SASB STANDARDS
Now part of IFRS Foundation

Health Care Distributors

Sustainability Accounting Standard

HEALTH CARE SECTOR

Sustainable Industry Classification System® (SICS®) HC-DI

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS Sustainability

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ABOUT THE SASB STANDARDS

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards ("SASB Standards" or "Industry Standards"), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

Health Care Distributors purchase, inventory and sell pharmaceutical products and medical equipment to hospitals, pharmacies and physicians. Demand for the industry's services is driven largely by insurance rates, pharmaceutical spending, illness and demographics. The health care sector continues to face an emphasis on reduced costs and improved efficiencies, which also will affect the Health Care Distributors industry. Entities in this industry face challenges from consolidation and partnerships between pharmacies, payers and manufacturers.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Fleet Fuel Management	Payload fuel economy	Quantitative	Litres/RTK	HC-DI-110a.1
	Description of efforts to reduce the environmental impact of logistics	Discussion and Analysis	n/a	HC-DI-110a.2
Product Safety	Total amount of monetary losses as a result of legal proceedings associated with product safety [1]	Quantitative	Presentation currency	HC-DI-250a.1
	Description of efforts to minimise health and safety risks of products sold associated with toxicity/chemical safety, high abuse potential, or delivery	Discussion and Analysis	n/a	HC-DI-250a.2
Counterfeit Drugs	Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting	Discussion and Analysis	n/a	HC-DI-260a.1
	Discussion of due diligence process to qualify suppliers of drug products and medical equipment and devices	Discussion and Analysis	n/a	HC-DI-260a.2
	Discussion of process for alerting customers and business partners to potential or known risks associated with counterfeit products	Discussion and Analysis	n/a	HC-DI-260a.3
Product Lifecycle Management	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	HC-DI-410a.1
	Amount (by weight) of products accepted for take-back and reused, recycled, or donated	Quantitative	Metric tonnes (t)	HC-DI-410a.2
Business Ethics	Description of efforts to minimise conflicts of interest and unethical business practices	Discussion and Analysis	n/a	HC-DI-510a.1
	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices [2]	Quantitative	Presentation currency	HC-DI-510a.2

[1] Note to **HC-DI-250a.1** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

[2] Note to **HC-DI-510a.2** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of pharmaceutical units sold by product category	Quantitative	Number	HC-DI-000.A
Number of medical devices sold by product category	Quantitative	Number	HC-DI-000.B

Fleet Fuel Management

Topic Summary

The distribution of health care products and supplies requires significant transportation networks. Concern over climate change and dwindling natural resources may affect fuel pricing, and it may expose health care distributors to cost fluctuations. Entities that improve transportation efficiencies may be better positioned to create value over the long-term.

Metrics

HC-DI-110a.1. Payload fuel economy

1 The entity shall disclose its aggregate payload fuel economy for its transportation fleet.

2 The entity shall calculate payload fuel economy among its delivery fleet, limited to vehicles used for the delivery of products (excluding vehicles used primarily for the transportation of passengers).

2.1 The entity shall disclose payload fuel economy for vehicles it operates (for example, those it owns or leases long-term) and specify if all or a portion of its logistics operations are outsourced.

3 Payload fuel economy shall be calculated as: total litres of fuel consumed/revenue tonne-kilometres (RTK).

3.1 Payload includes the total weight of paid tonnage transported and excludes the vehicle weight.

3.2 Revenue tonne-kilometres (RTK) is computed by multiplying the vehicle-kilometres travelled on each leg (distance goods were transported) by the number of metric tonnes of revenue traffic (payload) carried on that leg.

4 The entity shall aggregate payload fuel economy for types of transportation, which include:

4.1 Air transportation

4.2 Marine transportation

4.3 Rail transportation

4.4 Road transportation

HC-DI-110a.2. Description of efforts to reduce the environmental impact of logistics

1 The entity shall describe the nature, scope and implementation of its programmes and initiatives to reduce the environmental impact of its logistics operations.

2 Relevant efforts to describe may include fleet upgrades (fuel efficiency), alternative or renewable fuels use, optimised logistics routes, and idling reduction programmes.

Product Safety

Topic Summary

Health Care Distributors are integral to the delivery of consumer health care products. The industry has a shared responsibility with manufacturers to ensure product safety and answer concerns related to toxicity. Further, Health Care Distributors face additional risks related to controlled substances and mislabelled products. Entities that improve safety or effectively manage other product concerns may better protect shareholder value.

Metrics

HC-DI-250a.1. Total amount of monetary losses as a result of legal proceedings associated with product safety

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with product safety.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall include legal proceedings associated with the enforcement of applicable jurisdictional laws or regulations.

Note to **HC-DI-250a.1**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, directions-for-use labelling or safety warning labelling) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to the legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

HC-DI-250a.2. Description of efforts to minimise health and safety risks of products sold associated with toxicity/chemical safety, high abuse potential, or delivery

1 The entity shall describe all relevant aspects, such as the structure, goals, implementation and scope, of efforts implemented to minimise the health and safety risks of the products it distributes.

2 Relevant risks to discuss may include those related to the toxicity of chemicals or materials in the products it distributes, those related to product use, and those related to customer product delivery.

2.1 Disclosure related to toxicity may include efforts to reduce the sale of products containing substances of very high concern.

2.2 Disclosure related to product use may include products that have a high potential for abuse or side effects.

2.3 Disclosure related to product delivery may include ensuring proper dosage is dispensed, products are labelled properly, and products are not reused on numerous patients when such reuse is inappropriate.

3 Relevant initiatives may include labelling, training, education and 'right-sizing' of packaged dosages.

Counterfeit Drugs

Topic Summary

The World Health Organization (WHO) estimates that counterfeit drugs represent more than 10% of the pharmaceutical supply chain in low- and middle-income countries. The issue of counterfeit or substandard medication also presents a significant risk in developed economies. Health Care Distributors may face added costs as applicable jurisdictional legal or regulatory authorities implement drug supply chain regulations to prevent counterfeit or mislabelled drugs from entering the pharmaceutical distribution system.

Metrics

HC-DI-260a.1. Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting

1 The entity shall discuss the type of technology used to maintain the traceability and serialisation of its products.

1.1 Traceability refers to the ability to track identifying information (for example, chemical composition, supplier, production date, production location or processing history) of a product throughout various stages of manufacturing and distribution such as raw material sourcing, manufacturing, distribution and retail.

2 The entity shall discuss other methods used to minimise the risk of counterfeit products entering the supply chain.

2.1 Counterfeit products are defined as drugs sold under a product name without proper authorisation. Counterfeiting can apply to both brand name and generic products, if the source identity is mislabelled in a way that suggests the imitation drug is the authentic, approved product. Counterfeit products may include products that lack the active ingredient, contain an insufficient or excessive quantity of the active ingredient, contain the wrong active ingredient, or have fake packaging.

3 Relevant processes to discuss may include:

3.1 vendor inspection and supply chain audits;

3.2 traceability, radio frequency identification (RFID) tagging and bar code systems;

3.3 participation in industry partnerships and initiatives, such as audit sharing programmes;

3.4 implementation of alert systems;

3.5 training programmes for pharmacists and other supply chain employees;

3.6 coordination with law enforcement;

3.7 customer feedback tools; or

3.8 purchasing directly from the manufacturer.

HC-DI-260a.2. Discussion of due diligence process to qualify suppliers of drug products and medical equipment and devices

1 The entity shall discuss its processes for identifying, screening and approving product suppliers.

2 The entity shall discuss the use of processes, which may include:

2.1 questionnaires;

2.2 codes of conduct;

2.3 inspections or audits;

2.4 third-party certifications for good manufacturing practices (GMP); and

2.5 third-party certifications for quality management systems.

3 The entity may briefly discuss its screening requirements related to environmental, social and governance (ESG) issues.

HC-DI-260a.3. Discussion of process for alerting customers and business partners to potential or known risks associated with counterfeit products

1 The entity shall discuss how it alerts customers and business partners to potential or known risks associated with counterfeit products.

1.1 Customers may include patients and physicians.

1.2 Business partners may include suppliers, wholesalers, retailers and hospitals.

1.3 Counterfeit products are defined as drugs sold under a product name without proper authorisation. Counterfeiting can apply to both brand name and generic products, where the source identity is mislabelled in a way that suggests the imitation drug is the authentic, approved product. Counterfeit products may include products that lack the active ingredient, contain an insufficient or excessive quantity of the active ingredient, contain the wrong active ingredient, or have fake packaging.

2 The scope of the disclosure shall include recommended actions for the respective parties to minimise risks of counterfeiting.

3 The scope of the disclosure shall include a description of the entity's mechanisms for product recall.

Product Lifecycle Management

Topic Summary

Health Care Distributors have a responsibility to reduce the environmental impact of the products that they distribute. Specific opportunities to address these impacts exist in product packaging and take-back programmes. Entities that manage these concerns properly may meet customer demand and reduce associated costs more effectively.

Metrics

HC-DI-410a.1. Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle

1 The entity shall describe policies, initiatives, designs or vendor requirements related to reducing the environmental impact of the packaging of the products it distributes throughout its lifecycle, such as optimising packaging weight and volume for a given application or using alternative materials, including those that are recycled, recyclable, reusable, compostable or degradable.

2 The entity shall disclose the degree of control or influence it has over primary, secondary and tertiary packaging choices.

2.1 Primary packaging is defined as the packaging designed to come into direct contact with the product.

2.2 Secondary packaging is defined as the packaging designed to contain one or more primary packages together with any protective materials, if required.

2.3 Tertiary packaging is defined as the packaging designed to contain one or more articles or packages, or bulk material, for the purposes of transport, handling or distribution. Tertiary packaging is also known as ‘distribution’ or ‘transport’ packaging.

3 Where the entity has direct control over packaging choices, relevant efforts to describe may include:

3.1 dematerialisation;

3.2 using recycled content materials;

3.3 using certified paper products;

3.4 designing packaging with materials that can be readily recycled or composted;

3.5 using packaging strategies that allow for consolidated shipping; and

3.6 shipping products in reusable containers.

4 Where the entity does not have direct control over packaging choices of the products it distributes, the entity may describe vendor requirements that relate to efforts to reduce the environmental impacts of packaging.

5 The entity may include quantitative measures of performance with respect to waste reduction strategies, which may include:

5.1 percentage reductions in weight;

5.2 number of times containers are reused before disposal or recycling; and

5.3 the ratio of packaging to product weight.

HC-DI-410a.2. Amount (by weight) of products accepted for take-back and reused, recycled, or donated

1 The entity shall disclose the weight, in metric tonnes, of the products that it accepted for take-back and then reused (refurbished), recycled or donated.

1.1 The scope of the disclosure shall include drugs and medical devices and supplies.

1.2 The scope of the disclosure shall exclude products accepted for take-back but ultimately discarded as waste.

1.2.1 The entity may disclose if it reclaimed any products that it was unable to recycle or reuse because proper, safe disposal was necessary (for example, mercury-containing products, sharps and expired drug products).

1.3 The amount shall be calculated as the weight of material reused plus the weight of material recycled or remanufactured (through treatment or processing) plus the weight of material donated.

2 The entity may disclose separately the weight, in metric tonnes, of (a) drugs and (b) medical devices and supplies it accepted for take-back and then reused (refurbished), recycled or donated.

3 The entity may describe programmes and initiatives it implements, or funds in which it participates related to product take-back for end-of-life management of its products.

Business Ethics

Topic Summary

Health Care Distributors are subject to various jurisdictional laws and regulations regarding false marketing claims, bribery, corruption and other unethical business practices. Entities that ensure compliance with relevant regulations may avoid litigation, which could result in costly fines or settlements.

Metrics

HC-DI-510a.1. Description of efforts to minimise conflicts of interest and unethical business practices

1 The entity shall describe the content of its code of conduct related to corruption, bribery or other unethical business practices, which may include:

1.1 business competition;

1.2 business intelligence;

1.3 interactions with government officials; and

1.4 marketing.

2 The entity shall describe the scope of its code of conduct related to corruption, bribery or other unethical business practices, which may include:

2.1 the type of staff to which the code of conduct relates; and

2.2 the percentage of staff to which the code of conduct relates.

3 The entity shall discuss the scope, degree and frequency of mechanisms to ensure compliance with its code, which may include education and training.

4 The entity shall discuss mechanisms of enforcement of its code of conduct, which may include:

4.1 compliance or review committees;

4.2 implementation of corrective action when the code is violated; and

4.3 inspection.

HC-DI-510a.2. Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with bribery, corruption or ethical business regulations.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall include legal proceedings associated with the enforcement of applicable jurisdictional laws or regulations.

Note to **HC-DI-510a.2**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud or false claims) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to the legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

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