about Arena’s plans, goals, assets, and programs. For such statements, Arena claims the protection of the Private Securities Litigation Reform Act of 1995. Actual events or results may differ materially from Arena’s expectations. Factors that could cause actual results to differ materially from the forward-looking statements are disclosed in Arena’s filings with the Securities and Exchange Commission (SEC), including but not limited to Arena’s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q. These forward-looking statements represent Arena’s judgment as of the time this report was first published. Arena disclaims any intent or obligation to update these forward-looking statements, other than as may be required under applicable law.