

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)

 **Health care sector:** so far no research

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

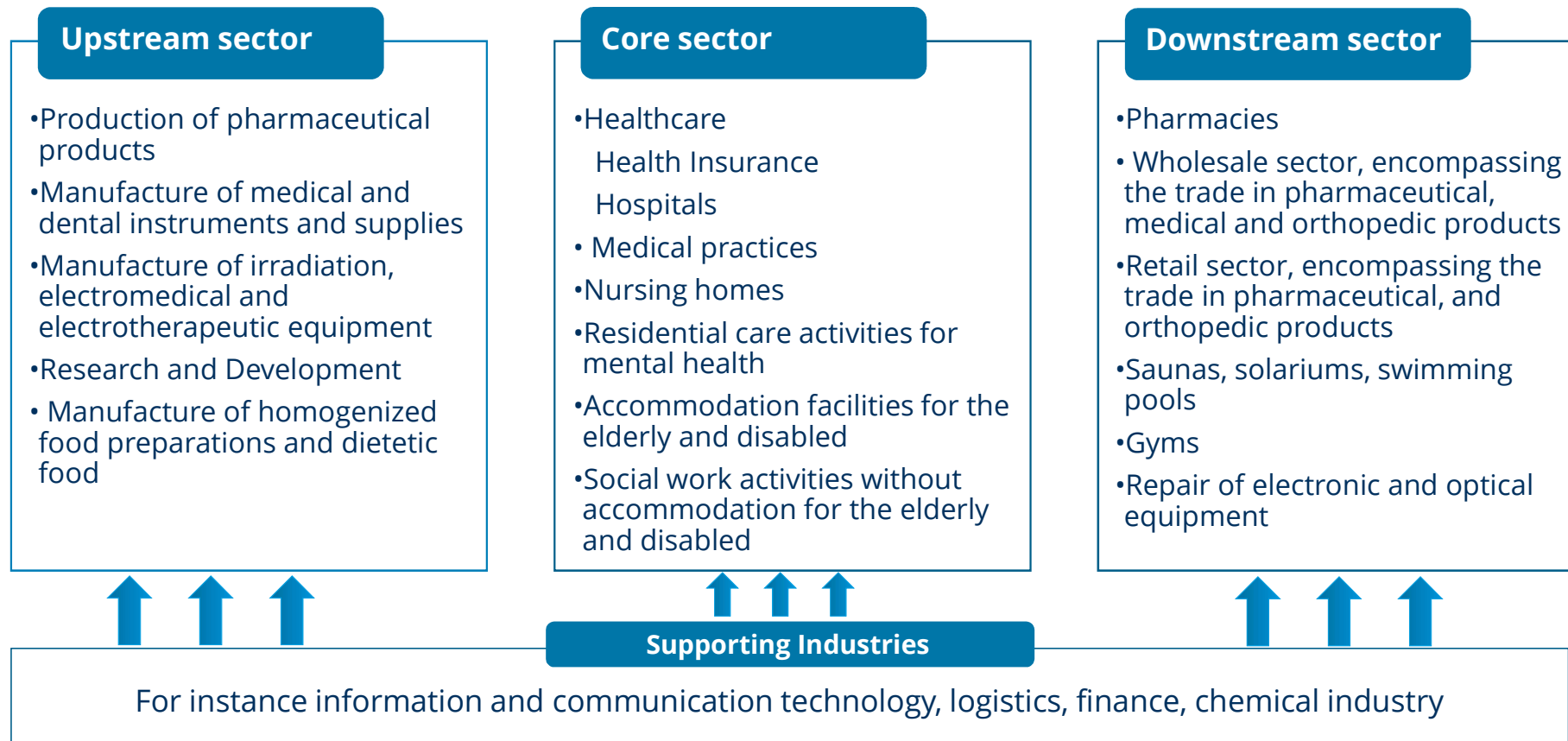
EU CSR-directive 2014/95

- 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

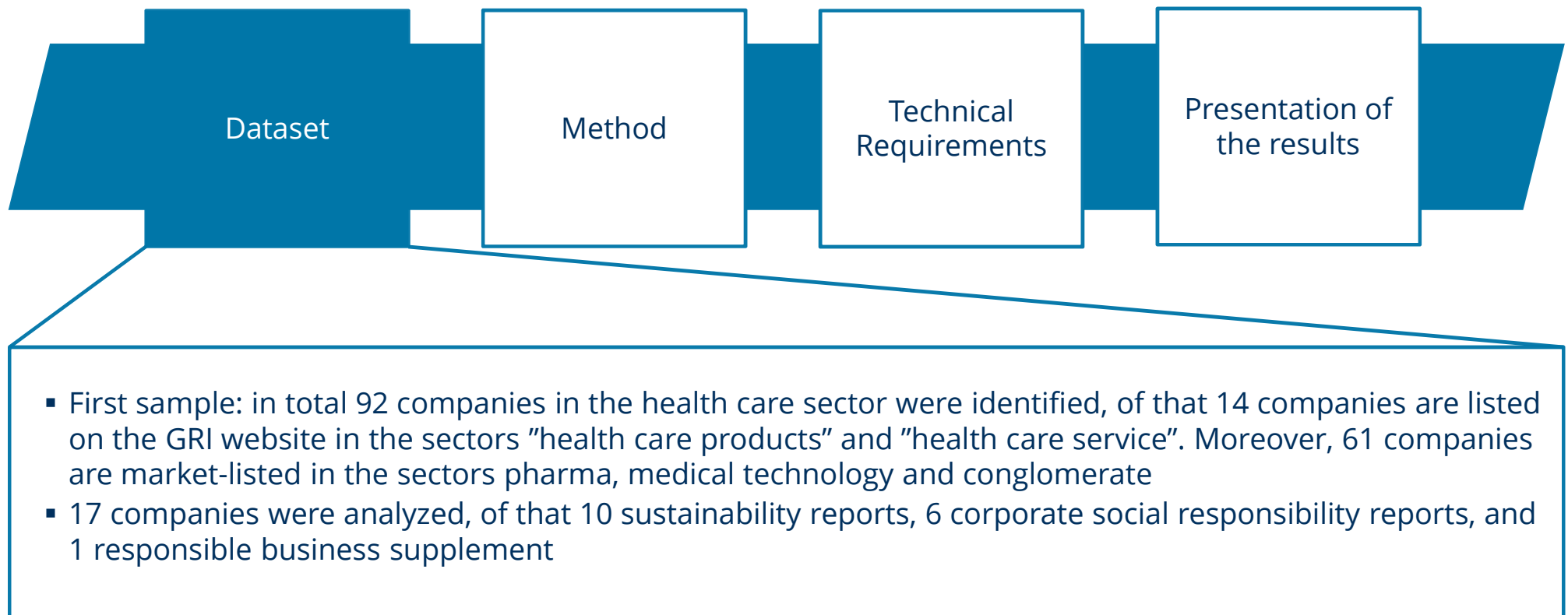
Sustainability Reporting

- 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

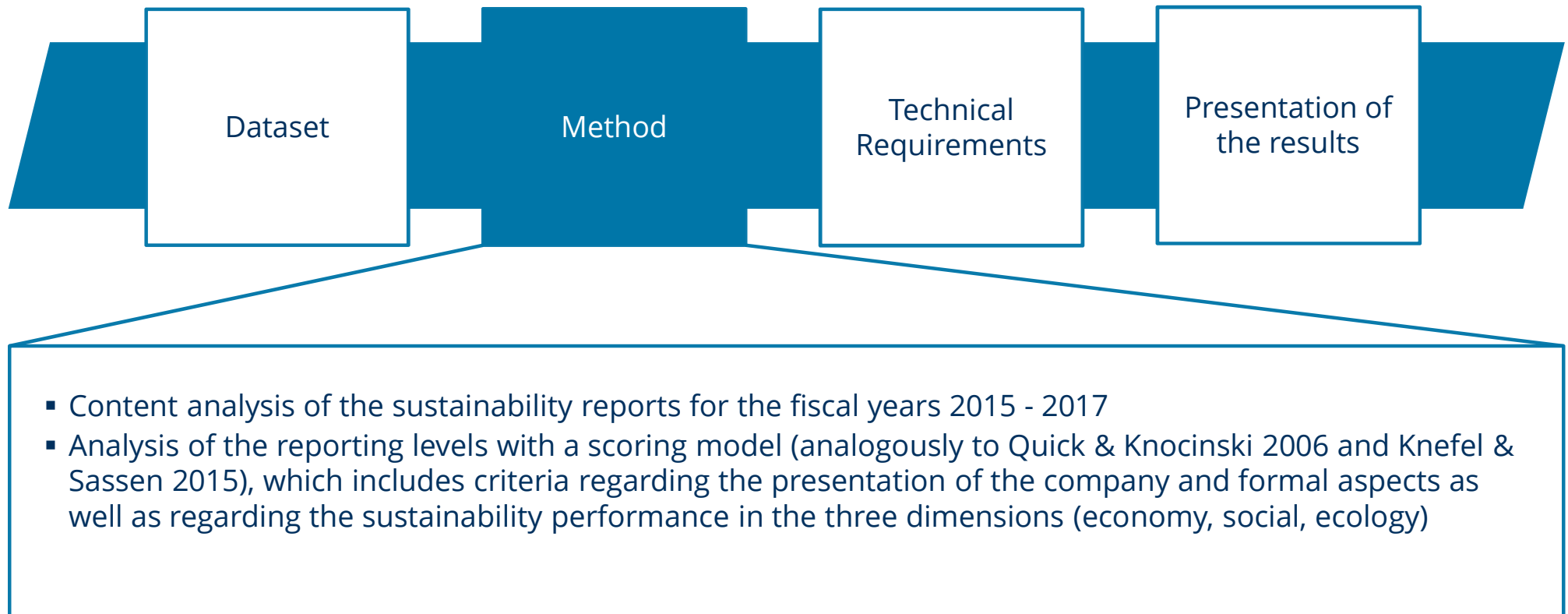
Value chain of the health care industry



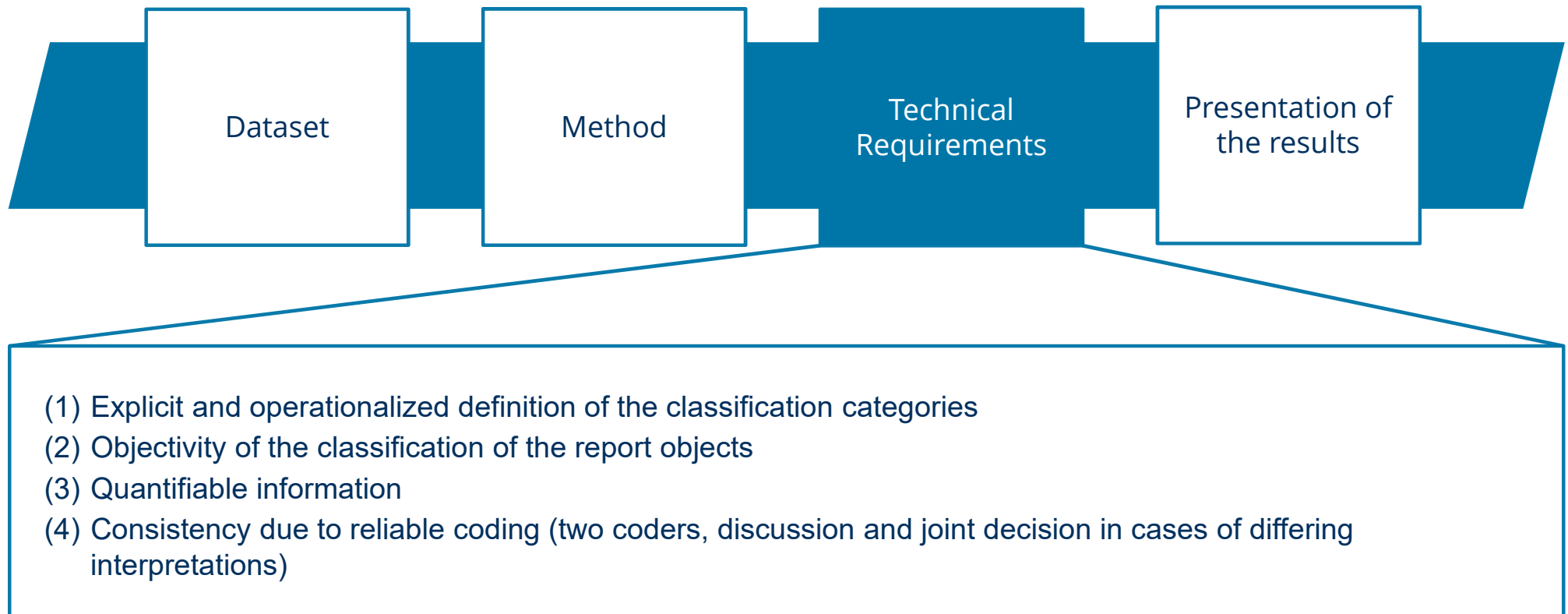
3. Research Design



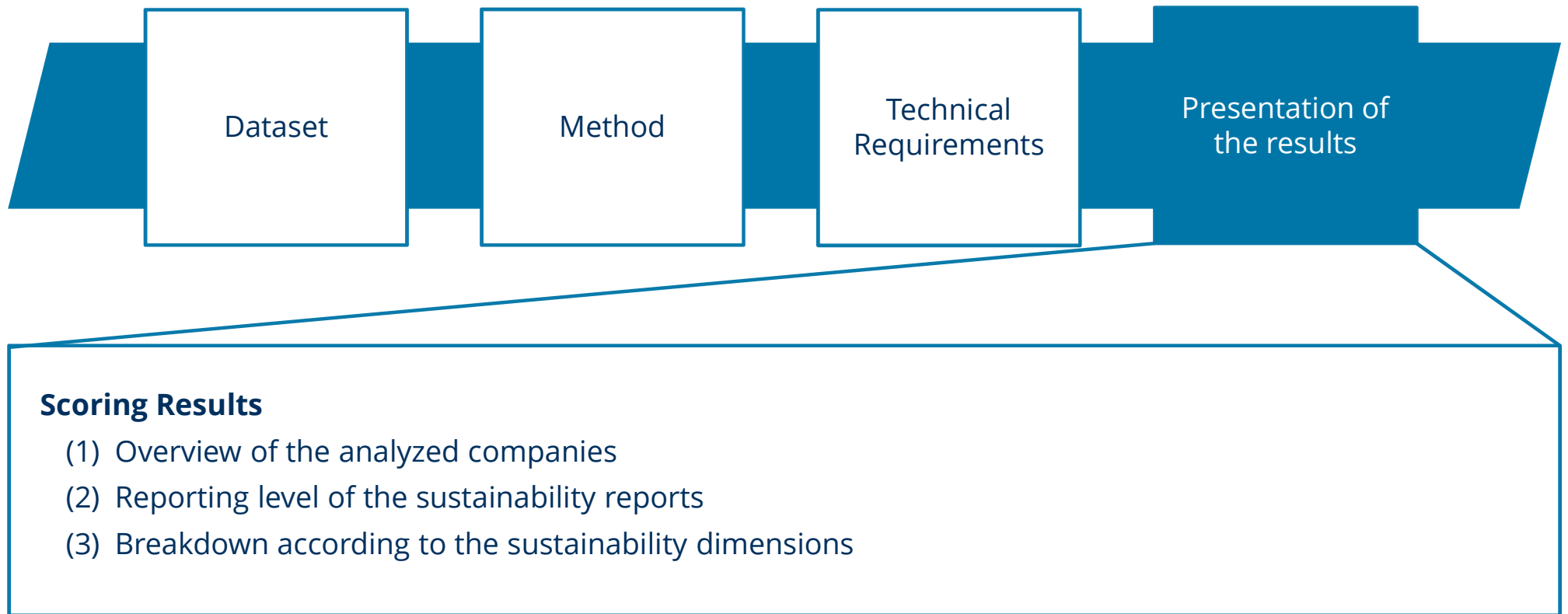
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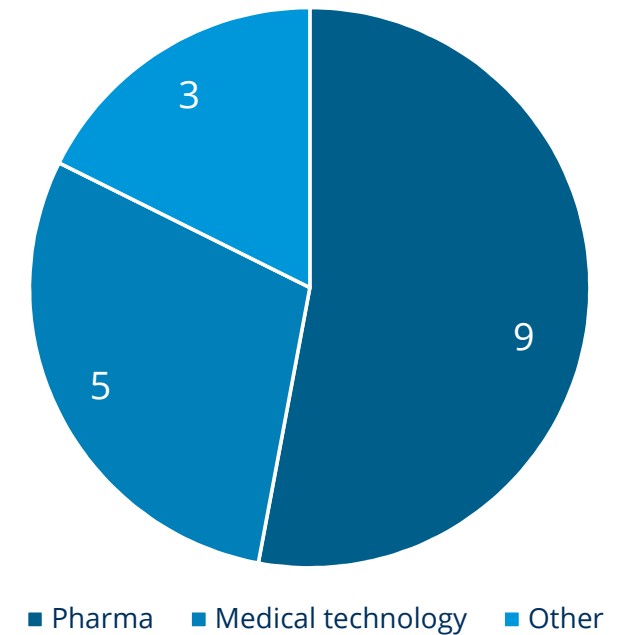
3. Research Design



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

Companies per Sector



Sustainability Reports (1)

	Company	Sector	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

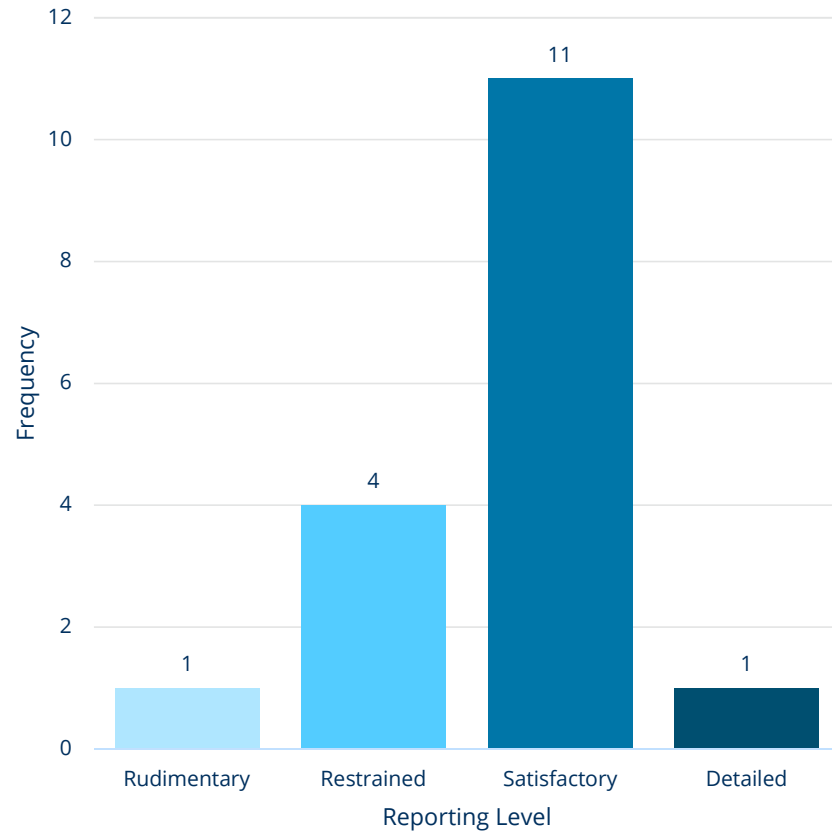
Sustainability Reports (2)

	Company	Sector	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	Biotechnology 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)

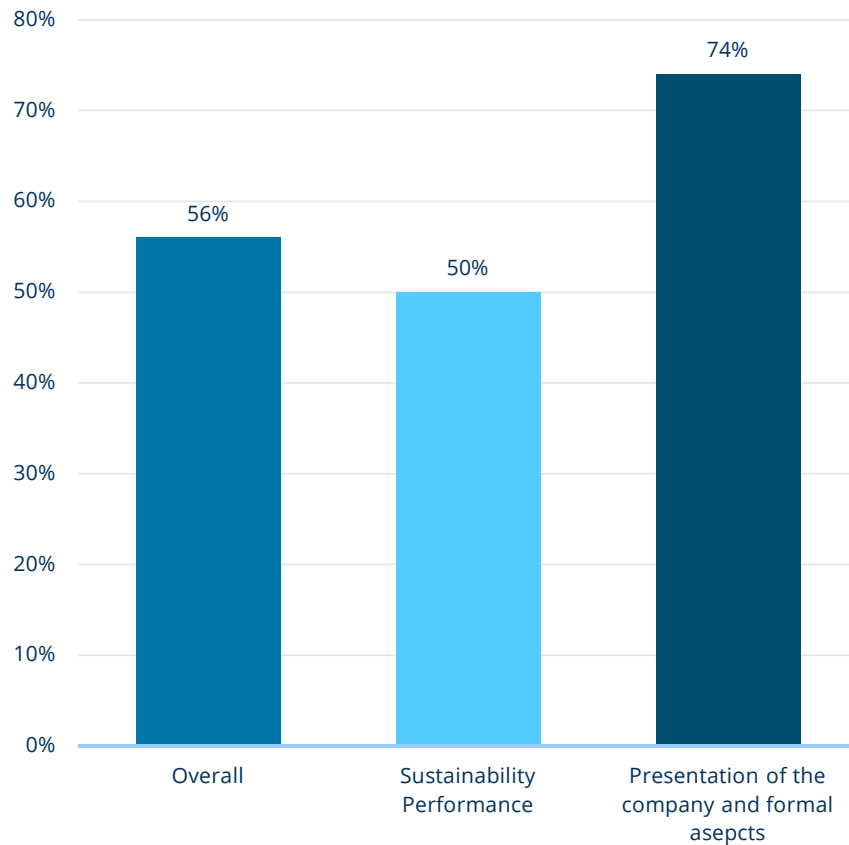
	Company	Sector	Score	Name of the report	Language	Number of pages	GRI	Headquarter
13	Sanofi-Aventis Deutschland GmbH	Pharma	58%	Corporate Social Responsibility Report	German	87	G-4	France
14	Siemens AG	Conglomerate	82%	Nachhaltigkeitsbericht	German	64	G-4	Germany
15	STRATEC Biomedical AG	Pharma and medical 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



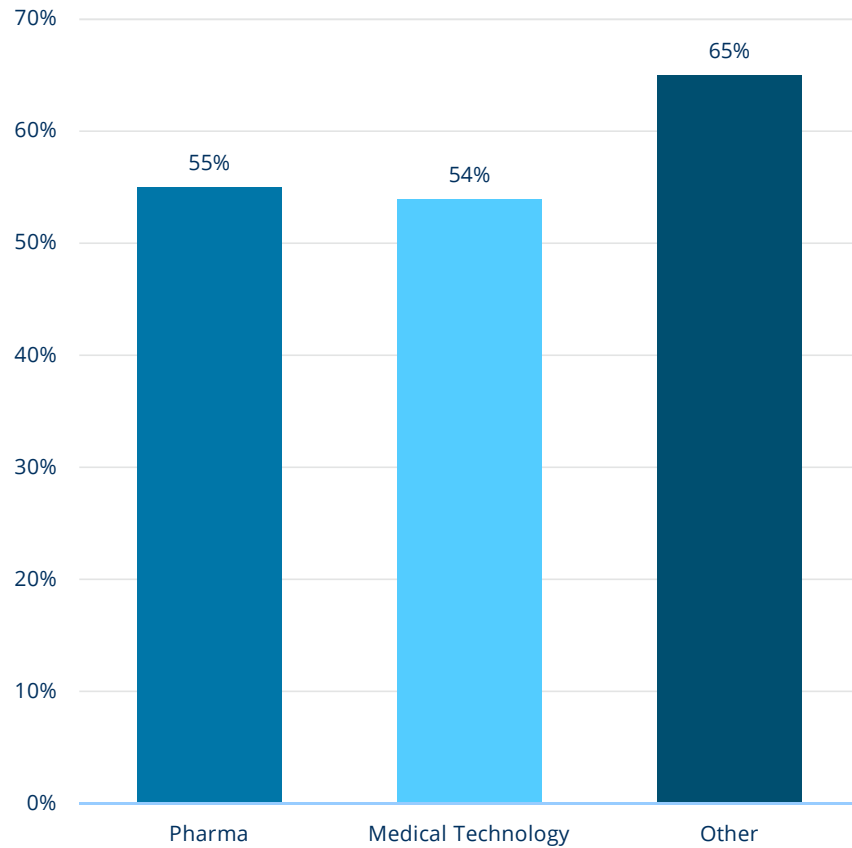
Reporting level		Number of companies
Rudimentary	$0 < X \leq 25\%$	1
Restrained	$25\% < X \leq 50\%$	4
Satisfactory	$50\% < X \leq 75\%$	11
Detailed	$> 75\%$	1

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

Authors	Sample	n	Time Frame	Reporting level				
				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

Thank you for your attention!

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