



ISSUE BRIEF

Healthcare Distributors and Corporate Environmental Sustainability

HDA 



Healthcare Distributors and Corporate Environmental Sustainability

February 2023

Table of Contents

SUMMARY	2
BACKGROUND	3
QUANTIFYING THE IMPACT	3
SUSTAINABILITY REPORTING	5
CHALLENGES TO IMPLEMENTING ENVIRONMENTAL SUSTAINABILITY INITIATIVES IN THE HEALTHCARE SECTOR	6
MULTIPLE FRAMEWORKS	6
STRATEGIC PRIORITIES	7
ACCOUNTABILITY AND MEASUREMENT	7
MONITORING AND PUBLIC SCRUTINY	8
REGULATORY MECHANISMS	8
COMPARISON OF HDA MEMBER ACTIVITIES	8
AREAS OF ALIGNMENT	8
DIFFERENCES IN APPROACHES.....	9
GUIDING PRINCIPLES FOR SUSTAINABILITY	11
OPPORTUNITIES TO SUPPORT ENVIRONMENTAL SUSTAINABILITY INITIATIVES AMONG HEALTHCARE DISTRIBUTORS	12
APPENDIX 1: COMPARISON OF CARBON REDUCTION PLANS BY SELECT HDA MEMBERS	13

Summary

In recent years, public and private healthcare organizations have increasingly highlighted environmental responsibility as an area of focus. The global community's growing concern with climate change, along with consumers' heightened expectations of corporate social responsibility, have accelerated this trend. This shift in public interest has been paralleled with a regulatory spotlight on measuring and curbing emissions and pollution. Together, these factors have accelerated the development and implementation of environmental sustainability initiatives as part of corporate environmental, social and governance (ESG) responsibility plans. In particular, carbon emissions reduction has emerged as a strategic environmental sustainability goal for many healthcare organizations. Measuring and mitigating the impact of distribution on the climate and environment are critical to the healthcare sector's overall approach toward creating a sustainable, equitable and resilient supply chain.

Distributors play an essential role as the backbone of the healthcare supply chain by purchasing lifesaving pharmaceuticals and healthcare products from nearly 1,500 manufacturer suppliers, inventorying and warehousing those products and ultimately delivering them directly to more than 330,000 sites of care. To move 10 million medicines, vaccines and healthcare products each day to providers (and subsequently patients) the industry is highly dependent on transportation — shipping its products by rail, truck, auto and air — and strategically located storage and distribution centers. These functions significantly contribute to greenhouse gas emissions.

This issue brief summarizes how the healthcare sector's contributions to global greenhouse gas emissions are qualified and quantified, its perceived progress in decarbonization and the challenges to implementing sustainability initiatives within the sector. To better illuminate the unique challenges of distributors, this brief includes a profile of the efforts of five Healthcare Distribution Alliance (HDA) members with established environmental sustainability programs: Cardinal Health, Cencora, Henry Schein, McKesson and Medline.

HDA recommends that conversations about distributors and environmental sustainability initiatives account for the critical role the industry plays in public health and healthcare security and resilience; variations in distributor size; service lines and geographic footprints; and organizational capacity to track, report and lower emissions.



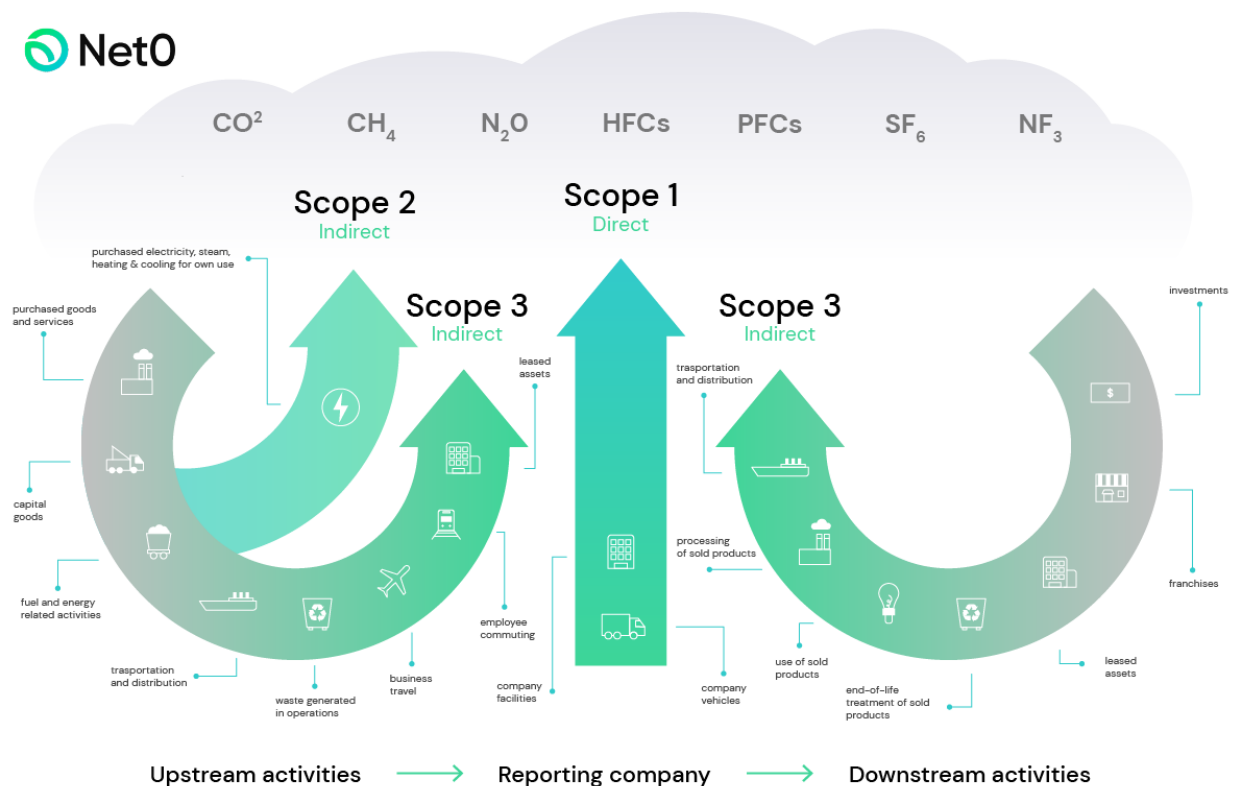
Background

Quantifying the Impact

The healthcare sector's understanding of its environmental "footprint" is evolving. Efforts to quantify and characterize the sector's impact have focused on measuring greenhouse gas (GHG) emissions and comparing emissions of the healthcare sector to other sectors. The [Greenhouse Gas Protocol](#) provides a set of internationally accepted standards for the accounting and reporting of GHG emissions.¹ GHG emissions are [classified](#)² as:

- Scope 1—Direct emissions from the reporting entity's owned or controlled sources;
- Scope 2—Indirect emissions from reporting entity's purchased electricity, heating and cooling; and,
- Scope 3—Indirect emissions that result from the reporting entity's activities, but come from sources owned or controlled by other entities.

UNDERSTANDING SCOPE 1, 2, 3 EMISSIONS



Source: "Carbon Accounting: What Are Scope 1, 2, and 3 Emissions?" Net0, May 4, 2022, <https://net0.com/blog/scope-1-2-3-emissions>.

[Science-based targets \(SBTs\)](#) are goals set by companies and achieved through clearly defined pathways to align with the Paris Agreement and prevent the worst impacts of climate change.³ SBTs show organizations how much and how quickly they need to reduce their GHG emissions to prevent the worst effects of climate change. Strategies for reaching these targets might be related to adaptation or efforts taken to adjust policies and practices for current and future effects of climate change and other environment and mitigation, including efforts to make the impact of human activity on the environment less severe.

¹ Ranganathan, Janet, Bhatia Pankaj, and World Business Council for Sustainable Development (WBCSD). "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard." Accessed May 26, 2022. <https://ghgprotocol.org/corporate-standard>.

² Ranganathan, Janet, et al.

³ "Science Based Targets Initiative." Science Based Targets. Accessed June 3, 2022. <https://sciencebasedtargets.org/>.

Assessments indicate that the global healthcare sector is a major GHG emitter. If the global healthcare sector were a country, it would be [the fifth-largest GHG emitter on the planet](#).⁴ The U.S. healthcare sector alone produces [25 percent of total healthcare sector emissions worldwide](#).⁵ Domestically, the healthcare sector is responsible for [8.5 percent](#) of carbon emissions nationwide.⁶ Specifically, the healthcare supply chain falls into the category of Scope 3 emissions and accounts for approximately [80 percent](#) of the sector's overall emissions.⁷ As a part of that supply chain, healthcare distribution contributes to the sector's emissions primarily due to the logistics and transportation required to deliver products to customers' facilities each day.

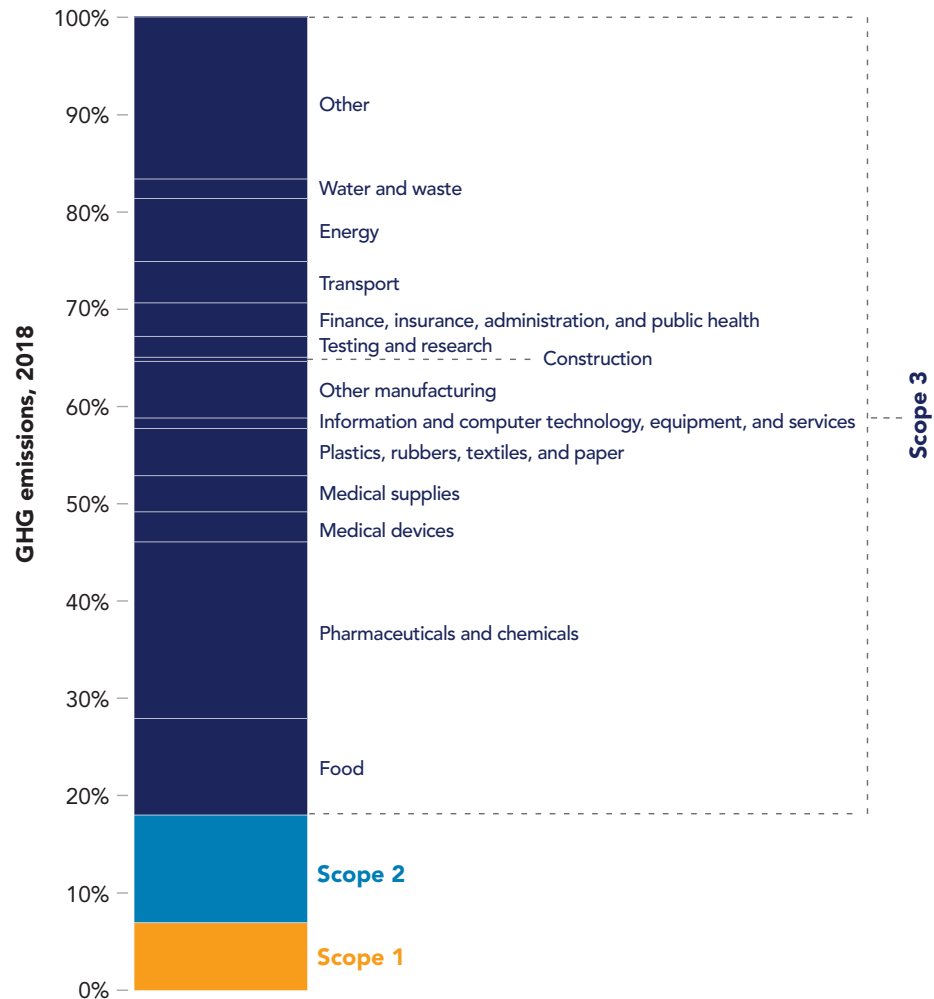
If the global healthcare sector were a country, it would be the **fifth-largest** GHG emitter on the planet.

The U.S. healthcare sector alone produces **25%** of total healthcare sector emissions worldwide.

Domestically, the healthcare sector is responsible for **8.5%** of carbon emissions nationwide.

Within the healthcare sector, the supply chain as a whole falls into the category of Scope 3 emissions and accounts for approximately **80%** of the sector's overall emissions.

BREAKDOWN OF HEALTHCARE SECTOR EMISSIONS BY SCOPE



Sources: Eckelman, Matthew J., Kaixin Huang, Robert Lagasse, Emily Senay, Robert Dubrow, and Jodi D. Sherman. National health expenditure data extracted from National Health Expenditure Accounts from 2010 to 2018 (Centers for Medicare and Medicaid Services, note 16 in text); and dynamic GHG emission factors extracted from the Environmental Protection Agency's US Environmentally-Extended Input-Output model (USEEIOv2) for 2010–16 and extended to 2018 by mapping 2016–18 changes in the Inventory of U.S. Greenhouse Gas Emissions and Sinks (note 22 in text) to specific sectors in the USEEIOv2. NOTES Scope 1 is direct emissions from health care facilities, Scope 2 is emissions from direct purchases of energy, and Scope 3 is all other supply-chain emissions. Health care–related GHG emissions are listed for the nation (left y axis) and per capita (right y axis) in carbon dioxide equivalents (CO₂e).

4 Karliner, Josh, and Scott Slotterback. 2019. "Health Care's Climate Footprint." Health Care Without Harm. https://noharm-global.org/sites/default/files/documents-files/5961/HealthCaresClimateFootprint_090619.pdf.
 5 Eckelman, Matthew J., et al.
 6 Dzau, Victor J., Rachel Levine, George Barrett, and Andrew Witty. 2021a. "Decarbonizing the U.S. Health Sector — A Call to Action." *New England Journal of Medicine* 385 (23): 2117–19. <https://doi.org/10.1056/NEJMp2115675>.
 7 Dzau, Victor J., Rachel Levine, George Barrett, and Andrew Witty.

A [2020 research article](#) that included an analysis of 2018 emissions by industry found the electricity sector was the largest source of U.S. healthcare greenhouse gas emissions.⁸ It was followed by basic organic chemical manufacturing; other important contributing sectors included truck transportation, beef production, waste management, grain cultivation and plastics manufacturing.⁹

Sustainability Reporting

The growing awareness of the role of GHG emissions in climate change and the [negative impact](#) on public health has [increased pressure](#) on healthcare sector organizations to fulfill their health-focused missions through responsible and sustainable business practices.^{10, 11} Data about an entity's environmental, social and governance (ESG) practices allow investors and consumers to understand progress toward goals and identify potential risks and opportunities. There is no universal ESG disclosure and reporting standard, initiative, framework or guideline. Many companies implement one or several voluntary reporting frameworks to determine which ESG issues to disclose and the form the disclosure takes. For most, the determination of an appropriate option is based on 1) how widely it is used in the sector, 2) if it fits the needs and interests of the industry, 3) if it meets the demands of stakeholders and 4) if it is useful to for strategic decision-making. Globally popular options include [CDP](#) (formerly known as the Carbon Disclosure Project), [Global Reporting Initiative](#) (GRI), [Sustainability Accounting Standards Board](#) (SASB) and [Task Force on Climate-related Financial Disclosures](#) (TCFD).

Popular in the healthcare sector, [CDP](#) is a not-for-profit charity that runs the global disclosure system for companies to manage their environmental impact.¹² The CDP scoring system measures companies' comprehensiveness of disclosure, awareness and management of environmental risks and best practices associated with environmental leadership, such as setting ambitious and meaningful targets. CDP [scores](#) companies to incentivize and encourage environmental transparency and action.¹³ In a 2021 post-disclosure survey by CDP, 87 percent of responding companies agreed that disclosing to CDP helped their organization increase their environmental impact transparency.¹⁴

While the healthcare sector is actively responding to recent calls to action to decarbonize, it is still perceived to lag other sectors on sustainability reporting and meeting targets. Research suggests that major healthcare corporations [generally provide less](#) environmental sustainability and corporate social responsibility reporting when compared to similar-sized organizations in other industries.¹⁵ The reporting disparity is likely related to [a few reasons](#), including:

- The large regulatory and reporting burdens on healthcare organizations;
- The rapid pace of mergers and acquisitions in the sector, which pose challenges in emissions accounting;
- A misconception that sustainability efforts are expensive and burdensome, when in fact they may result in cost savings;
- The healthcare industry lacking a developed collaboration structure that can be observed in other industries; and,
- The likelihood that healthcare leaders will be recruited from within the sector due to highly specialized nature of the business, which may result in leadership with less awareness of environmental innovation in other industries.¹⁶

For the portion of the healthcare industry that has set emission reduction targets, those efforts are less likely to be on track when compared to other industries. For example, long-term emission reduction efforts for the biotech, healthcare and pharma industries are on track [approximately 50 percent of the time, with](#)

8 Eckelman, Matthew J., et al.

9 Eckelman, Matthew J., et al.

10 Eckelman, Matthew J., and Jodi D. Sherman. 2018. "Estimated Global Disease Burden from US Health Care Sector Greenhouse Gas Emissions." *American Journal of Public Health* 108 (S2): S120–22. <https://doi.org/10.2105/AJPH.2017.303846>.

11 Karliner, Josh, and Scott Slotterback. 2019. "Health Care's Climate Footprint."

12 "CDP Homepage." Accessed October 4, 2022. <https://www.cdp.net/en>.

13 "CDP Scores." Accessed September 12, 2022. <https://www.cdp.net/en/scores>.

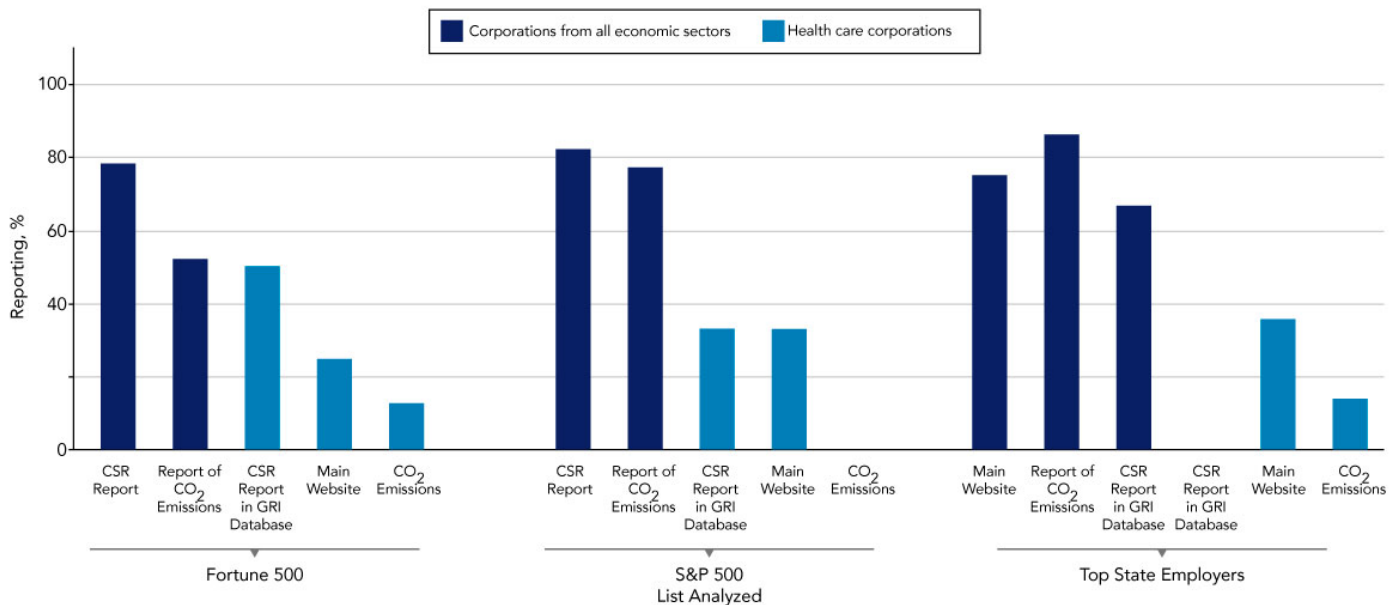
14 "2021 CDP Post-Disclosure Survey as Cited by CDP Website." Accessed September 12, 2022. <https://www.cdp.net/en/companies>.

15 Senay, Emily, and Philip J. Landrigan. 2018. "Assessment of Environmental Sustainability and Corporate Social Responsibility Reporting by Large Health Care Organizations." *JAMA Network Open* 1 (4): e180975. <https://doi.org/10.1001/jamanetworkopen.2018.0975>.

16 Senay, Emily, Todd Cort, William Perkison, Jasminka Goldoni Laestadius, and Jodi D. Sherman. n.d. "What Can Hospitals Learn from The Coca-Cola Company? Health Care Sustainability Reporting." *NEJM Catalyst* 3 (3): CAT.21.0362. <https://doi.org/10.1056/CAT.21.0362>.

other industries estimated as high as 85 percent.¹⁷ Together, these data highlight an opportunity for many healthcare organizations to incorporate sustainability measurements and initiatives as an organizational priority.

COMPARISON OF REPORTING AND DISTANCE TO TARGET BY SECTOR



Sources: Emily Senay, MD, MPH, and Philip J. Landrigan, MD, MSc; 2016 Fortune 500, S&P 500, and Forbes 100 Charities; June 2016 largest employer in every state was compiled by 24/7 Wall St. Corporate social responsibility (CSR) data for companies on the 2016 S&P 500 list were obtained from the Governance & Accountability Institute, Inc and from the Carbon Disclosure Project. Data for companies on the 2016 Fortune 500 were compiled by CSRHub. Data from the the Global Reporting Initiative (GRI) database and corporate websites of all health care corporations were from the authors' analysis. CO₂ indicates carbon dioxide; S&P, Standard & Poor.

Challenges to Implementing Environmental Sustainability Initiatives in the Healthcare Sector

Several factors influence environmental sustainability initiatives within the healthcare sector and for the healthcare distribution industry specifically. Because distributor organizations have a wide range of sizes, service lines and geographic footprint, it is important that conversations about decarbonization and distributors account for the critical roles they play in public health, healthcare security and resilience. Additionally, conversations must account for the wide variation of HDA member profiles and their capacity to track, report and lower their emissions.

Multiple Frameworks

As carbon reduction efforts gained traction across the private sector, multiple third-party organizations developed emissions measurement and reporting frameworks, each with unique terminology, metrics, data collection guidelines and reporting requirements. In recent years, the healthcare sector began coalescing around a set of guidelines that most closely align with the operational realities of the industry. CDP (Carbon Disclosure Project) and Science Based Targets initiative have emerged as the most used third-party organizations for carbon-emission reduction efforts in the healthcare sector. In addition, the Sustainability Accounting Standards Board (SASB) developed the [Healthcare Distributors Standards](#)— guidance specifically aimed at the healthcare distribution subsector.¹⁸ The lack of a standard framework for carbon reduction initiatives makes it difficult to compare across companies within an industry, across industries within a sector or across sectors.

¹⁷ Banchik, Leonardo, Giulia Siccario, and Werner Rehm. 2021. "On Target: How to Succeed with Carbon-Reduction Initiatives." McKinsey & Company. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/on-target-how-to-succeed-with-carbon-reduction-initiatives#>.
¹⁸ Sustainability Accounting Standards Board. n.d. "SASB Health Care Distributors Industry Brief." Accessed September 21, 2022. <https://www.sasb.org/wp-content/uploads/2019/08/SASB-Health-Care-Distributors-Industry-Brief.pdf>.

Strategic Priorities

All industries must balance a need to invest in carbon reduction initiatives that can be implemented quickly with measurable impact (i.e., “quick wins”) to demonstrate their commitment as well as long-term, resource-intensive initiatives that result larger reductions. Many members of the healthcare sector, and specifically its supply chain industries, are in the early stages of developing formal environmental sustainability strategies. For example, establishing baseline emission measures and setting reduction goals is of high value to developing a meaningful strategy, but can be a lengthy and resource intensive process. However, the healthcare sector is under intense scrutiny, faces higher expectations and has limited resources. These challenges run parallel to the ongoing COVID-19 pandemic and continued response as well as various supply chain disruptions. However, members of the healthcare sector do benefit from the flexibility of being able to select the approach and standard that most closely aligns with their industry and business model. HDA believes that autonomy is crucial for distributors to be able to make meaningful environmental sustainability commitments and to fully realize initiatives that make those commitments a reality.

Accountability and Measurement

Most discussions about decarbonization of the overall healthcare sector place healthcare systems as the reporting entities. As such, healthcare supply chain emissions are classified as Scope 3 for the healthcare sector. As an emissions-reporting entity, healthcare systems can lower Scope 3 emissions by leveraging their purchasing power to hold distributors accountable to sustainability targets. The Scope 3 emissions of one entity are the Scope 1 and 2 emissions of another entity. Like other industries that have a physical product and supply chain, Scope 3 emissions represent the bulk of the carbon footprint for healthcare distributors. Distributors can assess their own Scope 1, 2 and 3 emissions, set targets and leverage their position in the value chain to incentivize emissions reduction among Scope 3 entities upstream and downstream of their position in the supply chain.

While HDA members acknowledge that many of their partnerships (e.g., third-party logistics, purchased goods and services, employee commuting costs) are relevant to their total emission figure, the distributor organizations highlighted in this brief primarily focused on tracking and implementing initiatives that reduce their Scope 1 and 2 emissions. Distributors are currently working to better understand and identify methods to lower their respective Scope 3 emissions.

For most industries, Scope 3 emissions are difficult to measure. High-quality data on type or volume for each of the 15 [categories of Scope 3 emissions](#)¹⁹ (see Table 1) are not readily available to the reporting entity. The healthcare supply chain includes thousands of specialized suppliers, manufacturers and distributors, who themselves partner with other third-party entities to store, transport, distribute and dispose of supplies, equipment and waste through processes that must meet established regulations. To move 10 million medicines each a day, the industry is highly dependent on transportation, shipping its products by rail, truck, auto, air and on strategically located storage and distribution centers, all of which significantly contribute to GHG emissions. Smaller companies that rely on leased spaces or vehicles may find it more difficult to track and manage emissions.

TABLE 1. CATEGORIES OF SCOPE 3 EMISSIONS

- Business travel
- Capital goods
- Employee commuting
- End-of-life treatment of sold products
- Franchises
- Fuel- and energy-related activities
- Investments
- Leased assets (downstream)
- Leased assets (upstream)
- Processing of sold products
- Purchased goods and services
- Transportation and distribution (downstream)
- Transportation and distribution (upstream)
- Use of sold products
- Waste generated in operations

¹⁹ Barrow, Martin, Benedict Buckley, Tom Caldicott, Tom Cumberlege, John Hsu, Scott Kaufman, Kevin Ramm, David Rich, and Will Temple-Smith. 2013. “Scope 3 Calculation Guidance.” *Greenhouse Gas Protocol* (blog). 2013. <https://ghgprotocol.org/scope-3-technical-calculation-guidance>.

Monitoring and Public Scrutiny

Organizations developing sustainability initiatives find that such efforts are increasingly scrutinized. Third-party organizations closely monitor corporate environmental sustainability initiatives to ensure that environmental sustainability plans are substantial rather than being merely “greenwashing” efforts. Some corporate sustainability pledges can lack substance or rely too much on purchasing carbon offsets, which are considered impermanent. There is a risk that good faith sustainability efforts may generate criticism of not going far enough to curb emissions.

Regulatory Mechanisms

Transparency is also a focus at the regulatory level. The Securities and Exchange Commission (SEC) is currently evaluating [proposed regulations](#) that would require publicly traded companies to disclose data on GHG emissions and climate-related risks and would standardize such disclosures.²⁰ If approved, these regulations would bring about an even higher level of scrutiny to corporate environmental and sustainability efforts. HDA provided [feedback](#) on the proposed SEC disclosure rules and generally supports the standardization of climate data reporting.²¹ However, HDA requested that the SEC incorporate a certain level of flexibility regarding reporting frameworks to account for the variety of ways in which distributors and other members of the healthcare supply chain are structured and operated, rather than a one-size-fits-all approach.

Comparison of HDA Member Activities

HDA members serve as the vital link in a sophisticated supply chain: supporting manufacturers, healthcare providers and the government by ensuring the safe and efficient movement of medical products nationwide. While the sector is highly integrated, it comprises companies that range in size, scope and structure, from large, multinational, public companies to small, regional, privately owned organizations.

Public documents from five HDA members were used to compare corporate environmental sustainability efforts (see Appendix A). All five companies have established corporate responsibility and/or environmental sustainability plans, meaning they have:

- Developed a corporate strategy;
- Created or are in the process of forming organizational targets; and,
- Are implementing various initiatives that align with their company’s approach.

However, the specific strategies of each of these companies and their progress toward implementing and achieving those plans varies. The comparison table in Appendix A provides an overview of each company’s carbon reduction efforts, a description of the accountability model for planning and implementation, existing assessment findings, current reduction targets and reporting practices and examples of key initiatives.

Areas of Alignment

The HDA member companies compared in this section are in the process of implementing a similar sustainability-focused strategic planning process: acknowledging the importance of sustainability, planning and measuring their environmental footprint through an independent framework, setting targets, and planning and implementing initiatives to achieve those goals. The specific areas of alignment are described below.

- **Corporate Governance:** Sustainability efforts are typically overseen by the board of directors through a governance committee. At the executive level, most of these member organizations have created a vice-president-level position that oversees sustainability functions (e.g., chief impact officer, VP of corporate responsibility and sustainability). Additionally, each company uses cross-divisional sustainability committees (e.g., sustainability council, environmental impact council) to

²⁰ “SEC.Gov | SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors.” Accessed September 9, 2022. <https://www.sec.gov/news/press-release/2022-46>.

²¹ Healthcare Distribution Alliance, “Re: Healthcare Distribution Alliance’s Comment in Response to The Enhancement and Standardization of Climate-Related Disclosures for Investors, File No. S7-10-22,” June 16, 2022, <https://www.sec.gov/comments/s7-10-22/s71022-20131601-301973.pdf>.

disseminate information on new initiatives across the organization. Such multidisciplinary teams infuse sustainability efforts throughout the company. These groups also serve to inform the development of new initiatives through feedback from operational leaders and those on the front lines.

- **Organizational Targets and Timing:** All five companies are committed to setting SBTs for reducing GHG emissions, meaning they partner with the Science Based Targets initiative to develop a significant reduction goal in line with the goals of the Paris Agreement. At the time of publication, all companies' targets were under development. Most of the companies expected to announce SBTs by the end of 2023, with a near-term target date of 2030 and a long-term target of 2050.
- **Focus Areas:** Purchasing renewable energy emerged as the top priority for these five companies. Each indicated a shift toward more efficient energy management at their facilities through initiatives ranging from resource intensive [e.g., solar panel installation, pursuit of Leadership in Environmental Design (LEED) certifications for new construction organization-wide energy audits] to simpler but still consequential changes (e.g., retrofitting buildings to use LED lighting, installing automating light and HVAC controls). Waste management was identified as the secondary priority for the five companies. Specific initiatives included waste reduction and recycling as well as implementing reusable packaging totes to replace cardboard shipping containers. Companies further along in the sustainability process have begun redesigning their product packaging to use more sustainable materials and to be transported more efficiently.
- **Engagement with Customers and Suppliers:** Because healthcare distributors play the unique role as connectors, they are poised to drive sustainability efforts not only within their organization, but also by leveraging their supplier and customer relationships. On the supplier end, the five companies have incorporated sustainability into their supplier code of conduct, ensuring that sustainability is prioritized by their procurement partners. The companies amplified their efforts by leveraging their customer relationships to provide education on environmentally responsible product choices, developing and promoting waste reduction programs that are easy to implement and launching new service lines focused on reusable equipment.

Differences in Approaches

There are differences in the five HDA member companies' approaches to environmental sustainability, most which relate to the relative maturity of their environmental sustainability efforts.

- **Metrics versus Implementation:** Most companies have focused on measuring their carbon emissions, establishing goals for reduction and participating in CDP reporting. Some organizations, however, have chosen to implement sustainability and waste-reduction initiatives throughout their organization, ahead of committing to a larger reporting and reduction framework. In some cases, the success of these original sustainability programs built momentum for the organization to devote more resources to a formal, company-wide environmental sustainability platform, including setting SBTs.
- **Use of Risk Assessment and Scenario Analysis:** Companies with more established programs — meaning those which have outlined corporate-wide carbon reduction targets, timelines and implementation plans — are more likely to have incorporated climate change and climate-related disasters into their corporate strategy plans. As part of these processes, companies may have participated in [climate-related scenario analysis](#)²² as part of their strategic plans and CDP response process to determine their company's level of risk to a set of "[plausible future states](#)."²³ Other organizations, however, have not yet completed a formal, climate-related risk assessment process.
- **Prioritization of Conservation Efforts:** Companies with a manufacturing arm prioritize water conservation as a pillar of sustainability efforts. In contrast, for distributor-only organizations, water usage is not a large environmental impact driver.

²² "Scenario Analysis Tool - CDP." Accessed September 22, 2022. <https://www.cdp.net/en/companies/scenario-analysis-tool>.

²³ "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities." TCFD Knowledge Hub. Accessed September 22, 2022. <https://www.tcfidhub.org/scenario-analysis/>.

- **Pursuit of Certifications and Environmental Designations:** Companies with mature programs are likely to have pursued international environmental management certifications for their organization or their facilities, such as International Standard Organization (ISO) or LEED.
- **Creation of Sustainability-related Business Lines:** While some companies have chosen to incorporate sustainability and emissions reduction into their existing business lines, others have chosen to leverage the focus on sustainability to develop new business lines that focus on providing environmentally focused services to their existing clients.

HDA MEMBERS' SUSTAINABILITY EXAMPLES

1. Incorporating Climate Adaptation into Business Strategy: Cencora
Cencora has completed business risk assessments to understand the potential impact of climate-related disasters (e.g., hurricanes, floods) on business operations. The company is incorporating these analyses into future strategic and business operations planning.²⁴

2. Partnering with Clients: Henry Schein
Driving sustainability and lowering environmental impact can be a shared priority of distributors and their customers. Henry Schein partners with dental customers and encourages them to “go green” through its participation in the American Association of Dental Office Management Green Leader Initiatives. By providing guidance and support to its clients on how to select environmentally friendly products and how to reduce office waste, Henry Schein magnifies its sustainability impact across the globe.²⁵

3. Developing Sustainable Packaging: Medline
Medline developed a cross-functional team that redesigned packaging for the company’s products and the materials used for product distribution.²⁶ Within the first year the company’s initiatives resulted in a reduction in packaging waste of over 400,000 pounds. As a result, Medline’s Sustainable Packaging Lab was recognized with a 2021 Sustainability, Environmental Achievement and Leadership (SEAL) Business Sustainability Award in the category of environmental initiatives.²⁷

4. Efficient Routes to Decrease Fuel Use: McKesson
McKesson uses route optimization software in the United States and Europe to identify the most fuel-efficient routes for its delivery fleet. This technology allows McKesson to fulfill its delivery commitments to customers, while increasing the efficiency of its delivery fleet and reducing costs and emissions.²⁸

5. Enterprise Goal Setting: Cardinal Health
Data show that companies that develop [aggressive sustainability targets are more likely to improve their environmental performance](#).²⁹ Cardinal Health is leveraging the power of ambitious targets through its goal of reducing its Scope 1 and 2 emissions by 50 percent by 2030. This target aligns Cardinal Health with the [White House Health Sector Climate Pledge](#), which Cardinal Health joined in September 2022.³⁰

24 “Amerisource Bergen CDP Response 2021.” 2021. https://s27.q4cdn.com/189772748/files/doc_downloads/committees_documents/2021/08/2021-AmerisourceBergen-CDP-Response_FINAL.pdf.

25 “Henry Schein 2021 Sustainability and Corporate Social Responsibility Report.” Accessed September 8, 2022. <https://www.henryschein.com/us-en/images/corporate/2021CSRReport.pdf>.

26 Medline Newsroom Staff, “Medline Receives 2021 SEAL Award for Environmental Initiatives,” 2021, <https://newsroom.medline.com/social-responsibility/medline-receives-2021-seal-award-for-environmental-initiatives/>.

27 “Medline Corporate Social Responsibility Report 2021.” Accessed August 25, 2022. <https://www.medline.com/media/assets/pdf/2021-Medline-CSR-Report.pdf>.

28 “McKesson FY21 Sustainability Impact Report.” n.d. Accessed September 29, 2022. <https://www.mckesson.com/About-McKesson/Impact/>.

29 Banchik, Leonardo, Giulia Siccardo, and Werner Rehm. 2021. “On Target: How to Succeed with Carbon- Reduction Initiatives.”

30 The White House, “FACT SHEET: Health Sector Leaders Join Biden Administration’s Pledge to Reduce Greenhouse Gas Emissions 50% by 2030,” n.d., <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/30/fact-sheet-health-sector-leaders-join-biden-administrations-pledge-to-reduce-greenhouse-gas-emissions-50-by-2030/>.

Guiding Principles for Sustainability

Healthcare distributors have an important stake in the political, social and commercial factors that shape the healthcare supply chain, and, in turn, affect the environment and human health. As a critical link between nearly 1,500 manufacturers and more than 330,000 sites of care, distributors must balance multiple priorities (including resilience, sustainability, equity) while also providing safe and reliable medicine and healthcare product deliveries across the nation. HDA and its members promote multiple principles that support environmental sustainability efforts and to help guide both HDA member companies and other relevant actors interested in expanding their sustainability initiatives.

HDA understands the importance of long-term strategies to navigate carbon reduction and climate resilience to support both individual entities and the healthcare sector as a whole. New climate realities will exert additional demands and stressors on the healthcare supply chain, such as more frequent and more impactful crises caused by extreme weather. Hurricanes, floods and other weather events can potentially damage parts of the supply chain in both the short and long-term.

- HDA promotes the adoption of long-term strategic resilience and climate-adaptation techniques. While reducing the carbon footprint of the healthcare sector is an important and necessary step, adapting to new climate realities will be just as important to ensure continuity of care.
- HDA supports distributor organizations' efforts to address climate-related risks through the development of mitigation and contingency plans. Such plans can be implemented to maintain efficient operations during and in the aftermath of adverse weather events.

HDA believes that supply chain organizations should take measures appropriate to their scope and structure to ensure transparency across their targets, programs, progress and struggles. Doing so will help their organizations and other members of the healthcare sector identify areas for improvement and future steps in their sustainability programming. Maintaining transparency can also allow for stronger inter- and cross-sectoral partnerships to be forged. Through data transparency, organizations will be better able to identify overlapping interests and areas for collaboration.

- HDA supports ongoing efforts of healthcare sector actors to provide information to CDP and urges those organizations not currently providing relevant information to begin doing so.
- HDA supports a flexible regulatory reporting framework that accounts for differences in organizational operational structures.

HDA believes that creating and maintaining proper partnerships (especially with the public sector) is important for ensuring the engagement of partners across and outside of the healthcare sector each step of the way. Such partnerships can help clarify the capabilities and roles of every actor involved in the supply chain.

- HDA is committed to supporting distributors in effecting change as they set their own internal environmental sustainability goals and design solutions for core distribution elements, like transportation, energy use and packaging and waste management.
- HDA supports policy cooperation between members and outside organizations, including those with established environmental sustainability programs, those currently in the process of forming them or those who currently do not have such programs.
- HDA believes that close cooperation on environmental sustainability can benefit the entire healthcare sector in setting, achieving and exceeding goals as well as creating meaningful, long-term solutions.

Opportunities to Support Environmental Sustainability Initiatives among Healthcare Distributors

As environmental awareness and public interest grows, the healthcare sector will continue to make progress toward sustainability goals. The healthcare sector has already begun to coalesce on efforts to reduce emissions. The most notable example is the National Academy of Medicine's Action Collaborative on Decarbonizing the U.S. Health Sector. The Collaborative seeks to align public and private organizations on strategies to reduce the climate impact of the U.S. health industry by developing shared commitments from healthcare supply chain, delivery and provider organizations on areas including policies and metrics. HDA participates on the Collaborative's steering committee and work groups to represent the distribution perspective and share lessons learned from the successes that distributors have achieved to date.

Evolving SEC disclosure regulations are likely to accelerate the implementation of emissions measurement and reduction initiatives. As a result, it is imperative for all actors on the healthcare supply chain to begin the development and implementation of carbon reduction strategies. Companies that are deliberate in the creation and pursuit of sustainability goals will benefit in terms of regulatory compliance and public perception and from increased resilience to disasters and disruptions in the face of growing climate concerns.

There are opportunities for individual healthcare distributors to enhance sustainability efforts at their own organization. For these efforts to be successful, each organization should acknowledge the importance of sustainability, assess their environmental footprint, set realistic targets and plan and implement initiatives to achieve their goals. Given the aforementioned range of HDA member companies, several considerations must be made. Organizations must determine whether to align with a third-party carbon reduction reporting mechanism and commit resources toward the completion. Companies that commit to developing SBTs have a period of two years to complete the submission and validation process. This is a resource intensive process that may not be accessible to HDA members. Additionally, healthcare organizations will need to select the scope of their sustainability efforts, choosing whether to focus exclusively on their own emissions, partner with suppliers and customers to amplify their environmental impact or a mix of the two. Finally, each organization should identify the best implementation strategy within their organization, whether to design and implement a company-wide plan or focus on a specific division or specific geographic area.



Even with the successful implementation of various climate mitigation strategies, healthcare sector organizations and the customers they serve will continue to face certain inevitable effects of climate change. A [2022 examination of the U.S. healthcare infrastructure](#) found that while nearly all health care systems queried had experienced interruptions to operations due to extreme weather events, only a little more than a third said they had implemented formal climate action or preparedness plans (CAPPs).³¹ For distributor organizations to continue playing the vital role within the healthcare supply chain, it will be necessary for companies to begin developing climate-adaptation strategies that can help their organizations anticipate and cope with future climate threats. Such adaptation strategies could involve preparation around people (e.g., proactive workforce training to operate during an adverse weather response); processes (e.g., developing alternate delivery routes for areas known to be at risk); or places (e.g., retrofitting or relocating storage locations); among others. Distributor organizations will need to conduct risk assessments to identify those areas of their operations where they are and will be vulnerable to climate-related events and where the impact of those events can most effectively be adjusted or mitigated.

³¹ House Ways & Means Committee, "Health Care and the Climate Crisis: Preparing America's Health Care Future," accessed December 7, 2022, <https://democrats-waysandmeans.house.gov/health-care-and-climate-crisis-preparing-americas-health-care-infrastructure>.

Distributors are poised to play a key role in the adoption of climate-adaptation strategies. The sector’s position within the supply chain gives the fruit of their labor high visibility to providers and manufacturers, which can help persuade these entities to adopt similar practices. Due to their interactions with and knowledge of the everyday operations of other supply chain actors, distributors are uniquely qualified to aid other healthcare supply chain partners to form climate adaptation strategies of their own. Furthermore, due to their close interactions with them, providers and other healthcare supply chain partners may observe successful strategies that distributors use and then adopt them for their own use. For example, distributors preparing countermeasures in areas at risk of extreme weather events or other disruptions may inspire other actors active in the area to adopt or consult with distributors about forming similar strategies. Additionally, some actors on the healthcare supply chain may wish to coordinate their adaptation and mitigation strategies with the distributors they work with. Doing so could strengthen both actor’s efforts via sharing information or resources while also providing newer or smaller partners with their counterpart’s existing adaptation strategy’s structure and expertise. Finally, if distributors employ climate mitigation and adaptation strategies, then the entire healthcare supply chain will become more resilient. Because distributors occupy such a central role on the supply chain, their adoption of climate and disaster adaptation strategies — from preparing alternative delivery routes to weatherizing essential infrastructure — allows them to help other supply chain actors to continue to operate effectively during and in the aftermath of disruptions.

Finally, distributors can further enhance their own climate-adaptation strategies. Distributors should devote adequate focus to climate resilience and adaptation efforts to protect and build their own capabilities. The growing occurrence of both extreme weather events and pandemics will certainly stress the healthcare supply chain, with unique pressure felt by the healthcare distributors at its center. By continuing to bolster their climate-adaptation programs, distributors will improve their ability to meet future challenges as well as support the entire healthcare sector during future crises.

Appendix 1: Comparison of Carbon Reduction Plans by Select HDA Members

Comparison Legend

Who	Which company is being reviewed?
Overview	Summary of the company’s carbon reduction efforts as gleaned from public documents
Governance	Where does the responsibility for sustainability initiatives lie at the board and senior executive levels? Is there an enterprise-wide group to share sustainability efforts across divisions?
Risk Assessment/ Standards	Has the company undertaken a climate change risk assessment or committed to a specific reporting framework?
Disclosures	What data does the company presently disclose?
GHG Reduction Targets	What reduction targets has the company committed to and over what period? Were these targets developed in conjunction with a third-party organization to ensure they are science based (most frequently the Science Based Targets initiative or SBTi)
Initiatives and Certifications	What are the specific activities that the company is undertaking to reduce emissions? Has the company, its headquarters or warehouses achieved any sustainability certifications?

Cardinal Health

Overview

Environmental strategy includes climate risk assessment through outside experts and a near-term GHG reduction goal.

Governance

- Board: Governance and Sustainability Committee
- Executive: Chief Legal and Compliance Officer
- Company-wide ESG Governance Committee composed of CEO and senior business and functional executives

Risk Assessment/Reporting Standards

- Scenario analysis completed in FY2021
- Reporting Guidelines Followed: Global Reporting Initiative Standards (Core) Task Force on Climate-related Financial Disclosures and Sustainability Accounting Standards Board Health Care Distributors Standards

Disclosures

- Annual emissions/ energy consumption disclosure through CDP by country and division
- Also discloses energy usage, water usage, waste and recycling

GHG Reduction Targets

- Fifty percent reduction of Scope 1 and 2 emissions by FY30 (as compared to FY19)
- Scope 3 measurement in progress
- Publicly committed to setting a science-based target
- Signed White House Climate Pledge to reduce greenhouse gas emissions by 50 percent by 2030

Environmental Initiatives and Certifications

- Engaged stakeholders to identify environmental sustainability priority areas: climate change and energy use, efficient transport and logistics and operations and facilities management
- Collects climate information as part of supplier bids
- Includes environmental responsibility in Vendor Code of Conduct Policy
- Implemented Total Waste Management reduction program and packaging reduction programs
- Launched Sustainable Technologies — reprocessing of single-use medical devices
- Headquarters fully powered by renewable electricity in 2022
- Focus on efficient lights, purchasing renewable energy
- ISO 14001:2015 and 45001:2018 certifications at 21 sites

Sources

"Cardinal Health CDP Climate Change 2020 Response." 2020. Accessed December 7, 2022. <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-cdp-climate-change-response-2020.pdf>

"Cardinal Health FY21 Corporate Citizenship Report." 2021. Accessed December 7, 2022. <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-fy21-corporate-citizenship-report.pdf>

"Cardinal Health FY21 Task Force on Climate-Related Financial Disclosures Report." 2021. Accessed December 7, 2022. <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-fy21-ccr-tcf-report.pdf>

"Cardinal Health Goal Setting: GHG Emissions." Accessed December 7, 2022. <https://www.cardinalhealth.com/en/about-us/corporate-citizenship/environmental-sustainability/ghg-emissions.html>

Overview

Strategy is focused on three main priorities: purpose-driven team members, resilient and sustainable operations and healthy communities for all. GHG reduction target is currently being validated by Science Based Targets initiative (SBTi). Robust reporting framework including independent assurance statements by third parties.

Governance

- Board Level: Governance, Sustainability and Corporate Responsibility Committee
- Executive Level: CFO, CAO, SVP Corporate Responsibility and Sustainability
- Global ESG Council — Senior management

Risk Assessment/Reporting Standards

- Assessment completed in FY21
- Reporting Guidelines Followed: Global Reporting Initiative Standards (Core), Task Force on Climate-related Financial Disclosures, Sustainability Accounting Standards Board Healthcare Distributor industry group standards, United Nations Sustainable Development Goals
- World Economic Forum Stakeholder Capitalism Metrics

Disclosures

- Annual emissions and energy consumption disclosure through CDP starting in 2016
- Non-hazardous waste disclosure (landfill, recycled or incinerated with energy recovery and incinerated without energy recovery)
- Hazardous waste
- Water consumption

GHG Reduction Targets

- Five percent reduction of Scope 1 and 2 emissions by FY22 (as compared to FY19 baseline)
- Formally committed to developing a reduction target in accordance with SBTi (target submitted and currently undergoing validation)
- Signed White House Climate Pledge to reduce greenhouse gas emissions by 50 percent by 2030

Environmental Initiatives and Certifications

- Utilizing risk assessment of top 100 locations to inform business strategy with regards to potential exposure to climate-related disasters
- Energy management: LED retrofitting, energy audits, building automation systems, goal of 3 percent of electricity from on-site renewables by FY20
- Waste management: sustainable packaging, use of reusable delivery containers, goal of removing single-use plastics and polystyrene foam from operations, reusable delivery totes, plant-based ice packs
- Resource efficiency in transportation: Works with transportation partners and couriers to optimize delivery routes and reduce miles driven; European pilot of zero emission electric vehicles
- Sponsored the planting of 22,000 trees with Trefadder
- Includes environmental stewardship and sustainability in supplier code of conduct
- Provides monetary incentives to business leaders that achieve emission reduction targets
- Maintains ISO 14001 certification of World Courier sites
- Achieved LEED certification at the Lash Group headquarters in Fort Mill, S.C. and pursuing LEED certification at Conshohocken, Pa. headquarters (opened in late 2021)

Sources

"Amerisource Bergen 2021 ESG Reporting Index." Accessed May 15, 2022. https://www.amerisourcebergen.com/-/media/assets/amerisourcebergen/pdf/AmerisourceBergen_2021_GS_ESG_reportingindex.pdf

Overview

McKesson launched a new ESG strategy in FY21, with climate as one of its three focus areas.

Governance

- Board Level: Governance Committee
- Executive Level: Chief Impact Officer
- Company-wide: Global Impact Organization, corporate sustainability and ESG team

Risk Assessment/Reporting Standards

- Plans to conduct ESG issues assessment in 2023
- Reporting Guidelines Followed: Global Reporting Initiative, Task Force on Climate-related Financial Disclosures, Sustainability Accounting Standards Board, and United Nations Sustainable Development Goals

Disclosures

- Annual emissions and energy consumption disclosure through CDP
- Annual waste data (recycled vs. landfill vs. hazardous) for U.S. and Europe

GHG Reduction Targets

- Europe carbon neutral goal by 2030 (reduction of 9 percent to date)
- Committed to developing reduction targets with SBTi by FY23

Environmental Initiatives and Certifications

- Public statement on climate change's impact on health published 2021
- Fuel consumption reduction using standard route optimization software, prioritizing the purchase of fuel-efficient vehicles including electric vehicles
- Pursuing LEED certifications for any newly constructed or renovated U.S. offices
- Focus on energy efficiency through lighting and HVAC retrofitting projects, which have already resulted in a decrease of 23 percent energy used for participating buildings
- Partners with suppliers by enacting McKesson Supplier Sustainability Principles to reduce the company's impact throughout the supply chain and encouraging suppliers to set their own Science Based Targets for emission reductions

Sources

"McKesson Commits to Set Science-Based Targets to Reduce Greenhouse Gas Emissions | McKesson." Accessed May 15, 2022. <https://www.mckesson.com/About-McKesson/Newsroom/Press-Releases/2021/McKesson-Commits-Set-Science-Based-Targets-Reduce-Greenhouse-Gas-Emissions/>.

"McKesson FY21 Sustainability Impact Report." Accessed September 29, 2022. <https://www.mckesson.com/About-McKesson/Impact/>.

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Henry Schein

Overview

Henry Schein has an established sustainability strategy. Current focus is to collect Scope 1, 2 and 3 emissions data globally and utilize those data to inform targets.

Governance

- Board: Nominating and Governance Committee, Audit Committee (progress reporting)
- Executive: VP of Corporate Social Responsibility
- Company-wide: Sustainability Committee (general ESG matters); Environmental Impact Council (greenhouse gas reduction and disclosure, waste reduction)

Risk Assessment/Reporting Standards

- No formal climate change risk assessment completed to date (Initial Task Force on Climate-related Financial Disclosures report 2021, scenario analysis planned for 2022)
- Reporting Guidelines Followed: Global Reporting Initiative, Sustainability Accounting Standards Board, United Nations Sustainable Development Goals, Task Force on Climate-related Financial Disclosures
- World Economic Forum's Stakeholder Capitalism Metrics initiative

Disclosures

- [CDP disclosures](#)
- Annual waste data (recycled vs. landfill vs. hazardous) for North America, Brazil, Europe (excluding UK), China, Australia and New Zealand

GHG Reduction Targets

- Commitment to set Science Based Targets initiative net-zero target by end of 2023
- Ultimate goal: Carbon neutral by 2050

Environmental Initiatives and Certifications

- Four focus areas: (1) Mitigating climate change; (2) Energy, water and materials efficiency; (3) Waste management; (4) Driving change through partners and suppliers
- Near-term initiatives (2025)
- Commitment to all-electric operations lift truck fleet in U.S. distribution centers, while upgrading high efficiency charging equipment from a 2019 baseline of 52 percent to 62 percent currently and increasing
- Increase North America recycling by 10 percent from 2020 levels
- Decrease landfill use by 5 percent vs. 2020 levels
- Fleet of Service Technicians: Over the next five years, will invest in technology to create more efficient routing of technicians and a reduction in mileage and GHG. Working with U.S. fleet providers to add first set of hybrid vehicles to service fleet in 2023
- Partners with customers to educate them on environmental conscious practices
- Packaging initiatives: focus on biodegradable, recycled, chlorine free and natural materials. Encourages supplier use of packaging fiber that is certified as sustainable, provides standardized recycling instructions to customers
- LEED-certified headquarters
- Automated energy-efficient lights, HVAC controls
- Efforts to collect and recycle batteries, fluorescent lights from team members
- Joined the Business for 1.5°
- Joined the World Economic Forum's Alliance of CEO Climate Leaders

Sources

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Medline

Overview

Medline has focused its sustainability strategy on renewable energy investments, as well as product and packaging innovations. It will transition to an ESG model beginning 2022.

Governance

- Board Level: General Counsel oversight, with regular board updates
- Executive: VP of Environmental, Social and Governance

Risk Assessment/Reporting Standards

- Past sustainability impact reports not aligned to third party framework; future reports will align to Sustainability Accounting Standards Board and Task Force on Climate-related Financial Disclosures

Disclosures

- Measures absolute emissions and emissions intensity (emissions compared to economic output)

GHG Reduction Targets

- Committed to developing near- and long-term reduction targets in accordance with SBTi for 2030 and 2050 (target not yet announced)

Environmental Initiatives and Certifications

- Sustainability strategy centered around partnering with health systems/customers around their sustainability challenges and developing business solutions that address these challenges, thereby amplifying the company's environmental impact.
- Reduces waste throughout the sector through the medical device reprocessing service line, as well as programs that utilize plastic totes instead of cardboard shipping and repurpose operating room towels for use by other industries
- Developed Green Portfolio to assist customers in selecting "green"/sustainable supplies.
- Launched a sustainable packaging lab, and was awarded a 2021 Sustainability, Environmental Achievement and Leadership (SEAL) award for its innovations.
- Renewable energy investments: solar installations in nine locations globally, tripling solar portfolio in Q1 2022
- Sustainable transportation: piloting fully electric fleet and utilizing technology for more efficient fuel usage
- Ninety-eight percent LEED Certified Distribution spaces
- ISO 14001 certifications in 10 sites as of 2022
- Transportation initiatives include piloting fully electric semitrucks and improving fleet fuel economy through the EPA SmartWay program

Source

Medline Corporate Social Responsibility Report 2021." Accessed August 25, 2022. <https://www.medline.com/media/assets/pdf/2021-Medline-CSR-Report.pdf>.



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