

# Insights from ERM's Pharmaceuticals and Healthcare Virtual Roundtable

## NET-ZERO CHALLENGE: BREAKING THROUGH BARRIERS TO ACHIEVE DECARBONIZATION GOALS

Against the backdrop of rising climate imperatives, the pharmaceutical and healthcare industry is navigating an era of transformation to achieve decarbonization goals. Not only is decarbonization becoming a regulatory requirement; it is already a key driver for increasing market competitiveness and operational resiliency, and strengthening reputations. The urgency for taking action is intensified by disclosure mandates, including the European Union's Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), which call for transparent climate strategies. Achieving net zero is no longer an ambition; it is now critical to ensure long-term viability in the face of shifting industry standards and stakeholder expectations.

The Net-Zero Challenge virtual roundtable brought together 21 attendees from 16 organizations, including pharmaceuticals, consumer healthcare products, biomedical devices, medical technology, and healthcare. The panelists explored how organizations can break through barriers—both internal and external—to work toward achieving decarbonization goals and fulfilling net-zero ambitions. The engaging conversation yielded key insights and a discussion about challenges, strategies, and innovative approaches that could be valuable for organizations to consider in their decarbonization journey.

### Key Challenges in Decarbonization

Despite the growing acknowledgment of the importance of decarbonization, organizations face significant obstacles to translating goals into action:

- 1 Sustainability Viewed as a Cost**

Many organizations still view sustainability as an expense rather than an opportunity. Shifting this perception to recognizing sustainability as a competitive advantage is critical to achieve both climate and business objectives.
- 2 Reconciling Short-Term and Long-Term Priorities**

While decarbonization requires a long-term perspective, decision-making is often focused on short-term financial performance. This point is confirmed by the acknowledgement of significant resistance from mid-level management when sustainability initiatives do not exhibit immediate return on investment (ROI).
- 3 Scope 3 Complexity**

Scope 3 emissions represent over 90 percent of many organizations' total emissions, posing an exceptional challenge to achieving a net zero ambition. Compounding this, is the lack of control over supplier practices, inconsistent reporting standards, and customer-mandated supplier specifications that restrict flexibility for change.
- 4 Regularly Hurdles**

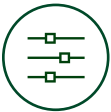
Balancing sustainability goals with the stringent safety, quality, and regulatory requirements for pharmaceutical manufacturing creates ongoing tensions. Even slight changes in how products or packaging is manufactured to reduce the carbon footprint require regulatory approvals, which can be costly and time-consuming. Additionally, the upfront costs of transitioning to cleaner technologies remain a significant roadblock.





### Strategies to Overcome Challenges

To address these barriers, the panelists highlighted several proven approaches and practical strategies:



#### 1. Transforming Mindsets and Skills

Embedding sustainability priorities requires awareness and skill-building across the organization. The panelists emphasized the importance of educating leadership and empowering employees to cultivate a culture of innovation and accountability. Recognizing alignment between sustainability and operational resilience is a key factor in driving buy-in at all levels.



#### 2. Data and Target-Driven Approaches

Through initiatives like the Science Based Targets initiative (SBTi), organizations have successfully adopted science-based targets, combining these targets with detailed roadmaps for Scope 1 and Scope 2 carbon emission reductions. Emerging tools and anticipated centralized platforms are improving emissions transparency and enabling more accurate reporting.



#### 3. Operational Integration

Sustainability goals are most effectively achieved when integrated seamlessly into business operations and risk frameworks. Examples from the roundtable included phasing out fossil-fuel-based assets such as boilers and transitioning to renewable energy systems. Organizations are actively aligning climate goals with broader enterprise performance metrics to ensure accountability and successful implementation.



#### 4. Collaborating for Change

Accelerating progress requires industry-wide collaboration. Panelists identified sustainability benchmarks as a way to unify decarbonization efforts. Leveraging collective purchasing power could also drive greener practices among suppliers.

## Innovative Approaches

Innovations discussed during the roundtable revealed ways to embed sustainability into fundamental aspects of the product lifecycle:

### 1 Improving Clinical Trial Sustainability

Organizations are rethinking traditional clinical trial models, adopting virtual protocols, and reducing onsite requirements to minimize travel-related emissions without compromising efficacy.

### 2 Rethinking Materials and Processes

Expanding the use of bio-based solvents and introducing alternative production methods are creating opportunities for emissions reductions across key components of the business.

### 3 Supplier Engagement

Companies are driving positive change by educating suppliers on climate priorities—which increases their access to carbon-reduction strategies—and encouraging standardized reporting through platforms for more reliable data.

## The Role of Regulation and Compliance

The regulatory landscape is becoming a key driver of decarbonization efforts. Frameworks like CSRD and CSDDD introduce mandatory climate action plans, align targets with benchmarks, and impose potential financial consequences for incomplete compliance. Successful organizations find a balance between planning to include compliance in their strategies from the start and staying flexible.

## Pathways to Net Zero

The roundtable ended with a thought-provoking discussion on whether net zero is achievable. While eliminating fossil fuels entirely and transitioning to renewable energy can be achieved, given adequate time, challenges in Scope 3 emissions management will play a significant role in the ability of companies to achieve their net zero goals. However, the panelists highlighted concerns about the current transparency of and trust in voluntary carbon markets, emphasizing the importance of innovation in closing this gap.

### KEY TAKEAWAYS

The pharmaceutical and healthcare industries are at a critical crossroads in their pursuit of decarbonization and net-zero objectives. While challenges exist, the strategies and insights from the roundtable emphasize the path forward through collaboration and innovation. Key takeaways from the roundtable included:

- 1. Sustainability as Strategy**  
Embedding sustainability into core business operations transforms it from a perceived cost to a competitive advantage that drives growth and resilience.
- 2. Collaboration for Scope 3**  
Industry-wide cooperation with suppliers and customers is essential to address Scope 3 emissions, leveraging tools for improved data accuracy and alignment across the value chain.
- 3. Innovative Solutions for Impact**  
Developing new techniques, such as virtual clinical trials and alternative materials, can significantly reduce emissions while ensuring operational efficiency and effectiveness.

### FOR MORE INFORMATION

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