



Summary of Consultation with Key Stakeholders

Health Care Sector

Biotechnology & Pharmaceuticals Industry

Medical Equipment & Supplies Industry

Health Care Delivery Industry

Health Care Distributors Industry

Managed Care Industry

Drug Retailers Industry



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Introduction

Although evidence-based research provides a foundation for the Sustainability Accounting Standards Board's (SASB's) standard-setting process, its outcomes are shaped in large part by feedback from participants in the capital markets—primarily corporate issuers and mainstream investors. By providing ongoing and meaningful opportunities for communication and input, the SASB leverages the expertise of its stakeholders and facilitates a collaborative approach to establishing a market standard that more effectively responds to the needs of market participants.

The SASB actively solicits input and carefully weighs all stakeholder perspectives in considering which aspects of a sustainability topic warrant standardized disclosure and in determining how to frame, describe, and measure those aspects for the purposes of standardization. This market feedback helps the SASB better meet its core objectives of delivering material, decision-useful, cost-effective disclosures to the users and providers of financial capital. Furthermore, as changes occur in an industry's competitive context, in the broader sustainability landscape, or in the interests of the reasonable investor, this bottom-up, market-informed approach is key to ensuring that the SASB standards evolve to support market needs.

Such stakeholder engagement was instrumental not only to the development of the SASB's provisional standards, but also to its work to update and codify the standards, which will culminate in 2018. This document details how market feedback informed the latter effort, through deep, focused consultation with key issuers, investors, and other market participants.

SASB Consultation Period Overview

In April 2016, the SASB marked a pivotal point in its standard-setting work when it issued the last of its provisional sustainability accounting standards for all 79 [Sustainable Industry Classification System \(SICS™\)](#) industries. Having completed its provisional standards development, the SASB turned its attention to updating the standards for codification, thereby establishing the first complete authoritative set of sustainability accounting standards for use in the capital markets. In service of this objective, the SASB began a period of consultation and stakeholder engagement in Q4 2016 to gather additional input regarding the materiality of its disclosure topics and the usefulness of the associated performance metrics. This consultation period continued through the end of Q1 2017. Following this period, the SASB revised its standards and has since opened them for public comment before they are codified in 2018.

Codification Timeline

2016	2017				2018	
Q4	Q1	Q2	Q3	Q4	Q1	Q2
Consultation		SASB Research	Public Comment		Codification	

Objective & Approach

The goal of the consultation phase was to elicit and gather feedback on the provisional standards for each industry and the accompanying “hypothesis for change” developed by the SASB's sector analysts. The hypothesis for change put forth initial proposals for modifications to the standards; and stakeholders were then invited to

respond to these proposals, provide comments on other disclosure topics and metrics in the provisional standards but not specified in the hypothesis for change, or to suggest additional topics not yet considered by the SASB. The SASB staff incorporated the responses from this consultation process and proposed changes for each industry standard, which will receive additional input during a 90-day public comment period (with 30-day extension), ending on January 31, 2018. Comments received during this period will inform the deliberations of the SASB when the updated standards are put to a vote in 2018. Upon approval by the SASB, the updated standards will form the SASB Code.

Recruiting

Prior to engaging in consultation, the SASB's sector analysts developed consultation plans targeting companies, analysts, industry associations, and subject matter experts from whom they would seek feedback during the period. The SASB actively recruited consultation participants through a variety of channels, including:

- Referrals from previous individuals who had engaged with the SASB
- Outreach through the SASB's Investor Advisory Group (IAG)
- Presentation to and participation in conferences, panels, and industry events
- Michael Bloomberg and Mary Schapiro's outreach to the CEOs and CFOs of Fortune 500 companies
- Use of the Bloomberg Professional terminal to identify the leading publicly traded companies by market capitalization
- Use of the Thomson Reuters platform to identify analysts and portfolio managers
- Sector-specific webinars
- The general SASB email list and sector-specific email lists
- Announcements on the SASB website
- Other means, such as cold calls and emails, Twitter, and LinkedIn

Consultation Classification

The SASB classified engagements during consultation according to three categories. These categories and associated statistics apply within the context of the consultation phase only and do not include prior engagement, such as participation in an Industry Working Group (IWG) or Public Comment Period (PCP) prior to the release of the provisional standards.

- **Contacted:** The SASB sent a personalized invitation to participate in the consultation process to a company, investor, industry association, or subject matter expert (SME).
- **Briefing Held:** The SASB had a briefing meeting with a company, investor, industry association, or SME.
- **Consultation Feedback Received:** The SASB received consultative feedback (through a meeting, email, or other form of communication) from a company, investor, industry association, or SME.

Biotechnology & Pharmaceuticals Industry

Feedback was received from 13 stakeholders during consultation for the Biotechnology & Pharmaceuticals industry, as shown in the table below categorized by stakeholder type. There was consensus on certain topics among stakeholder groups, and disagreement on others. Feedback was generally supportive of SASB's standards-setting approach and of many of the potential changes under consideration for the provisional standards.

Consultation Feedback Received for the Biotechnology & Pharmaceuticals Industry

	Investor ¹	Issuer	Industry Association	Subject Matter Expert ²	Total
# Contacted	n/a	16	2	n/a	18
# of Briefings Held	n/a	10	0	n/a	10
# of Feedback	3	8	0	2	13

Consultation revealed an interest on the part of investors to have more granular disclosure, while issuers indicated an unwillingness to provide certain details in their financial filings. Issuers suggested that some of the topics (and associated metrics) either were not material or were more appropriate for voluntary filings, including sustainability reports.

Feedback was provided by stakeholders on the specific topics below.

- **Access to Medicines** – Issuers provided feedback that the Access to Medicines Index does not include all companies in the industry, and therefore this topic can overlook what these companies are doing to increase access. Further, issuers suggested that the metric is too narrowly focused on priority countries and the WHO List of Prequalified Medicinal Products.
- **Affordability & Fair Pricing** – Investors and issuers provided feedback suggesting that the SASB consider revising the existing metrics to include the disclosure of both the list and the net price of pharmaceutical products. However, the two stakeholder groups typically disagreed on the granularity of the disclosure metrics, with investors advocating for product-level disclosures, and issuers suggesting that portfolio-level metrics were more appropriate.

¹ Investors were typically engaged directly through SASB's Investor Advisory Group and agreed to provide consultative feedback; therefore, the first row is marked "not applicable." Furthermore, those engaged during consultation either had sufficient familiarity with SASB that briefing meetings were deemed unnecessary or briefings were conducted by members of the Capital Markets Policy and Outreach team; therefore, the second row is marked "not applicable."

² Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

- **Employee Health & Safety** – SASB sought feedback from stakeholders regarding the materiality of the Employee Health & Safety topic. Both investors and issuers agreed that this topic was not likely to meet the threshold of materiality and should be removed from the standard.
- **Energy, Water & Waste Efficiency** – SASB sought feedback from stakeholders regarding the materiality of the Energy, Water & Waste Efficiency topic and usefulness of the associated metrics. The majority of investors and issuers agreed that, while this topic may be important for a company to manage, it did not meet the threshold of materiality and should therefore be removed from the standard.
- **Climate Change Impacts on Human Health** – Issuers and investors provided feedback suggesting that the potential addition of a topic related to Climate Change Impacts on Human Health would not be material to most companies. Companies noted that several social and/or environmental factors drive research and development decision-making, and they questioned the relative importance of climate change to these other factors with respect to potential material impacts on the issuer's business.

Medical Equipment & Supplies Industry

Feedback was received from six stakeholders during consultation for the Medical Equipment & Supplies industry, as shown in the table below categorized by stakeholder type. Overall, there was consensus from different stakeholders on the potential changes under consideration for the provisional standards. Feedback from stakeholders was generally supportive of the content of the provisional standards.

Consultation Feedback Received for the Medical Equipment & Supplies Industry

	Investor ³	Issuer	Industry Association	Subject Matter Expert ⁴	Total
# Contacted	n/a	10	0	n/a	10
# of Briefings Held	n/a	3	0	n/a	3
# of Feedback	2	3	0	1	6

Issuers suggested that some of the topics identified did not meet the threshold of materiality, and that some of the information contained in the SASB standard is already disclosed in other channels. These channels include regulatory documents and voluntary sustainability reports and are believed to be the more appropriate avenue for disclosure rather than financial filings.

Feedback was provided by stakeholders on the specific topics below.

- Affordability & Fair Pricing** – Two of the issuers consulted did not provide feedback on potential changes being considered by the SASB to the Affordability & Fair Pricing metrics. In general, the issuers who provided feedback suggested that the provisional metrics would be challenging to disclose given the complexity of device pricing and that such disclosures may include proprietary information. Investors commented that the Medical Equipment & Supplies industry is relatively unique in the Health Care sector, as medical device prices are more likely to drop over time versus the trends seen in other industries such as Biotechnology & Pharmaceuticals.
- Energy, Water & Waste Efficiency** – The SASB consulted with stakeholders on the removal of the Energy, Water & Waste Efficiency topic and the associated metrics. Both investors and issuers agreed that this topic was not likely to meet the threshold of materiality.

³ Investors were typically engaged directly through SASB's Investor Advisory Group and agreed to provide consultative feedback; therefore, the first row is marked "not applicable." Furthermore, those engaged during consultation either had sufficient familiarity with SASB that briefing meetings were deemed unnecessary or briefings were conducted by members of the Capital Markets Policy and Outreach team; therefore, the second row is marked "not applicable."

⁴ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

Health Care Delivery Industry

The SASB did not receive feedback from issuers in the Health Care Delivery industry. Although several companies were contacted, and briefings were held with two of them, issuers ultimately did not provide feedback to the SASB during consultation. The SASB received feedback from one investor during consultation.

Consultation Feedback Received for the Health Care Delivery Industry

	Investor ⁵	Issuer	Industry Association	Subject Matter Expert ⁶	Total
# Contacted	n/a	10	1	n/a	11
# of Briefings Held	n/a	2	0	n/a	2
# of Feedback	1	0	0	1	2

Discussion with stakeholders on the SASB Standard indicated that some of the information in the SASB Standard is available through government agencies, but that it is not aggregated and reported in a decision-useful manner for investors. In addition, it was suggested that the majority of the disclosure topics were relevant only to typical hospital corporations, and not the other segments of the Health Care Delivery industry, including nursing homes and rehabilitation facilities.

Feedback was provided by an investor on the following topics.

- **Energy & Waste Efficiency** – SASB sought feedback during consultation on the potential to split the Energy & Waste Efficiency topic into two independent topics with subsequent revision to the associated metrics. Feedback suggested that a proposed Waste metric, which would focus on single-use medical devices, would require additional operational context in order to provide decision-useful information.
- **Employee Health & Safety** – Citing high rates of injury and illness among employees in the Health Care Delivery industry, stakeholders suggested that the SASB consider the addition of a disclosure topic and associated metrics relating to Employee Health & Safety.
- **Activity Metrics** – SASB sought feedback on the potential to include two proposed Activity Metrics to the standard. One investor provided feedback indicating the importance of ensuring that the number of inpatient and outpatient visits was captured in a standardized manner in financial filings to facilitate comparability.

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⁶ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

Health Care Distributors Industry

The SASB did not receive feedback from issuers in the Health Care Distributors industry. Briefings were provided to two issuers, but no feedback was ultimately received during consultation. One investor provided feedback on the industry.

Consultation Feedback Received for the Health Care Distributors Industry

	Investor ⁷	Issuer	Industry Association	Subject Matter Expert ⁸	Total
# Contacted	n/a	5	0	n/a	5
# of Briefings Held	n/a	2	0	n/a	2
# of Feedback	1	0	0	1	2

Feedback was provided by stakeholders on the specific topic below.

- Affordability & Pricing** – An investor noted that the SASB should consider the addition of a disclosure topic related to Affordability & Pricing. The investor indicated that this issue is continuing to gain in prominence, and there is interest in disclosures relating to how companies in this industry are managing this potentially material issue.

⁷ Investors were typically engaged directly through SASB's Investor Advisory Group and agreed to provide consultative feedback; therefore, the first row is marked "not applicable." Furthermore, those engaged during consultation either had sufficient familiarity with SASB that briefing meetings were deemed unnecessary or briefings were conducted by members of the Capital Markets Policy and Outreach team; therefore, the second row is marked "not applicable."

⁸ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

Managed Care Industry

The SASB did not receive feedback from issuers in the Managed Care industry on the provisional standard, including potential changes to the standard. Feedback from investors was generally supportive of the content of the provisional standard, with some feedback suggesting that certain topics may not be material and should be considered by the SASB for removal.

Consultation Feedback Received for the Managed Care Industry

	Investor ⁹	Issuer	Industry Association	Subject Matter Expert ¹⁰	Total
# Contacted	n/a	9	0	n/a	9
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	2	0	0	0	2

The SASB sought feedback on potential revisions to the provisional standards to improve the representativeness, applicability, relevance, and usefulness of the topics and metrics to the Managed Care industry. Investors had varying opinions about the materiality of certain topics, with some consensus around specific topics that should be added or removed to improve the materiality of the overall standard. Feedback was provided by stakeholders on the specific topics below.

- Pricing Transparency & Plan Literacy** – The SASB sought stakeholder feedback on the potential to remove the Pricing Transparency & Plan Literacy topic and associated metrics. Stakeholder feedback was in alignment that information related to plan pricing and coverage transparency is not likely to be a material topic, because the majority of insurance plans are provided through employers and disclosures have become standardized. Stakeholders supported its removal from the standard.
- Affordability & Pricing** – Stakeholders agreed that a topic and metrics related to Affordability and Pricing should be added to the standard, citing the role that Pharmacy Benefit Managers play in drug pricing. However, there was no consensus among respondents regarding appropriate metrics to communicate performance on this issue.
- Activity Metrics** – The SASB sought feedback on the potential to include an Activity Metric to better facilitate normalization of the information generated by the standard. One stakeholder suggested that the SASB consider including an Activity Metric that included health coverage plan enrollees by plan type, noting that such information would be an important normalization factor if presented in a standardized way.

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¹⁰ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

Drug Retailers Industry

Feedback was received from three stakeholders during consultation for the Drug Retailers industry, as shown in the table below and categorized by stakeholder type. Feedback from stakeholders was generally supportive of the standard and indicated consensus on the materiality of the topics included in the standards as well as the usefulness of the associated metrics.

Consultation Feedback Received for the Drug Retailers Industry

	Investor ¹¹	Issuer	Industry Association	Subject Matter Expert ¹²	Total
# Contacted	n/a	3	0	n/a	3
# of Briefings Held	n/a	2	0	n/a	2
# of Feedback	1	2	0	0	3

The SASB sought feedback on the potential to split the Drug Retailers and Convenience Stores Industry into two separate industries, with the Convenience Stores being consolidated with the existing Food Retail & Distributors industry standard and the Drug Retailer portion being maintained as a separate industry associated with the Health Care sector. Investor and issuer feedback generally supported this change. Feedback centered on concerns that issuers have with providing quantitative disclosures, suggesting that they would be more likely to provide qualitative disclosures.

Feedback was provided by stakeholders on the specific topics below.

- Management of Controlled Substances** – A stakeholder suggested that the data related to prescription drug monitoring programs may be difficult to gather and aggregate, citing the fact that individual pharmacists register for drug monitoring programs and associated databases rather than a specific pharmacy or company.
- Patient Health Outcomes** – A stakeholder provided feedback that included concerns regarding the usefulness of two of the provisional metrics associated with this topic. The stakeholder suggested that “First Fill Adherence Rate” is difficult to track, as patients may not bring their prescriptions to the pharmacy. Further, the stakeholder suggested that data on the gender and racial/ethnic representation within pharmacists was not likely to capture company performance with respect to patient health outcomes.

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