



7th ANNUAL CONFERENCE ON RISK GOVERNANCE WITH THE GENERAL THEME RISK GOVERNANCE AND SUSTAINABILITY

Sustainability Reporting of Health Care Companies

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Agenda

- 1. Problem Statement
- 2. Regulatory Framework
- 3. Research Design
- 4. Results
- 5. Discussion





1. Problem Statement

"Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs." (Brundtland-Bericht 1987)

Companies increasingly adapt a more sustainable approach in their business practices:

- Stakeholder expectations: responsible behavior from companies
- Regulatory Requirements: since 2004 management reporting on corporate management
 practices regarding non-financial key performance indicator, since 2009 sustainability is a
 criteria, that influences the remuneration of the board, since 2017 non-financial statement in the
 (group) management report
- Adaption of the practices of other companies (e.g. voluntary sustainability report)





1. Problem Statement

Sustainability reporting

- No regulatory requirements: Differences regarding design, scope, and content are common between the reports, which impedes the comparability
- Common operationalization concept of sustainability: so-called **Triple Bottom Line (TBL)** with the three dimensions Economy, Social, Ecology

Previous research

- Quick/Knocinski (2006): 26 German HDAX companies (2002)
- Knefel/Sassen (2015): 16 German MDAX- and 12 Polish WIG30 companies (2011-2013)







1. Problem Statement

Research questions

- What kind of companies report about their sustainability performance? How are the information presented? What is reported about?
- Are there differences between the sectors in the health care industry?

Method

- Content analysis of 17 sustainability reports of companies in the health care sector (2015 - 2017)
- Analysis of the **reporting level** with a scoring model [criteria regarding the presentation of the company and formal aspects as well as regarding the sustainability performance in the three dimensions (economy, social, ecology)]





2. Regulatory Framework

EU CSR-directive 2014/95

- Directive aims to strengthen the non-financial reporting of companies in their management (group) reports (CSR-Richtlinie-Umsetzungsgesetz)
- Obligation for capital market-oriented companies with more than 500 employees (since 2017) to prepare a non-financial statement
- Presentation of the activities regarding environment, personnel and social aspects as well as reporting about potential risks in the context of other aspects

Sustainability Reporting

- Generally voluntary, e.g. based on the German Sustainability Code or based on the guidelines of the Global Reporting Initiative (GRI)
- More comprehensive than a non-financial statement





Value chain of the health care industry

Upstream sector

- Production of pharmaceutical products
- •Manufacture of medical and dental instruments and supplies
- Manufacture of irradiation, electromedical and electrotherapeutic equipment
- •Research and Development
- Manufacture of homogenized food preparations and dietetic food

Core sector

- Healthcare Health Insurance Hospitals
- Medical practices
- Nursing homes
- •Residential care activities for mental health
- •Accommodation facilities for the elderly and disabled
- Social work activities without accommodation for the elderly and disabled

Downstream sector

- Pharmacies
- Wholesale sector, encompassing the trade in pharmaceutical, medical and orthopedic products
- Retail sector, encompassing the trade in pharmaceutical, and orthopedic products
- •Saunas, solariums, swimming pools
- •Gyms
- •Repair of electronic and optical equipment



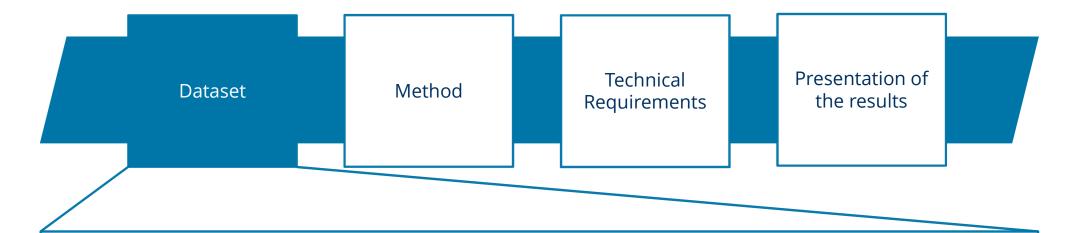


Supporting Industries

For instance information and communication technology, logistics, finance, chemical industry



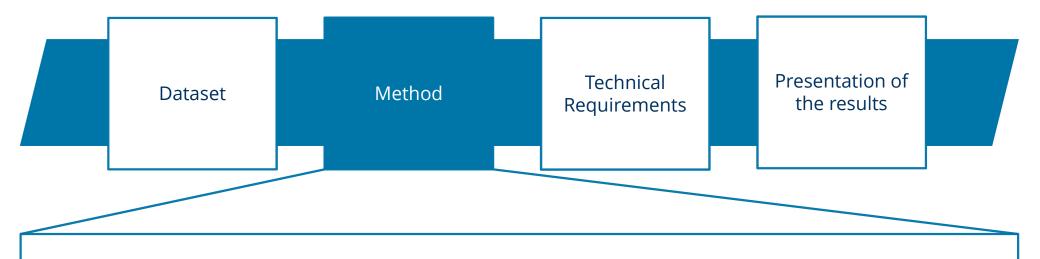




- First sample: in total 92 companies in the health care sector were identified, of that 14 companies are listed on the GRI website in the sectors "health care products" and "health care service". Moreover, 61 companies are market-listed in the sectors pharma, medical technology and conglomerate
- 17 companies were analyzed, of that 10 sustainability reports, 6 corporate social responsibility reports, and 1 responsible business supplement



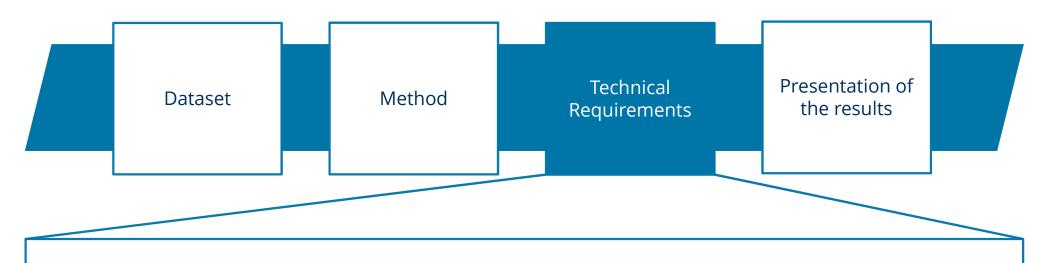




- Content analysis of the sustainability reports for the fiscal years 2015 2017
- Analysis of the reporting levels with a scoring model (analogously to Quick & Knocinski 2006 and Knefel & Sassen 2015), which includes criteria regarding the presentation of the company and formal aspects as well as regarding the sustainability performance in the three dimensions (economy, social, ecology)



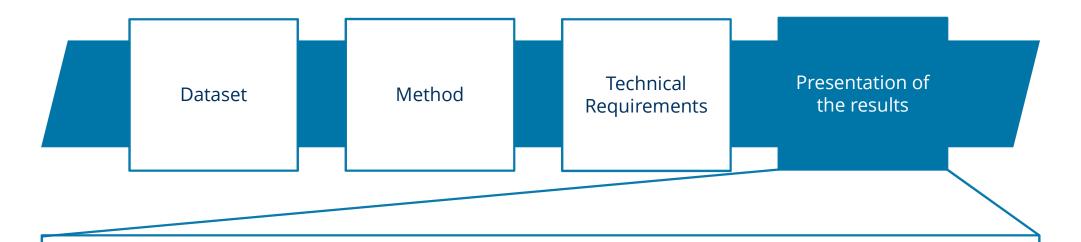




- (1) Explicit and operationalized definition of the classification categories
- (2) Objectivity of the classification of the report objects
- (3) Quantifiable information
- (4) Consistency due to reliable coding (two coders, discussion and joint decision in cases of differing interpretations)







Scoring Results

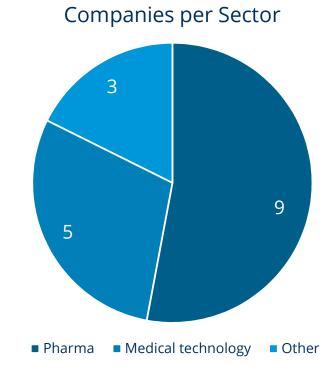
- (1) Overview of the analyzed companies
- (2) Reporting level of the sustainability reports
- (3) Breakdown according to the sustainability dimensions





4. Results: Overview of the analyzed companies

Headquarter	Number of Companies
Germany	9
USA	5
UK	3
Sweden	1
Japan	1
Austria	1
France	1







Sustainability Reports (1)

	Company Sector S		Score	Name of the report	Language	Number of pages	GRI	Headquarter
1	Abbott Laboratories	Research	67%	Global Sustainability Report	English	148	G-4	USA
2	B. Braun Melsungen AG	Pharma-and medical products	57%	Nachhaltigkeitsbericht	German	36	G-4	Germany
3	GlaxoSmithKline GmbH & Co. KG	Pharma	37%	Responsible Business Supplement	English	27	G-4	UK
4	Grünenthal GmbH	Pharma	58%	Sustainability Report	English	32	G-4	Germany
5	Hevert- Arzneimittel GmbH & Co. KG	Pharma	65%	Corporate Social Responsibility Report	English	61	G-4	Germany
6	Johnson & Johnson Services, Inc.	Conglomerate	68%	Citizenship & Sustainability Report	English	122	G-4	USA





Sustainability Reports (2)

	Company Sector S		Score	Name of the report	Language	Number of pages	GRI	Headquarter
7	McKesson Europe AG	Pharma	42%	Corporate Responsibility Report	English	46	G-4	USA
8	Merck KGaA	Biotechnoology and medical products	71%	Corporate Responsibility Report	English	199	G-4	Germany
9	Mölnlycke Health Care AB	Medical technology	56%	Sustainability Report	English	48	G-4	Sweden
10	OPHARDT Hygiene-Technik GmbH + Co. KG	Medical technology	33%	Sustainability Report	English	57	G-4	Germany
11	Pfizer Corporation Austria GmbH	Pharma	68%	Nachhaltigkeitsbericht	German	70	G-4	Austria
12	Phoenix Group	Pharma retailer	58%	Sustainability Report	English	41	G-4	Germany





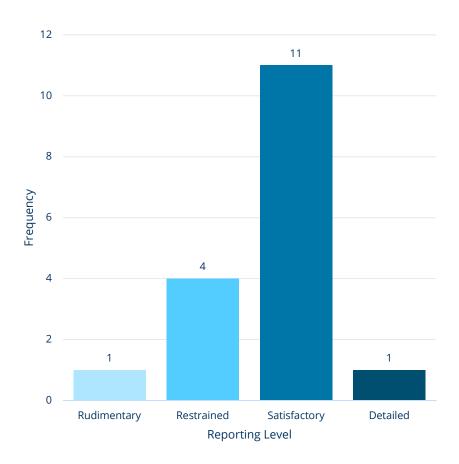
Sustainability Reports (3)

	Company Sector Score		Name of the report	Language	Number of pages	GRI	Headquarter	
13	Sanofi-Aventis Deutschland GmbH	Pharma	58%	Corporate Social Responsibility Report	German	87	G-4	France
14	Siemens AG	Conglomerate	82%	Nachhaltigkeitsbericht	German	64	G-4	Germany
15	STRATEC Biomedical AG	Pharma and medical technology	59%	Nachhaltigkeitsbericht	German	35	G-4	Germany
16	Terumo Corporation	Medical technology	50%	Sustainability Report	English	94	G-4	Japan
17	West Pharmaceutical Services, Inc	Pharma	24%	Corporate Responsibility Report	English	20	G-4	Germany





4. Average results and achieved reporting levels

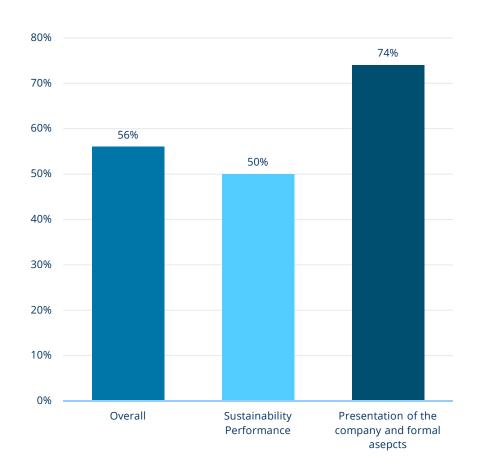


Repor	Number of companies	
Rudimentary	0 < X ≤ 25%	1
Restrained	25% < X ≤ 50%	4
Satisfactory	50% < X ≤ 75%	11
Detailed	> 75%	1





4. Comparison of achieved scores in the analyzed parts

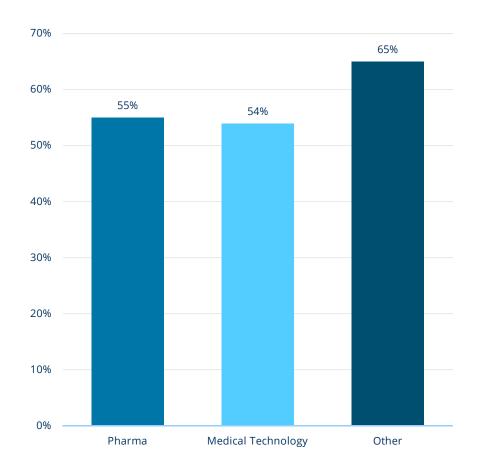


	Overall	Sustainability Performance	Presentation of the company and formal aspects	
Reporting level of the reports	56%	50%	74%	





4. Reporting level grouped by sector



	Pharma	Medical technology	Other
Reporting level grouped by sector	55%	54%	65%





5. Discussion

				Reporting level				
Authors	Sample	n		Ecological Dimension	Economic Dimension	Social Dimension	Company Pr. & form. Asp.	Overall
Quick & Knocinski 2006	Germany (HDAX)	26	2002	40%	14%	38%	71%	41%
Knefel & Sassen 2015	Germany (MDAX) and Poland (WIG30)	28	2011–2013	56%	33%	71%	75%	58%
Health Care Companies	German HDAX	17	2015–2017	50%	34%	66%	74%	56%

- Results resemble the ones of Knefel & Sassen 2015
- Show a positive correlation between the report level and the number of pages of a report (correlation coefficient of 0.55 with a significance level of 5%)
- Overall, the conglomerates achieved the highest score (65%), followed by medical technology companies (54%), and pharma companies (55%). The latter both lie together very closely.





5. Discussion

Non-financial statement

- Coverage of only certain content
- No replacement of a comprehensive sustainability report

Potential actions

- (Further) Obligations?
- Standardization: e.g. development of a guideline for the application of the German
 Sustainability Code for companies in the health care sector









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