



# 2021 ESG Report





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***Disclosure Statement:** This publication provides information regarding Castle's goals, efforts and objectives and otherwise includes forward-looking statements. Some material is referenced to other company documents, and links are provided to those documents where appropriate. Castle's goals, efforts and objectives are aspirational and are not guarantees or promises that such goals, efforts and objectives will be met. Castle's actual results and the timing of events could differ materially from those anticipated in such aspirational and other forward-looking statements. See "Forward-looking statements" for additional important information about these aspirational and other forward-looking statements.*

## Letter from Our CEO

At Castle Biosciences, we are dedicated to applying innovative diagnostics to inform disease management decisions and improve patient outcomes. Our company was founded on the guiding principle of doing the right thing at the right time. And although we are still early in our journey as a public company, our focus on Environmental, Social and Governance (ESG) factors began with our guiding principles in 2008, when we laid the cornerstones of integrity, transparency, collaboration and innovation. With the launch of this inaugural ESG report, we are excited to further demonstrate our commitment to patients, employees, stockholders and our communities.

At the core, Castle's culture and operations have always been focused on what ESG principles seek to achieve, serving our stakeholders in an ethical and responsible manner. The release of this report marks an important milestone in our journey, helping us progress our ESG initiatives and continue to build on our solid foundation.

### Not Just Employees, but Family

Our employees are the lifeblood of Castle and have helped us grow into the company we are today. We value the unique perspectives and contributions of each of our employees and believe in treating others the way we would like to be treated. As such, we have a low turnover rate. Additionally, a significant number of new employees are hired through referrals, which is a testament to our strong culture and family-like atmosphere. Through our leadership and professional development programs, we equip our employees to succeed and help Castle continue to flourish. We also understand the importance of diversity of perspectives, which helps us better reflect and understand the patients we serve. As such, we are committed to further building upon our existing strengths in diversity, equity and inclusion and are in the process of identifying further opportunities.



### **A Strong Commitment to Patients, Community and Peace of Mind**

Our patient-centric focus has been with us from the beginning as our North Star and constant reminder of why we are in business – to improve the lives of patients. We have a social and moral responsibility to ensure that, regardless of a patient’s financial situation, they have access to the life-changing information that our genomic tests provide. This is why Castle offers a robust Patient Assistance Program, rooted in the belief that quality care should not depend on financial considerations.

At Castle, we prioritize safety, compliance and quality assurance, and operate under the highest ethical standards in our office environments in Friendswood, Texas, in our CAP-accredited (College of American Pathologists), CLIA-certified (Clinical Laboratory Improvement Act of 1988) laboratory in Phoenix, as well as across the U.S., where our remote employees work. We are committed to providing high-quality, genomic tests for dermatologic diseases and uveal melanoma and process thousands of tests each year, providing clinically actionable information that improves decision-making and overall patient care.

Our community engagement efforts are centered on our dedication to patient advocacy, and we proudly partner with many non-profit organizations, collaborating on events that are targeted at helping people with skin and eye cancers and their families. Additionally, we participate in many educational and outreach programs to promote the importance of sun safety and the early detection of skin cancer.

### **Looking to the Future**

So, as we take this next step as an organization, with support and oversight from our Board of Directors, we are optimistic about what more we can achieve by operationalizing our ESG goals and setting a baseline from which to move forward. On behalf of our entire Executive Leadership team and our Castle employees, I would like to thank you for your support and for joining us on our ESG journey.

Sincerely,



**Derek Maetzold**

Founder, President and CEO

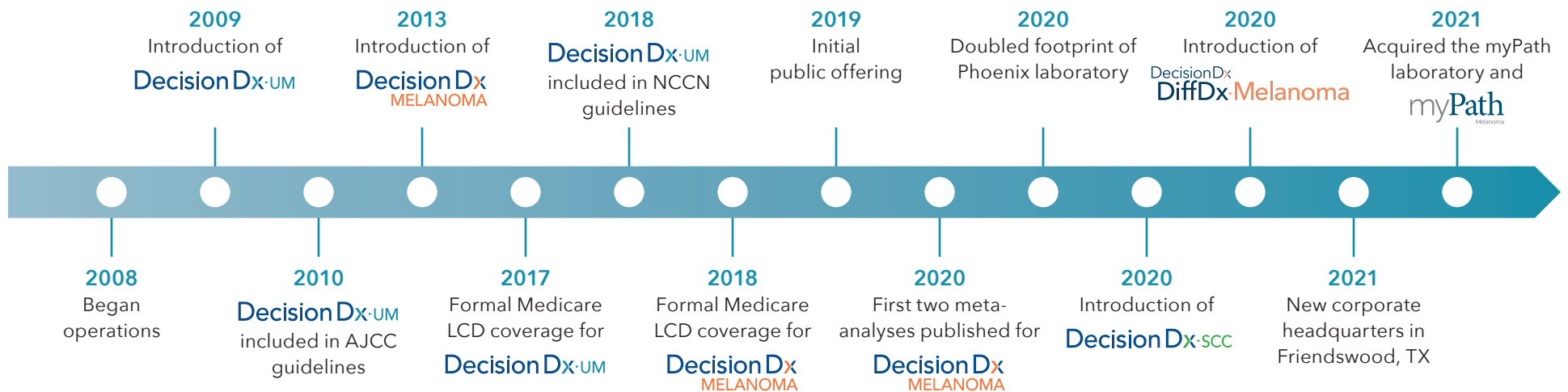


## Castle Biosciences – Who We Are

We are a commercial-stage dermatologic diagnostics company committed to improving the lives of patients with skin cancer, other dermatologic diseases and uveal melanoma. Our diagnostic and prognostic gene expression profile tests are transforming skin cancer management by enabling better treatment plan decisions. We believe that the traditional approach to developing a treatment plan for dermatologic cancers using clinical and pathology factors alone is inadequate and can be improved by incorporating personalized genomic information.

We initiated operations in 2008 and have continued to grow and expand our capabilities while keeping our commitment to patients at the forefront of what we do. Our headquarters is located in Friendswood (Houston), Texas, and our laboratory facilities are located in Phoenix, Arizona. Our lab is both College of American Pathologists (CAP)-accredited and Clinical Laboratory Improvement Amendments (CLIA)-certified. In 2020, we doubled the footprint of our laboratory operations, and in 2021, expanded the facility even further. We also continue to grow the size of our team and increased our employee base by almost 50% in 2020 alone.

At Castle, we are focused on providing innovative, clinically actionable, high-value diagnostics that transform disease management and improve care and outcomes for patients with dermatologic cancers and other conditions with unmet clinical need. To aid in our progress toward this vision, we are pleased to release our first Environmental, Social and Governance (ESG) report, intended to provide insight into how we manage risk and create value for our patients, employees, communities, stockholders and other stakeholders. While our journey as a public company only began in 2019, we recognize the link between strong ESG practices and sustainable long-term value creation for our stockholders.



## GOVERNANCE OF ESG

We recognize the importance of aligning our business practices to robust Environmental, Social and Governance (ESG) principles and are committed to identifying and executing opportunities for improvement. We also understand that the development of appropriate governance and oversight structures is a critical component of those efforts. As such, in early 2021 we commenced the development of a formal ESG strategy and disclosure roadmap. In April 2021, our Board of Directors amended our [Audit Committee Charter](#) to add review and oversight of our ESG program to its responsibilities. The Audit Committee will periodically provide reports to the Board of Directors on ESG matters. Additionally, we have established an internal management committee comprised of a cross-functional set of representatives, including leaders from Marketing, Finance, Human Resources and Operations to develop strategy and execute on these matters. On a periodic basis, this management committee will report to the Audit Committee.

### BOARD INDEPENDENCE AND DIVERSITY

Our Board of Directors currently has eight members, seven of whom are independent as defined under current rules and regulations of the SEC and the listing standards of Nasdaq. At present, four of our eight directors are female, and we continue to assess strategies to increase the diversity of our Board. To maintain a balance of knowledge, experience and capability on our Board of Directors, we consider factors such as skills, diversity and expertise.

We maintain the corporate governance best practice of having an independent Chairman (separating the Chairman role from our Chief Executive Officer). In addition, each committee of our Board of Directors has a different director serving as its chair. Each committee will review, discuss and assess its own performance at least annually.

For more information, please review our most recent [proxy statement](#).



## BUSINESS ETHICS AND COMPLIANCE

Compliance at Castle Biosciences means providing safe, high-quality patient care and complying with industry standards and regulations to improve the overall quality of care we provide.

While our leadership sets the tone to encourage transparency and ethical behavior, a true, organization-wide culture of compliance is a team effort, where every employee takes responsibility for following procedures and regulations.

### Compliance Oversight and Framework

Our commitment to compliance starts with the Audit Committee of the Board and our Compliance Officer. Our Compliance Officer oversees the compliance program and provides a quarterly report to the Audit Committee, which includes metrics regarding calls to our whistleblower hotline, privacy and HIPAA compliance and any other compliance incidents.

We have policies, procedures and training programs designed to maintain our compliance with federal and state regulations, including laboratory licensing and certification requirements; the Health Insurance Portability and Accountability Act of 1996 (HIPAA); fraud, waste and abuse laws, such as the False Claims Act (FCA); the Anti-Kickback Statute; the federal physician self-referral prohibitions of the Stark Law; the Protecting Access to Medicare Act (PAMA) and industry standards to help us improve the quality of care we provide. In establishing our internal ethics and compliance program, we also follow the guidance of the Office of Inspector General (OIG) and Centers for Medicare & Medicaid Services (CMS) compliance programs.

Our approach to compliance is outlined in our formal Castle Compliance Program Plan that includes an Ethics and Integrity Program, HIPAA Program and Procedures, our [Code of Business Conduct and Ethics](#), reporting requirements and resolution actions.

### OUR APPROACH FOCUSES ON:

#### Proactive awareness and prevention

- Communication
- Training and education

#### Audit, detection and monitoring

- Routine process and system audits

#### Investigation and resolution

- Corrective Action Plans (CAPs), disciplinary procedures and reporting

### Training and Awareness

We encourage open communication around compliance-related issues or concerns and use of our compliance hotline, where employees can make anonymous reports regarding suspected noncompliance, fraud, waste or abuse. We view our Compliance Program as proactive to incidents, rather than reactive, and we implement this proactive mindset through robust training and education of our employees from the moment they start at Castle.

All Castle employees receive comprehensive compliance and ethics training, both upon hire and on an annual basis thereafter. Training topics include HIPAA regulations; fraud, waste and abuse (FWA) laws, and training specifically around Castle's Compliance Program Plan and our Code of Business Conduct and Ethics (the "Code"). All employees also participate in annual anti-harassment training, annual privacy training and monthly IT security training.

[Our Code](#) outlines our commitment to maintaining the highest standards of ethics and responsible business practices. We expect every employee, officer and director to read and understand the Code and its application to the performance of his or her business responsibilities.

We distribute copies of the Code to all employees annually with a reminder that each employee is responsible for reading, understanding and complying with the Code. Employees are required to acknowledge they have received a copy of the Code and that they intend to fully comply.

## Whistleblower Policy and Process

A toll-free compliance hotline and online web form are available for employees, contractors and other stakeholders to seek guidance on specific situations, submit concerns or report violations of the Code. No Castle employee who reports a compliance concern will be punished or terminated for calling the hotline or for, in good faith, reporting compliance-related concerns.

Every submitted report is reviewed by the Compliance Officer and Audit Committee to determine if it can be immediately resolved or if an investigation is needed. Depending on the nature of the report, concerns may be directed to the appropriate department, such as Human Resources. The Compliance Officer maintains a log of all complaints, tracks their receipt, investigation and resolution and prepares a quarterly summary report for the Audit Committee.

Reported compliance concerns and the results of an investigation are used to improve our company, which may include policy changes, training, and in some cases, disciplinary action, up to and including termination.

## ETHICAL MARKETING

We have implemented policies, procedures and training programs designed to maintain our compliance with the laws and regulations governing the sales and marketing of laboratory-developed diagnostic tests, including but not limited to the Federal Food, Drug and Cosmetic Act (FDCA) and the Clinical Laboratory Improvement Act of 1988 (CLIA).

Our sales and marketing efforts are currently focused on the United States skin cancer market. We employ a direct sales and marketing strategy to educate dermatologists, surgeons and other clinicians on the clinical and economic benefits of our products. Our sales approach is highly technical, and our team is trained to articulate the scientific and clinical evidence behind our products and how they influence the clinical care pathway and, ultimately, improve patient outcomes. Our Sales team is focused on educating and informing the entire patient care team, which consists of clinicians, nurses, laboratory and pathology personnel, patients and finance administrators, on the appropriate use and value of our tests.

We also deploy an experienced Medical Affairs group to assist in the education of treating physicians and key opinion leaders, to identify and engage sites for our sponsored clinical studies and to evaluate collaborative study opportunities. This group is also available to assist with questions from clinicians that may be outside of our Sales team's area of expertise. Our medical affairs strategy complements our sales and marketing and clinical research operations efforts.





## DATA SECURITY AND PATIENT PRIVACY

### Data Security

We are committed to maintaining the highest levels of data security and protection of patient information throughout our operations. The Audit Committee of the Board is responsible for overseeing risks related to data privacy, technology and information security, including cyber security and back-up of information systems as stipulated in the [Audit Committee Charter](#). Our Compliance Officer reports to the Audit Committee on a quarterly basis on compliance and privacy matters, including number of incidents, disclosures and breaches.



Our Information Technology (IT) Security Program is designed to improve decision making to improve outcomes. Our approach to IT risk management includes physical security measures, routine user training, security parameters for employees, contractors and guests, as well as network safeguards such as firewalls, anti-virus software, data security management, software testing penetration testing and audit trails to mitigate risk.

All Castle employees and contractors receive training on security, company software and best practices. The IT department conducts cybersecurity trainings on the latest rules, practices and other issues surrounding physical, data and cyber security. This includes training on mobile use, email use, link safety and security best practice while traveling. IT security training is also included in the onboarding process for all new hires. IT trainings are tracked by management to ensure 100% completion. Training is offered in a variety of formats, including email-based training, in-person sessions and previously recorded events available on-demand. We invest in training to ensure employees are aware of the role they play in upholding the security of our organization, and maintain appropriate reporting channels if any issues arise.

### Patient Privacy

We have policies, procedures and training programs designed to maintain our compliance with HIPAA's provisions and rules related to protecting the privacy and security of patient health information, as well as provisions related to the prevention of healthcare fraud and abuse. Protected Health Information (PHI) transmitted electronically is done in a secure and standard method, and patients are informed of their HIPAA rights through Castle's [Privacy Policy](#).

The Castle patient portal is a hosted data repository for physicians. The transmission of data is secured using encryption, and users accessing the portal are required to first have an established set of credentials.

## SUPPLY CHAIN MANAGEMENT

At Castle, our supply chain management process primarily involves vendors who provide supplies for use in our offices and in our laboratory facility in Phoenix.

For our laboratory facility, we procure reagents, equipment, chips/cards and other materials used to perform our tests. In selecting vendors for these types of items, we value quality of the product and ingredients above all else. For large lab equipment, we select between two to three reputable manufacturers and test the equipment functionality and specifications to determine the best option. We follow all regulations pertaining to quality control (QC)

of the chemicals we procure, as indicated in our Chemical Reagent QC Policy. Additionally, we engage a medical waste vendor who processes our laboratory-generated medical waste consistent with industry standards.

Relationships with our vendors are built on trust and consistency. We meet regularly with our selected vendors to ensure quality and safety are upheld. All vendors, consultants and collaborators sign master services agreements or contract service agreements. Such agreements contain language around the ethical conduct of clinical studies, as well as rules and protections for patients. We also expect vendors and contractors who conduct clinical studies on behalf of Castle to follow all designated regulatory requirements.





## Environment

It is our policy to conduct our business in an environmentally responsible way that minimizes environmental impacts. We are committed to minimizing and, if practicable, eliminating the use of any substance or material that may cause environmental damage; reducing waste generation and disposing of waste through safe and responsible methods; minimizing environmental risks by employing safe technologies and operating procedures; and being prepared to respond appropriately to accidents and emergencies.

For example, our leased office space does not have a municipal recycling program. In response, our Friendswood headquarters employees developed a fully employee-driven recycling effort to collect aluminum, cardboard and other recyclable materials and deposit them weekly at a pickup location.

### Waste Management

We generate both hazardous and non-hazardous waste and follow appropriate treatment and disposal protocols. Our hazardous biowaste is non-infectious because blood substance is not currently utilized in our testing process; however, we still maintain blood-borne pathogen protocols within our overall clinical development process and clinical testing to maintain the utmost levels of safety.

We engage a third-party vendor to treat and dispose of hazardous waste that is not eligible for sewer or landfill. Castle is considered a minimal volume generator, meaning we have not reached the threshold of what is considered a large volume generator of hazardous waste. As our operations grow, we expect to continue to maintain a responsible approach to waste disposal in partnership with third-party vendors.





## Human Capital

We strive to foster a culture of transparency, teamwork and professional growth – all while contributing to our mission to improve health outcomes for patients with dermatologic cancers using innovative technologies and research. We understand the importance of supporting and investing in our staff, and we empower our employees to think independently and challenge themselves in the work they do.

As of June 30, 2021, we had 292 employees, of whom 290 were employed on a full-time basis.

### TALENT RECRUITMENT AND DEVELOPMENT

While we do use recruiters and employment sites, as well as state-level life sciences associations, to hire personnel, almost half of our employee base has come from referrals. We believe that our 48% employee referral rate is a testament to the inclusive and rewarding community we have built.

We are committed to offering competitive benefits and compensation packages to our employees. In addition to competitive base pay, we offer the following benefits, among others, to our full-time employees:

- a defined contribution 401(k) plan with employer-matching contributions and no vesting requirement;
- an annual and/or quarterly bonus opportunity;
- equity compensation, which may include a mix of stock options, and restricted stock units, and an employee stock purchase plan;
- medical, dental and vision plans, in which no employee pays more than \$100 per month for their entire family's medical coverage;
- paid maternity, paternity and adoption leave policies;
- paid holidays and paid time off; and
- an employee assistance program.



### Castle Leadership Learning & Development Program

The Castle Leadership Learning & Development program provides each manager with resource guides, a subscription to an online learning platform and development exercises to help strengthen leadership capacity and build better teams. At the start of the program, each manager takes a leadership assessment that indicates three key competency areas in which to focus over the course of the year. Every quarter, each manager is assigned to an accountability team of two to four Castle leaders based on common key competencies selected for development. We have identified 30 key competency areas, including active listening, analytic orientation, conflict management, communication and motivating others. Accountability teams meet monthly to reflect on take-aways, roadblocks and best practices.

### Professional Development

To help our employees grow and learn during their time at Castle, we offer a continuing education program for our Clinical Laboratory Scientists and sponsor relevant certifications. Within one year of hire, each Clinical Laboratory Molecular Technologist is expected to test for the American Society for Clinical Pathology (ASCP) Molecular Biology Certification (MB). This certification is sponsored through Castle Biosciences Continuing Education program which reimburses all expenses. The technologists gain a deeper knowledge of the molecular biology work performed in the Castle Biosciences laboratory. After taking and passing the exam, they are required to take 36 continued education credits every three years to retain the MB Certification, which Castle also pays for.

We provide performance reviews at least once per year, with pay raises commensurate with market and performance indicators.

Our 2020 Employee Referral Rate Is

48%

### TURNOVER RATES FOR 2020

Voluntary	3.6%
Involuntary	2.4%
Overall	6.0%



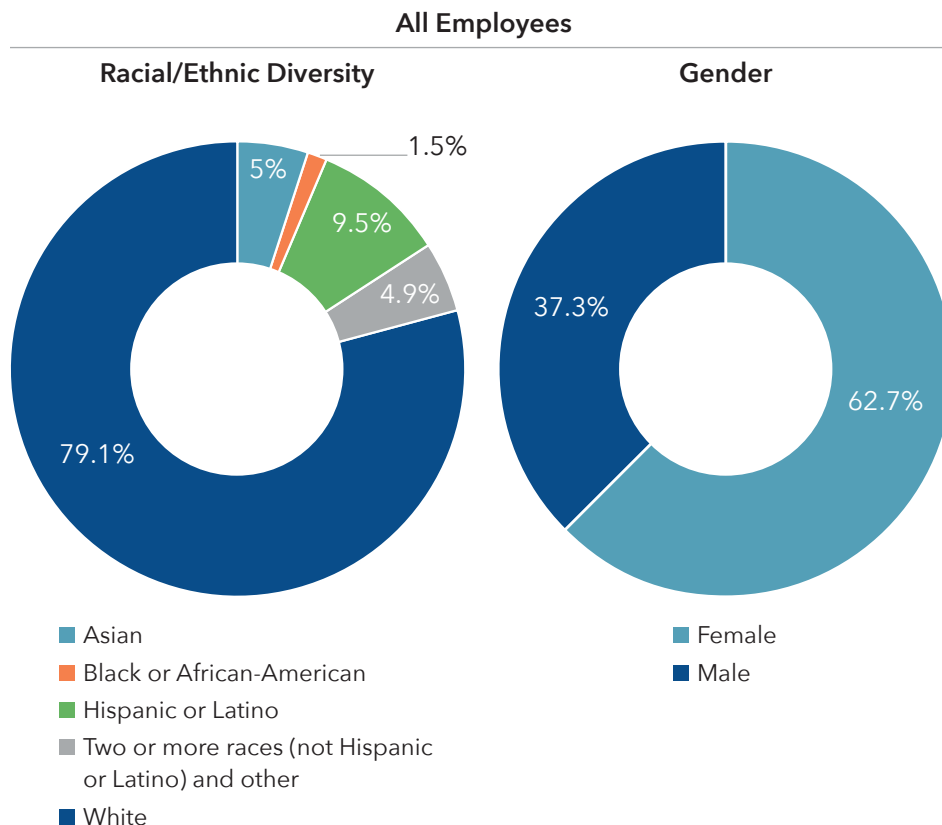
## DIVERSITY, EQUITY AND INCLUSION (DEI) AND EMPLOYEE ENGAGEMENT

We recognize the importance of DEI in recruiting, developing and retaining the best available talent and are committed to further understanding and building upon our existing DEI strengths. As such, we are in the process of identifying DEI opportunities and developing related initiatives.

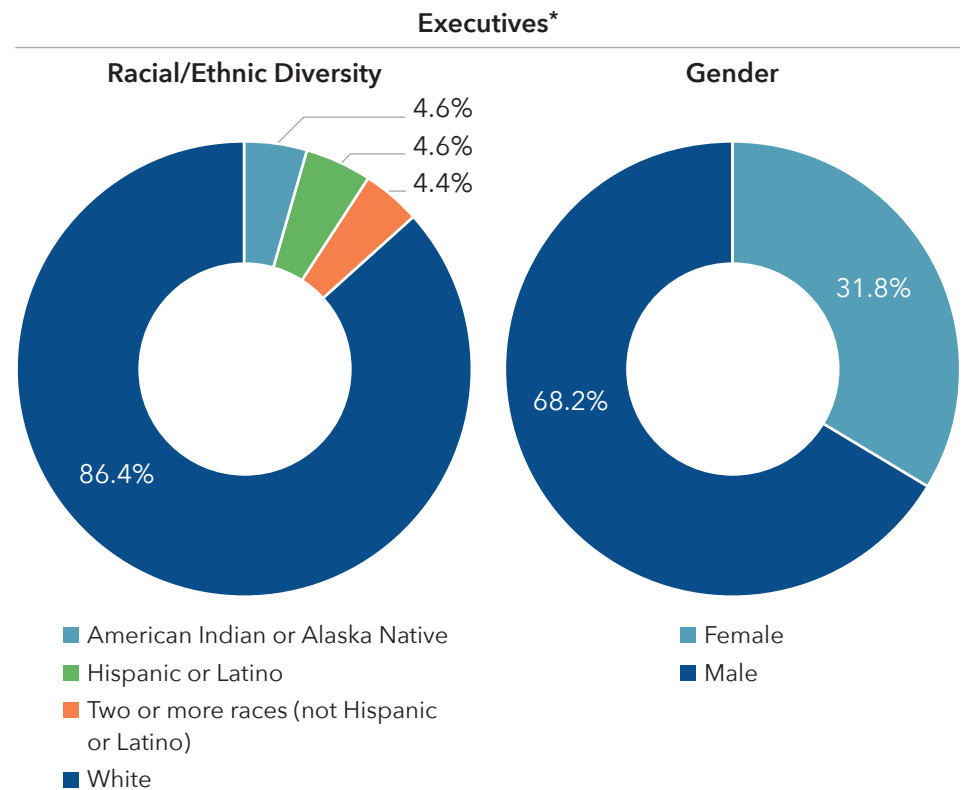
- According to our EEO-1 as of Dec. 31, 2020, our employees were 62.7% female and 37.3% male.
- Our overall employee population as of Dec. 31, 2020 was:
  - o 79.1% White
  - o 9.5% Hispanic or Latino
  - o 5.0% Asian

- o 1.5% Black or African-American
- o 4.9% two or more races (not Hispanic or Latino) and other
- In executive positions, which we define as executive director or regional business director level and above, our employee population as of Dec. 31, 2020 was:
  - o 86.4% White
  - o 4.6% American Indian or Alaska Native
  - o 4.6% Hispanic or Latino
  - o 4.4% two or more races (not Hispanic or Latino)
- Women represented 31.8% of employees in executive positions.

We are continuing to further assess and understand additional measures of diversity.



EEO-1 data as of December 31, 2020



\*Executive director or regional business director level and above



## Employee Engagement

We value the unique perspective our employees bring to our organization and encourage open channels of communication. The Virtual Voice suggestion box was instituted for employees to provide feedback, describe any gaps or roadblocks they witness and propose solutions.

Additionally, within the first 90 days of employment at Castle, each new hire completes an engagement survey that asks a variety of questions about their onboarding experience, company culture, challenges and roles and responsibilities. This survey also asks each employee to rank, on a scale of 0 to 10, their willingness to recommend Castle as a place to work. Responses to the survey have been overwhelmingly positive, with 100% of employees giving Castle an 8 or above.

In August 2020, we developed a voluntary Thank You Card Program within the organization, enabling any employee to send a note of appreciation, gratitude or encouragement to fellow Castle team members. The program has been an outstanding success, with over 725 virtual cards sent within the first 13 months. We believe this is a true testament to our Castle community, built on support, partnership and kindness.

In June 2021, we rolled out an inaugural employee engagement survey to understand what was working well at Castle and what opportunities we had for improvement. We received feedback from over 86% of our employees and achieved an engagement score of 83%, meaning that 83% of our employees are engaged or enthusiastically engaged in the culture at Castle. We plan to distribute a similar survey on an annual basis, using our 2021 results as the baseline.

## EMPLOYEE HEALTH AND SAFETY

The safety and wellbeing of all Castle employees, particularly those in our laboratory facility, are taken very seriously. Our comprehensive safety manual and corresponding portfolio of standard operating procedures (SOPs) detail safety protocols across multiple areas, including chemical safety, hazard communication and disaster management, and are broken out into the following categories:

### **1** *General Safety Program*

Our General Safety program includes weekly safety audits as well as annual audits to ensure protocols are upheld. We maintain a detailed log of safety equipment and control for noise levels within our laboratory through an annual noise level audit. To ensure our employees feel comfortable and safe within the workplace, we conduct training upon hire and annually for Ergonomics & Workplace Violence. In addition to reviewing the Facility Ergonomics Plan, the employees complete an ergonomic survey annually. Furthermore, we have established a Workplace Violence Prevention Program, which includes annual training for the prevention of workplace harassment for employees as part of our ongoing security training through our IT department. On an annual basis, employees also watch a video produced by the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency, "Options for Consideration Active Shooter Preparedness Video."

## **2** *Hazard Communication Program*

This program describes the process in place in the event of an accident or injury in our laboratory facility. The purpose of the program is to establish uniform rules and regulations throughout the company; educate all employees in the safe handling of hazardous chemicals in their work area; and educate on any inherent dangers of any chemicals. Every employee whose job involves handling hazardous chemicals is thoroughly informed of the chemical hazards and trained to perform his/her job in a safe manner. The program is updated when new chemicals or hazards are introduced into the working environment and reviewed annually.

## **3** *Chemical Safety Program*

Our commitment to chemical safety enhances both protection of our employees and the quality of our test service. The comprehensive Chemical Safety program at Castle includes a chemical hygiene plan, exposure controls (engineering, environmental and administrative), waste management, emergency spills procedure, environmental monitoring, including for xylene exposure and procedures for reagent inventory, labeling and storage.

## **4** *Disaster Management Plan*

To prepare for emergency situations, Castle's Disaster Management plan includes training, action planning, drills and emergency agency contacts.

## **5** *Reporting Requirements*

We follow and comply with the Occupational Safety and Health Administration (OSHA) requirements in both our lab and office environments. Within the lab, we track incident rates, work-related illness or injury and other OSHA-required metrics. We generate monthly safety reports that we use to monitor and improve safety protocol.

The Total Recordable Incident Rate for Castle Biosciences for 2018, 2019 and 2020 was 0%. There were no recordable injuries or illnesses that resulted in the loss of consciousness, days away from work, restricted work or transfer to another job. Additionally, there were no work-related injuries or illnesses requiring medical treatment beyond first aid.

## **6** *Infection Biohazard Control Program*

To prevent against exposure or infection in our lab, we follow a pathogen exposure plan, an infection control plan and the laboratory is designed to reduce infectious agents. All lab employees are required to wear personal protective equipment.

## **7** *Safety Training Program*

All employees at Castle who have access to the laboratory facility undergo an initial safety onboarding training and annual comprehensive training, including the completion of an annual safety quiz.

## Social Responsibility

We are committed to promoting healthy lives and well-being through our mission of providing innovative, clinically actionable, high-value diagnostics that transform disease management and improve care and outcomes for patients with skin cancer and other dermatologic diseases with unmet clinical need, as well as uveal melanoma. This commitment includes our efforts to make our tests accessible and affordable, ensure our clinical studies are safe for participants, strive for the highest level of patient satisfaction and engage closely with local communities.

### ACCESS AND AFFORDABILITY

The World Health Organization (WHO) stated that it considers equitable access to safe and affordable medicines as vital to the attainment of the highest possible standard of health. At Castle, we are committed to doing our part to ensure patients in need have access to our services.

#### Access to Healthcare

Developing diagnostics for populations with unmet clinical need is at our core and a key differentiator for our business. Our approach starts by identifying areas of high unmet clinical need for which genomic information could significantly improve disease staging and/or patient management decisions. We look for opportunities where current staging does not sufficiently identify patient risk or where it would be clinically useful to understand the likely response of a tumor to the standard of care. We dig deep into cancer clinical treatment pathways to find areas of unmet need where we can leverage our expertise in cancer genomics and the use of artificial intelligence techniques to enable the implementation of risk-stratification treatment plans and improve – and potentially transform – patient outcomes.

#### CASE STUDY: The Standard of Care for Evaluating Metastatic Risk in Uveal Melanoma

Uveal melanoma (UM) is a rare but deadly eye cancer with approximately 2,000 patients diagnosed in the United States annually. At the time of initial diagnosis, approximately 97% of patients are free from widespread (metastatic) disease. However, nearly 50% of patients will eventually go on to develop metastatic disease, after which prognosis is very poor. DecisionDx®-UM is our prognostic gene expression profile (GEP) test that determines a patient's individual risk for experiencing metastasis based on the unique biology of their primary tumor. Since its launch in 2009, over 12,000 patients have been clinically tested with DecisionDx-UM, making it the most widely used UM prognostic test in the U.S. Healthcare professionals use the results of Castle's tests, in combination with other tests and procedures, to plan a patient's treatment and ongoing management.



### Affordability, Pricing and Patient Support

We believe that quality care should not be dependent on a patient's financial situation and work with all insurance providers, including Medicare, Medicaid, commercial insurers and the VA, to secure payment for our tests. Based on the substantial clinical evidence that we have developed, we have received Medicare coverage for DecisionDx®-Melanoma and DecisionDx-UM, representing approximately 50% of the addressable patient population for each of these tests.

Castle submits insurance claims on a patient's behalf, works with the office of patients' healthcare professionals and follows through to payment. We are strongly committed to working with insurance providers to remove any burden that may be placed on the patient.

Additionally, we also offer a robust Patient Assistance Program based on the belief that a patient's ability to pay for one of our tests should not affect their care. We provide patient resource guides to help patients understand how our genomic tests work, including the benefits of knowing their results and their options after diagnosis.

Due to changing regulations, such as the Protecting Access to Medicare Act of 2014 (PAMA), clinical laboratory companies work within very specific pricing rules. We have implemented policies, procedures and training programs designed to maintain our compliance with all rules and regulations around Medicare pricing.

### SAFETY OF CLINICAL STUDIES

We engage third-party contract research organizations (CROs), investigators and clinical study sites to conduct our clinical studies and recruit participants.

All clinical studies must be conducted in accordance with the FDA's investigational device exemption (IDE) regulations that govern investigational device labeling, prohibit promotion and specify an array of recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. Our clinical studies must further comply with the FDA's good clinical practice (GCP) regulations for institutional review board (IRB) approval, and for informed consent and other human subject protections. All of our clinical studies are IRB-approved, as appropriate.

Castle also follows guidance established in the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) to ensure the ethical execution of clinical studies. All study sites and investigators are required to demonstrate clinical research training prior to and during the execution of a Castle clinical study.



## Clinical Study Development

Due to the non-invasive nature of our clinical studies and laboratory-developed tests, Castle's activities are considered low-risk. In the development of our tests, participants in our clinical studies have not received interventions to date. Interventions include drugs, devices, procedures or changes to participants' behaviors. Since, in most of our studies we solely collect samples that were removed as part of a patient's standard clinical care, our non-invasive strategy significantly reduces the risk associated with our tests.

The development of our clinical studies is a cross-functional effort. Our Research & Development (R&D) department starts by putting together the background, rationale and statistics of the study in order to establish the appropriate protocol. The study protocol is then reviewed by our Clinical Research department from a regulatory and analytical perspective to ensure the communication of the data is comprehensive. We employ physicians and clinicians to review the study protocols to make sure they meet industry-standard and can achieve the scientific goals of the study.



In selecting investigators and other third parties, we conduct a feasibility assessment with prospective investigators to discuss the scope of the clinical study, resource requirements, patient population and inclusion criteria. We collect resumes and licenses from appropriate investigators and follow all delegation of authority rulings as required by regulatory bodies. Our process involves both our Clinical Research and R&D departments, as well as our team of medical science liaisons (MSLs) in certain circumstances. MSLs are trained to discuss the studies with physicians and other healthcare professionals and are one of Castle's designated resources in vetting potential investigators.

The safety of patients and participants in our studies is of paramount importance, and we have implemented standard operating procedures to ensure the safe and ethical administration of clinical studies. To protect against the release of any personally identifiable information (PII) or protected health information (PHI), we have established protections in place, such as assigning a unique study identifier for each patient instead of using legal names. Neither patients nor participants in our clinical studies receive the results of their testing if performed as part of the study.

## PRODUCT QUALITY AND SAFETY

We are committed to the responsible and ethical delivery of quality laboratory testing with reliable, repeatable results delivered on time. The primary mission of our laboratory is to produce information that is useful for clinical decisions in a reliable and timely manner. The laboratory-developed tests (LDTs) that we commercialize are conducted in our primary facility in Phoenix, which is College of American Pathologists (CAP)-accredited and Clinical Laboratory Improvement Amendments (CLIA)-certified. We perform all laboratory procedures involved in our tests in this facility, starting with the receipt of a requisition form to the issuance of the final test result. Our proprietary diagnostic and prognostic tests are available for patients in all fifty states, including those that require specific, additional, out-of-state laboratory licenses or qualifications, such as New York, California, Pennsylvania, Maryland and Rhode Island.

Our laboratory facilities house all functions related to quality control and assurance, licensing, accreditation and regulatory compliance. Our Quality Management Program ensures the quality of our laboratory services and products through continuous monitoring of a broad range of key performance indicators (KPIs), including technical, customer service and cybersecurity metrics. Through this program, we promote adherence to validated standards and a philosophy of continuous improvement.

### Oversight and Compliance

We continually improve the effectiveness of our quality management system (QMS) and program using assessments, nonconforming events (NCE) management, corrective action, preventative action and continual improvement. The Laboratory Director is responsible for reviewing and evaluating the QMS based on input received from our Chief Operating Officer (COO) and feedback collected during monthly management reviews. The Laboratory Manager reviews quality data on a daily basis and conducts review sessions with the full staff each month. On a monthly basis, internal quality assessments are performed to evaluate essential quality processes, and external audits are conducted every two years by regulatory committees, such as CAP, to ensure compliance.

The guidelines and procedures utilized in our Quality Management Program are consistent with best practices in clinical laboratories, licensing and accrediting agencies. Where applicable, laboratory policies and procedures follow published, industry standard guidelines and recommendations from the College of American Pathologists (CAP), New York State Clinical Laboratory Evaluation Program (CLEP), the Clinical and Laboratory Standards Institute (CLSI), FDA Draft Guidance for Industry Bioanalytical Method Validations and the requirements of CLIA 88. All testing personnel fulfill CLIA requirements and have the documented education, skills, training and competency to perform their specific functions and duties. All employees also participate in continuing education as defined by the laboratory.

### Quality Management System

The laboratory QMS provides a process that functions like a feedback loop to direct and control the laboratory's standard practices:



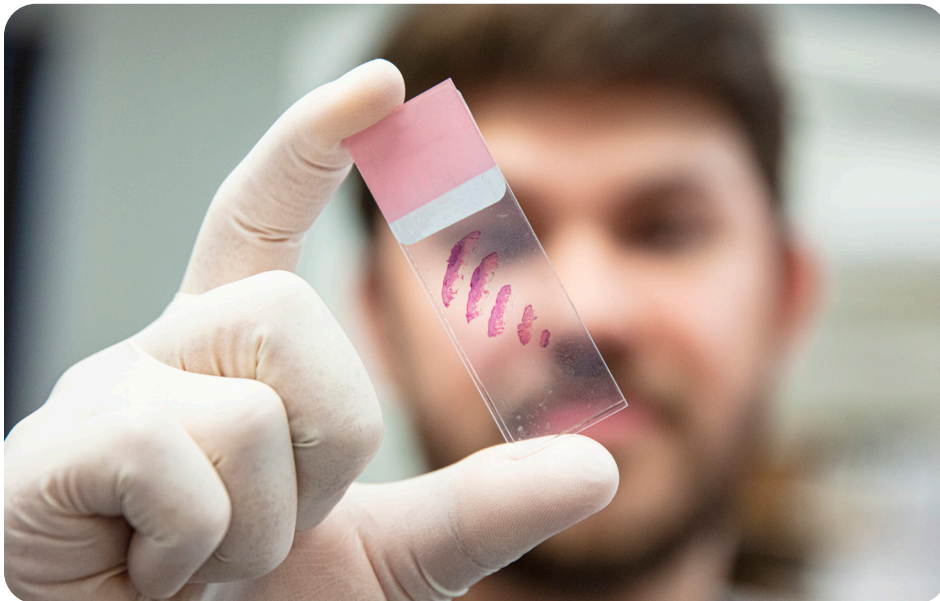
It establishes activities and mechanisms that allow for the effective identification of potential problems, objective assessment of the cause of any identified problems, implementation of actions designed to eliminate such problems and documentation of laboratory activities to ensure the highest quality of patient care.



The QMS directs and controls the laboratory with regard to quality. This system includes the organizational structure, resources, processes and procedures needed to implement quality management throughout the testing process in the laboratory.

### **Specimen Collection and Processing**

The achievement of quality laboratory test results is dependent upon the integrity of the specimen collection and handling processes. We have a documented procedure describing methods for patient identification, specimen preparation and collection, labeling, specimen storage and transportation conditions. Any issues with this process are promptly identified and corrective action is taken. Generally, specimens that do not meet outlined specifications, or are not processed according to established policies, are rejected, and the client is notified. Exceptions may be made on a case-by-case basis as determined by the Laboratory Director and/or Medical Director(s). In these scenarios, the final report will be reported with a disclaimer, as appropriate, to advise the provider to interpret the results with discretion.



Complaints and nonconformance event (NCE) report logs are reviewed for increased frequency of repeated specimens, unacceptable specimens, frequent additional specimen requests, patient or practitioner complaints/questions or error corrections involving specimen accessioning, handling or labeling. Issues are thoroughly investigated system-wide, root causes are identified and corrective action is taken and monitored.

### **Accuracy of New Testing Procedures**

To ensure the accuracy of new testing procedures, systematic clinical and analytical (method) validations of each new test are performed. Using samples with known outcomes, the assay is evaluated for specificity (false positive results) and sensitivity (false negative results) during clinical validation. Additionally, during analytical validation, the method is evaluated to ensure the accuracy and specificity of the analytical procedures with precise agreements utilizing known sample controls. We strive to ensure that all relevant validation protocols have been followed and that the appropriate laboratory procedures, quality assurance monitors and quality control procedures have been established before a new testing procedure is introduced.

### **CUSTOMER SATISFACTION**

Ensuring all patients are cared for, and that the clinicians who order our tests are satisfied, is important to us. We monitor satisfaction through our Reimbursement and Sales teams as well as through customer feedback surveys.

Our Clinical Services department tracks feedback regarding billing, online portal usage and customer service. We conduct a customer satisfaction survey every two years, as required by CAP, to better understand our customer base (primarily clinicians), what services they use and how we can better meet their needs.

Our latest survey results indicated a significant majority of Castle's service users are satisfied with the spectrum of relevant indicators. We identified two areas to place additional focus based on our customers' desire for a better explanation of our billing policy and their lack of awareness of our online results portal. To better articulate the billing policy, our Reimbursement and Sales teams came together to determine how to best tackle this topic in a meaningful and effective way. The second area of focus was the limited awareness of our online results portal, which we use to quickly and efficiently share results with the clinicians who order our tests. As a result of the survey feedback, we designed and initiated an awareness campaign to promote use of the portal and streamline the experience. We also provided our Sales team with more robust training on the portal so they were more equipped to discuss it with clinicians.

Due to COVID-19, in 2020 we conducted a customer survey aimed at better understanding patient flow during the pandemic, rather than assessing satisfaction. We developed and distributed a new customer satisfaction survey in late 2021 and will be compiling the results prior to year-end.

## ENGAGING WITH OUR COMMUNITY

At Castle, we partner with a variety of organizations who share our passion for skin health. Every quarter, Castle engages with our local communities in Phoenix, Houston and in the communities where our remote employees live through outreach events, patient programs and educational events.

Patient advocacy is at the center of our community engagement strategy, and we are proud to work alongside some of the leading skin cancer organizations, including but not limited to the Melanoma Research Foundation (MRF), Colorado Melanoma Foundation, American Skin Association, American Academy of Dermatology (AAD), A Cure In Sight and Outrun the Sun. We partner closely with these organizations to not only sponsor events and key fundraisers targeted at the patient groups who benefit from our tests, but also to participate in valuable educational programs that bring awareness to the importance of sun safety and the early detection of skin cancer. We are also a proud member of the AAD Corporate Partner Circle, which is the American Academy of Dermatology's highest level of corporate recognition.

### CASE STUDY: The Sun Bus

In partnership with the Colorado Melanoma Foundation, Castle sponsors a mobile classroom and clinic called The Sun Bus to bring free skin exams and sun safety education across the southwestern United States. In addition to attending community events throughout Colorado, Texas, New Mexico and Arizona, The Sun Bus also provides fun and engaging educational activities about sun safety and skin health at Colorado K-12 schools. Castle is excited to continue to partner with The Sun Bus team to expand melanoma research initiatives and continue to increase the knowledge and awareness of this deadly cancer.



## Frameworks and Standards

This report has been prepared in accordance with the Sustainability Accounting Standard Board (SASB) and, in preparing this report, we also used the Global Reporting Initiative (GRI) to help us identify and understand financially relevant ESG topics.

### SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

The below table incorporates the accounting standards for the biotechnology and pharmaceuticals industry and the health care delivery systems industry from the Sustainability Accounting Standards Board (SASB). It includes references to sections within this report where specific topics are discussed.

### SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS: BIOTECHNOLOGY AND PHARMACEUTICALS, HEALTH CARE DELIVERY

TOPIC	ACCOUNTING METRIC	SASB CODE	ESG REPORT REFERENCE AND COMMENTS
Safety of Clinical Trial Participants	Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials	HC-BP-210a.1	Safety of Clinical Studies
	Number of FDA Sponsor Inspections related to clinical trial management and pharmacovigilance that resulted in: (1) Voluntary Action Indicated (VAI) and (2) Official Action Indicated (OAI)	HC-BP-210a.2	
	Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries	HC-BP-210a.3	
Access to Medicines	Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index	HC-BP-240a.1	Access and Affordability
	List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)	HC-BP-240a.2	
Affordability & Pricing	Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period	HC-BP-240b.1	Access and Affordability
	Percentage change in: (1) average list price and (2) average net price across U.S. product portfolio compared to previous year	HC-BP-240b.2	
	Percentage change in: (1) list price and (2) net price of product with largest increase compared to previous year	HC-BP-240b.3	

TOPIC	ACCOUNTING METRIC	SASB CODE	ESG REPORT REFERENCE AND COMMENTS
<b>Drug Safety</b>	List of products listed in the Food and Drug Administration's (FDA) MedWatch Safety Alerts for Human Medical Products database	HC-BP-250a.1	Product Quality and Safety
	Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System	HC-BP-250a.2	
	Number of recalls issued, total units recalled	HC-BP-250a.3	
	Total amount of product accepted for take-back, reuse, or disposal	HC-BP-250a.4	
	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	HC-BP-250a.5	
<b>Counterfeit Drugs</b>	Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting	HC-BP-260a.1	<i>Not applicable to our business</i>
	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	HC-BP-260a.2	
	Number of actions that led to raids, seizure, arrests, and/or filing of criminal charges related to counterfeit products	HC-BP-260a.3	
<b>Ethical Marketing</b>	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	HC-BP-270a.1	Ethical Marketing
	Description of code of ethics governing promotion of off-label use of products	HC-BP-270a.2	
<b>Employee Recruitment, Development &amp; Retention</b>	Discussion of talent recruitment and retention efforts for scientists and research and development personnel	HC-BP-330a.1	Talent Recruitment and Development
	(1) Voluntary and (2) involuntary turnover rate for: (a) executives/senior managers, (b) mid-level managers, (c) professionals, and (d) all others	HC-BP-330a.2	
<b>Supply Chain Management</b>	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in the Rx-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for integrity of supply chain and ingredients	HC-BP-430a.1	Supply Chain Management
<b>Business Ethics</b>	Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery	HC-BP-510a.1	Business Ethics and Compliance
	Description of code of ethics governing interactions with health care professionals	HC-BP-510a.2	



TOPIC	ACCOUNTING METRIC	SASB CODE	ESG REPORT REFERENCE AND COMMENTS
<b>Energy Management</b>	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	HC-DY-130a.1	Environment
<b>Waste Management</b>	Total amount of medical waste, percentage (a) incinerated, (b) recycled or treated, and (c) landfilled	HC-DY-150a.1	Waste Management
	Total amount of: (1) hazardous and (2) non-hazardous pharmaceutical waste, percentage (a) incinerated, (b) recycled or treated, and (c) landfilled	HC-DY-150a.2	
<b>Patient Privacy &amp; Electronic Health Records</b>	Percentage of patient records that are Electronic Health Records (EHR) that meet "meaningful use" requirements	HC-DY-230a.1	Data Security and Patient Privacy
	Description of policies and practices to secure customers' protected health information (PHI) records and other personally identifiable information (PII)	HC-DY-230a.2	
	(1) Number of data breaches, (2) percentage involving (a) personally identifiable information (PII) only and (b) protected health information (PHI), (3) number of customers affected in each category, (a) PII only and (b) PHI	HC-DY-230a.3	
	Total amount of monetary losses as a result of legal proceedings associated with data security and privacy	HC-DY-230a.4	
<b>Access for Low-Income Patients</b>	Discussion of strategy to manage the mix of patient insurance status	HC-DY-240a.1	Access and Affordability
<b>Pricing &amp; Billing Transparency</b>	Description of policies or initiatives to ensure that patients are adequately informed about price before undergoing a procedure	HC-DY-270a.1	Access and Affordability
	Discussion of how pricing information for services is made publicly available	HC-DY-270a.2	
	Number of the entity's 25 most common services for which pricing information is publicly available, percentage of total services performed (by volume) that these represent	HC-DY-270a.3	
<b>Employee Health &amp; Safety</b>	1) Total recordable incident rate (TRIR) and (2) days away, restricted, or transferred (DART) rate	HC-DY-320a.1	Employee Health and Safety
<b>Fraud &amp; Unnecessary Procedures</b>	Total amount of monetary losses as a result of legal proceedings associated with Medicare and Medicaid fraud under the False Claims Act	HC-DY-510a.1	Business Ethics

## FORWARD-LOOKING STATEMENTS

*The information in this report contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning Castle’s ability to improve the lives of patients with skin cancer and other dermatologic conditions, maintain a low employee turnover rate, build upon its existing diversity, equity and inclusion strengths, provide access to life-changing information through its genomic tests, Castle’s continued prioritization of safety, compliance and quality assurance and its ability to continue operating under the highest ethical standards, Castle’s participation with various partners related to educational and outreach programs to promote the importance of sun safety and the early detection of skin cancer, as well as the effectiveness of such programs, Castle’s ability to operationalize its ESG goals and objectives as well as this ESG plan’s ability to create value for Castle’s patients, employees, communities, stockholders and other stakeholders, the continued growth of the Castle team, the roles of its board of directors, including committee chairpersons and appointed officers responsible for the implementation of Castle’s ESG plan, the ability of Castle’s IT Security Program to improve decision making and improve outcomes, Castle’s supply chain management process, Castle’s recycling and waste management policies, Castle’s ability to create a culture of transparency, teamwork and profession growth, Castle’s ability to continue to offer competitive benefits and compensation packages, the effectiveness of Castle’s training and safety programs, Castle’s ability to make its test accessible and affordable and to ensure that its clinical studies are safe for participants, and Castle’s continued committed to working with insurance providers to remove burdens placed on patients and its ability to continue offering an industry-leading patient assistance program. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the effects of the COVID-19 pandemic on our business and our efforts to address its impact on our business, Castle’s inability to continue providing the aforementioned benefits to patients and providers, implement its ESG plan efficiently and effectively, and the risks set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements, except as may be required by law.*