



Scope 3 Emissions – A Strategic Imperative for Pharma Companies

(Source: A Staff Article by PharmaTimes)

Pharma has traditionally lagged other industries in emissions commitments, but market pressures from customers and regulators have contributed to attention on reducing emissions. Today, 13 of the top 20 pharma companies (by revenue) have committed to net zero; among these, over half made their commitments in the past three years.

Scope 3 covers a wide range of emissions that are not directly owned or controlled by a pharma company, both upstream (i.e., pre-production, such as emissions from suppliers) or downstream (i.e., post-production, such as emissions from the disposal of a company's products) along the value chain.

In line with the growing focus on the connection between climate and health, stakeholders in the healthcare industry are increasingly seeking to decarbonize wherever possible. Reducing emissions is becoming a core priority of many organizations that seek to serve as stewards of human health. These Scope 3 emissions reductions are becoming not only an environmental imperative, but a strategic one as well. Pharma companies that implement emissions reduction initiatives in the near term will likely be able to recognize commercial and operational co-benefits that drive competitive advantage.

Recently, Scope 3 emissions reductions have shifted into focus, partially in response to regulatory and market access-based pressures. The number of pharmaceuticals, biotechnology and life sciences companies making Science Based Targets initiative (SBTi) commitments (i.e., committing to reduce emissions or setting specific reduction targets) has increased exponentially over the past five years, from one company – Novo Nordisk – in 2018 to over 180 companies by the end of 2023.

While these commitments indicate a positive trend, only a fraction of these companies have made net-zero commitments validated by SBTi's, which require companies to explicitly identify Scope 3 emissions hotspots and to commit to specific near-term and long-term reductions.

Without validated targets, broader emissions commitments are unlikely to drive substantial change in Scope 3 emissions. Beyond the environmental imperative to reduce Scope 3 emissions, there is also a strategic imperative – pharma companies that undertake efforts to reduce Scope 3 emissions can receive a number of benefits that drive value for their business.

To reduce upstream and downstream emissions, pharma companies need greater visibility into their supply chains. With greater oversight comes a co-benefit of improving operational efficiency, as pharma companies are able to obtain supply chain data more easily and make more informed operational decisions.

A related co-benefit of more supply chain visibility is greater oversight of supplier behaviors; with more insight into suppliers' activities, pharma companies are better able to partner with them

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- ◆ **Sigma Healthcare** announced its financial results for the full year ended 31 January 2024 with net revenue of AU\$3.3 billion (US\$ 2.02 billion) down 9.2% (due to the disposal of its hospital distribution business and a drop in sales of rapid antigen tests.) Sigma's CEO, *Vikesh Ramsunder*, said, "With our operating performance strong, we have been able to drive efficiencies across our business, reducing total operating costs by 10.7% after absorbing merger proposal costs, providing a catalyst for our current and future financial performance...the company-wide simplification program and divestment of non-core assets has delivered a leaner operating model."

- ◆ *Sebastian Guth* has been appointed as **Bayer's** chief operating officer in an effort to unify Bayer's global pharma operations. This will end the current regionally fragmented decision-making in Bayer's pharma division, with Guth overseeing operations across global markets, and charged with reviving revenue and profitability growth. Guth will continue to report to *Stefan Oelrich*, president of Bayer's pharma division and a member of Bayer's board. Separately, Bayer and **Thermo Fisher Scientific** announced a collaboration to develop next-gen sequence-based companion diagnostic assays. These will help identify patients who may benefit from Bayer's growing portfolio of precision cancer therapies by offering genomic testing and rapid turnaround time.

- ◆ **Eli Lilly's** CEO, *David Ricks* has re-emphasized the company's commitment to the Chinese market, expressing a "willingness to increase investment in China and reinforce R&D cooperation." He outlined the company's commitment during a meeting with China's Commerce Minister, *Wang Wentao*. Wang, highlighting China pharma market as a broad space with room for Lilly and other multinational companies,

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How Amazon is Using AI for Same-Day Drug Delivery in the U.S.

(Source: An article by Heather Landi for Fierce Healthcare)

Amazon Pharmacy announced expanded same-day medication delivery service to New York City and Los Angeles, with plans to add a dozen more U.S. cities by the end of the year.

Amazon's pharmacy business plans to use environmentally friendly delivery vehicles, including e-bikes and electronic vans, with a strategy to pick the "best delivery method at each location to get prescriptions to customers," executives said.

Customers in New York City and the Los Angeles area who need medication to manage flu, high blood pressure, diabetes, and other common conditions can now get their medications delivered to their door within hours, according to the company. Amazon Pharmacy already offers same-day delivery of prescription medication services in Austin, Indianapolis, Miami, Phoenix, and Seattle.

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and hold them accountable for their actions.

Developing products and medical devices that have a reduced environmental impact requires investments that may lead to product differentiation. These product changes reduce the carbon footprint of the product by about 75% while improving the user experience – a change that likely would not have been prompted without the initial Scope 3 reduction imperative. As a result, Scope 3 reduction efforts have a strong potential to drive product innovation and differentiation.

As governments and private companies continue to encourage sustainability, there is increasing potential for better market access and pricing for lower-emission drugs. For example, the Nordic Pharmaceutical Forum, which represents Denmark, Finland, Iceland, Norway and Sweden, has established a joint tender agreement, which provides incentives such as price premiums to drug manufacturers that can meet stringent environmental criteria.

The Nordic region has long had a high degree of influence on European policymaking, implying that such ESG requirements for pharmaceutical procurement are likely to influence how other countries will develop their own procurement systems in the coming years. Reducing Scope 3 emissions will position pharma companies well to take advantage of this potential co-benefit.

A pharma company can derive marketing and branding benefits from reducing its emissions as well. For example, while climate-friendly inhalers are not yet commercialized, pharma companies like GSK have issued press releases announcing their initiatives to reduce environmental impact of disposable inhalers, signaling to the market their commitment to sustainability.

Further, Sanofi's *2023 Road to Net Zero Factsheet* acknowledges that, 'environmental awareness has significantly increased among customers, investors, and society in general. Not complying with sustainability expectations and requirements bears severe financial and reputational risks for Sanofi.'

So long as companies avoid greenwashing, being able to communicate the efforts taken to reduce Scope 3 emissions is likely to positively impact a pharma company's image among patients, prescribers and the broader market.

Emissions reduction efforts take substantial time to implement. Given many pharma companies have emissions target deadlines approaching in the next five to ten years, it is essential that companies initiate Scope 3 emissions reduction efforts in the near term. In the coming years, reducing Scope 3 emissions will become more than a requirement for pharma companies — it will become a strategic imperative, driven by co-benefits such as supply chain visibility, product differentiation, and potential for preferred market access and pricing.

Amazon (cont.)...

In October, the company launched drone delivery for prescription medication orders with the service initially taking flight in College Station, Texas.

"By bringing Amazon Pharmacy's deliveries into our existing world-class logistics network, Amazon is building the fastest and most convenient service for the home delivery of prescription medications," said Doug Herrington, CEO of Worldwide Amazon Stores.

Amazon Pharmacy is modernizing the home-delivery

experience by reducing delivery speeds to hours in some cases. The company claims it outperforms the industry standard of up to two weeks.

The online retail giant unveiled Amazon Pharmacy in November 2020 after it acquired PillPack in 2018. The company has been using its logistics and supply chain muscle to make it faster and easier for patients to get their prescription medications and speed up "triage to treatment," executives said in previous interviews.

Dr. Vin Gupta, chief medical officer for Amazon Pharmacy, says faster treatment and elimination of extended wait times for medicines is critical to provide better care for patients.

"The current pharmacy experience is broken, with patients facing long pharmacy lines and unexpected prices at the counter," Gupta said. "Amazon Pharmacy is tapping its world-class logistics network, along with a variety of cutting-edge technologies, to change that."

Artificial intelligence (AI) has become the buzzword in healthcare, but Amazon Pharmacy is integrating generative AI, machine learning and new technologies in its pharmacy operations with the goal of getting prescriptions filled more quickly and accurately.

AI can streamline prep work that historically would take hours down to minutes or even less, and reduce administrative errors, noted Kelvin Downes, director of fulfillment for Amazon Pharmacy.

AI is helping Amazon Pharmacy be "smarter" with its last-mile distribution capabilities, Gupta noted.

"There is often a delay simply on ingesting a prescription from provider to pharmacy to then physically get it out and dispense it, the processing time," Gupta said. There is a lot of unstructured information with medical scripts, including directions from the prescriber."It's on the processing time that we are really leaning heavily into generative AI," he said. "We're trying to remove as much operator error and decoding of a script as possible to process these scripts as fast as possible. We're making this process safer, not just faster."

The use of generative AI has helped Amazon Pharmacy increase processing speed by more than 90%, according to Gupta.

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said he hopes Lilly will continue to invest in China and introduce more drugs to the Chinese market.

- ◆ **Pfizer** is set to reduce its stake in **Haleon** from 32% to 24% by selling 630 million shares in a public offering, according to Haleon officials. The shares, valued at approximately US\$2.6 billion, will help Pfizer reduce its debt after its US\$43 billion acquisition of **Seagen**. It will also allow the company to increase returns to shareholders. Haleon will repurchase shares worth approximately US\$401 million from Pfizer.

- ◆ Japan's **Ministry of Health, Labor and Welfare (MHLW)** unveiled the new NHI prices to be applied under the FY2024 drug price revision in the official gazette on March 5th. Overall, drug prices will be cut 4.67% on a drug spending basis, or -4.00% on a market price basis, effective April 1. The government has previously said that the drug price revision rate in FY2024 would be -0.97% on healthcare spending basis, but the newly revealed rate works out to -0.85% on a healthcare spending basis.

(Sources: Company Press Releases, Drug Store News, FiercePharma, Pharma Japan and World Pharma News)