

Health and Sustainability: A Missing Link in Corporate Sustainability Reports?

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Abstract

- There have been increasing efforts among the financial regulators to encourage CSR and sustainability reporting. However, the enthusiasm has been linked largely for the interests of the financial stakeholders, namely the investors, stockholders and financiers in general for the relationship to corporate performance and risk management. From a social scientist's point of view, such a focus is rather myopic in light of the social and environmental implications. In particular, the ultimate concerns in association with human health and related external costs to the society have been largely ignored. Through literature review and a pilot study on corporate disclosures, we argue that there could be a disconnect between health and sustainability as currently practiced in sustainability reporting. We take a social scientist approach that accounting and accountability if serving the public interests at large may explore such a missing link to the underlying social costs relating to health resulting from social and environmental un-sustainability. A framework illustrating such causal interrelationship is developed for educating the public at large about linking sustainability and health, accountability for such external costs as well as the implications for public policy formulation.

Agenda

- Background/Motivation
- Literature Review
- Conceptual Framework
- Preliminary Findings
- Concluding Remarks

Background/Motivation

- Like the rest of the world, Hong Kong facing a deteriorating environment
- *“Hongkongers were exposed to 1,480 hours of air of high health risk this year, meaning “7” or above on the government’s 11-tier Air Quality Health Index (AQHI), when children, the elderly and those with heart or respiratory illnesses are advised to avoid physical exertion outside and areas with heavy traffic” (SCMP, 2016)*
- *“During a serious health risk, children, the elderly and people suffering from heart or respiratory illnesses are advised to stay indoors as much as possible” (SCMP, 2016)*



(Source: Mingpao, 2017)

Background/Motivation

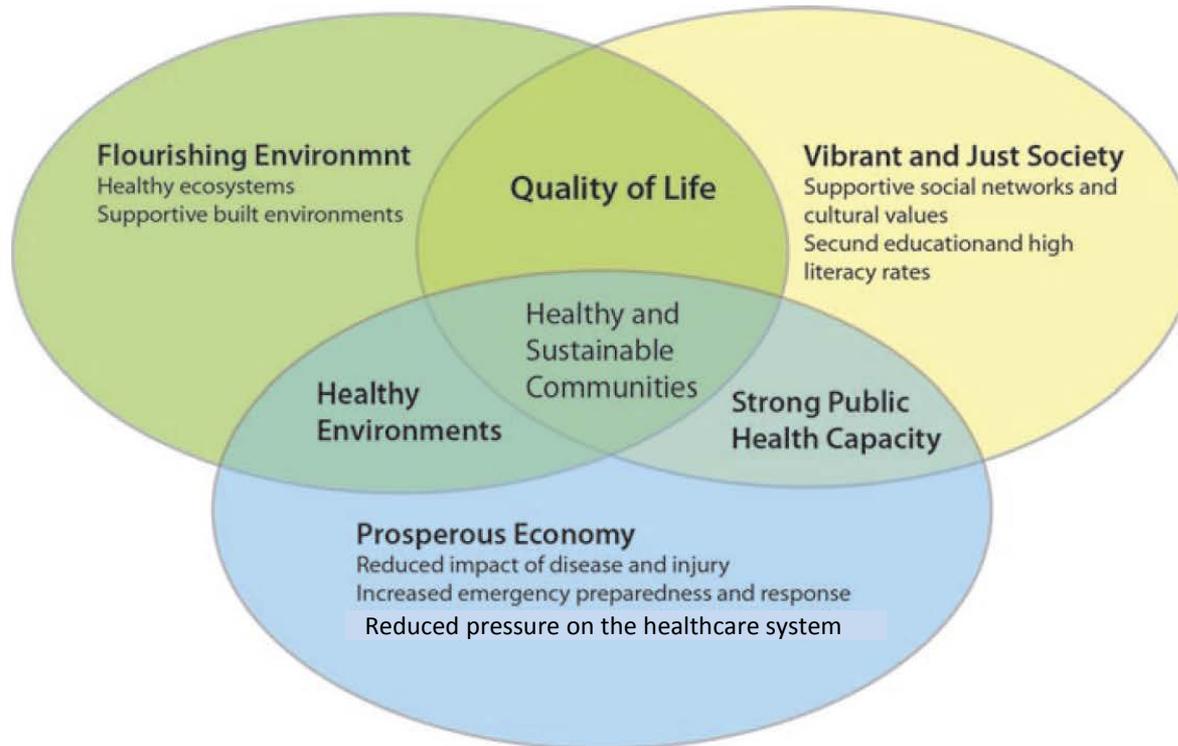
- In the case of China, *research studies report similarly alarming results regarding toxic air in the country, “The International Energy Agency published its first study on air pollution in June and estimated that severe **air pollution has shortened life expectancy in China by an average 25 months**. An academic paper co-authored by researchers from the Massachusetts Institute of Technology in the US, Tsinghua University and Peking University in China, plus the Hebrew University of Jerusalem in 2013 concluded that **bad air has cut life expectancy by an average of 5.5 years in the north of the country**” (SCMP., 2016) .*
- Evidence has shown linkage between air pollution and adversity in health, “When they looked into 3.03 million deaths in 2013 in 74 cities in the **Beijing-Tianjin-Hebei region and the Yangtze River Delta and Pearl River Delta**, they found **31.8 per cent could be linked to PM 2.5 pollution** – the tiny smog particles most hazardous to health. Baoding, Shijiazhuang and Handan in Hebei province, the cities with the worst air pollution, each **reported more than 30,000 deaths in 2013 related to smog**” (SCMP, 2016).
- Such air pollution is linked with emissions from commercial operations and economic activities



Literature Review

- A global initiative to reveal the **linkage between health and sustainability**
 - The UN unveiled the post-2015 sustainable development agenda to develop indicators and targets emphasizing health as an outcome of policies to enhance sustainable development (Dora et al., 2015)
 - *“Healthy places are environmentally sustainable and resilient whereas cities with clean air, energy-efficient infrastructure, and accessible green spaces can attract more investment and businesses, create more jobs...”* (WHO, 2016)
 - However, it is argued that health promotion strategies in practice are not well integrated with those for sustainable development; health and sustainability are considered *“mutually enabling and constraining”* (Kjærgård et al., 2013)

Literature Review



Source: Kjærgård et al., 2013

Literature Review

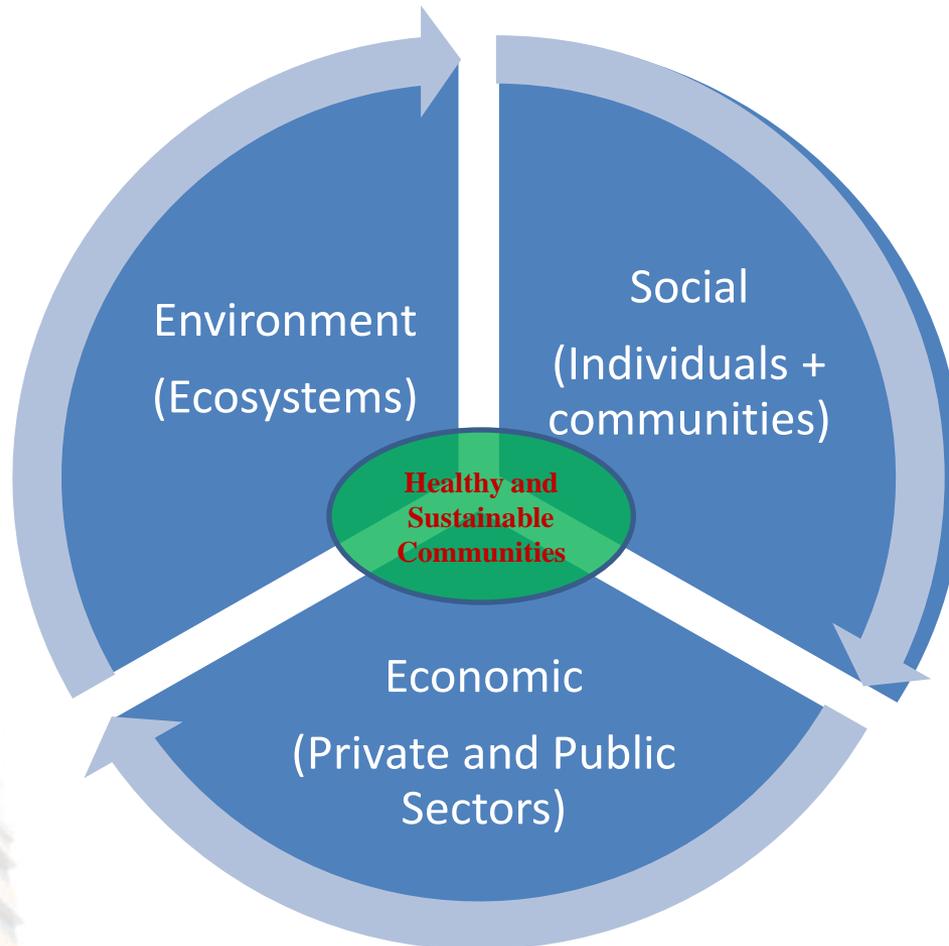
- **Institutionalization of Corporate Sustainability Reporting**
 - Triple bottom line reporting by the business sector (Hopwood et al., 2010)
 - Economic, Social, and Environmental
 - Multiple-stakeholders approach (Gray et al., 2014)
 - On environmental sustainability, issues are pertinent to accountability of the external costs not absorbed by stakeholders in the supply chain, including manufacturers and customers (Mandonca et al., 2009)
 - Internationalization of standards and local regulations
 - GRI, ISO standards
 - ESG reporting requirements for the listed companies
 - Singapore, China, Hong Kong.
 - Increasing popularity of standalone reporting
 - A risk-based approach?

Knowledge Gap

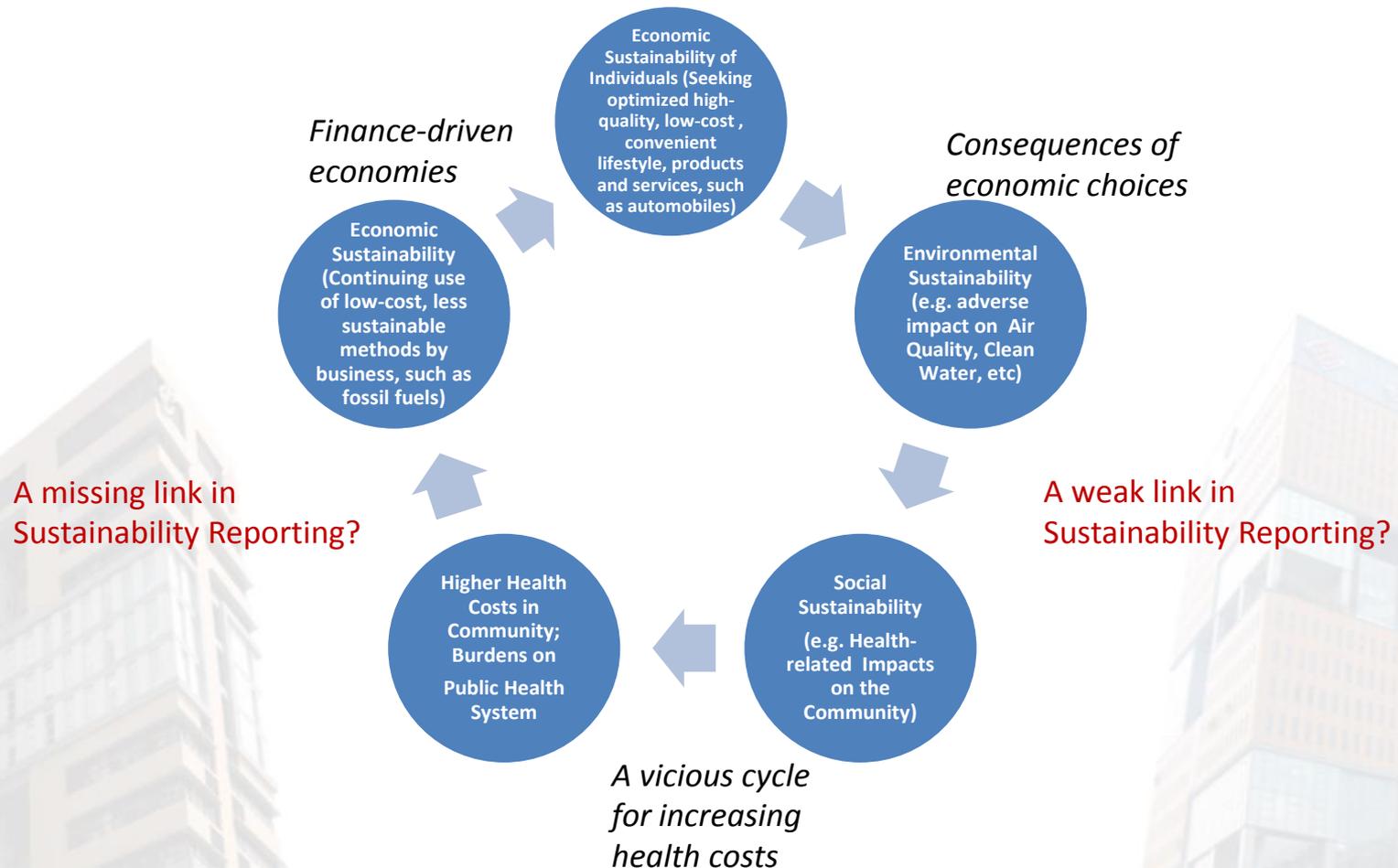
- Limited exploration on health-related issues in triple-bottom line and GRI reporting
- Health-related, external social costs not fully recognized and covered by stakeholders in the supply chain
- Then, who are accountable for such health costs?
 - Individual?
 - Health system?
 - Government?
 - Corporations?

Conceptual Framework

- Adapted framework (Hopwood, 2010; Kjærgård et al., 2013)



Apparent missing links in a cycle for sustainability



Research Questions

- Potential misinformation under the current sustainability reporting structure:
 - To explore the range of health-related reporting for sustainability under current practice
 - To examine any linkage between healthy and sustainable community in such reporting

Pilot Study

- Method: Thematic Content Analysis
- Sample: 30 Listed Companies in Hang Seng Sustainability Index
- Unit of Analysis: Annual Report, Standalone Report & Website
- Period: 2015 (Pilot Study)
- Reporting Standard: GRI and ESG
- Selected categories:
 - Social (Labour Practice & Decent Work): Occupational Health & Safety
 - Social (Product Responsibility): Customer Health & Safety
 - Social (Society): Public Policy - Community Health Promotion
 - Environmental: Environmental externalities
(e.g. accidents, incidents, impacts)

Reporting Standard (GRI and ESG)

Global Reporting Initiative (GRI)

Category	Economic	Environmental			
Aspects ^{III}	<ul style="list-style-type: none"> Economic Performance Market Presence Indirect Economic Impacts Procurement Practices 	<ul style="list-style-type: none"> Materials Energy Water Biodiversity Emissions Effluents and Waste Products and Services Compliance Transport Overall Supplier Environmental Assessment Environmental Grievance Mechanisms 			
Category	Social	Environmental			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility	
Aspects ^{III}	<ul style="list-style-type: none"> Employment Labor/Management Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labor Practices Labor Practices Grievance Mechanisms 	<ul style="list-style-type: none"> Investment Non-discrimination Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor Security Practices Indigenous Rights Assessment Supplier Human Rights Assessment Human Rights Grievance Mechanisms 	<ul style="list-style-type: none"> Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance Supplier Assessment for Impacts on Society Grievance Mechanisms for Impacts on Society 	<ul style="list-style-type: none"> Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy Compliance 	

Environmental, Social & Governance (ESG)

New Structure of ESG Guide





Pilot Study - Hang Seng Sustainability Index

No	Code Number	Constituent Name	Annual Report 2015	Standalone Reports 2015	Website
1	1	CKH Holdings	✓	X	✓
2	2	CLP Holdings	✓	✓	✓
3	3	HK & China Gas	✓	✓	✓
4	4	Wharf Holdings	✓	X	X
5	5	HSBC Holdings	✓	X	✓
6	6	Power Assets	✓	X	X
7	11	Hang Seng Bank	✓	✓	✓
8	12	Henderson Land	✓	✓	✓
9	14	Hysan Dev	✓	X	✓
10	16	SHK Ppt	✓	X	✓
11	17	New World Dev	✓	✓	✓
12	19	Swire Pacific A	✓	✓	✓
13	66	MTR Corporation	✓	✓	✓
14	69	Shangri-La Asia	✓	✓	✓
15	83	Sino Land	✓	✓	✓
16	101	Hang Lung Ppt	✓	✓	✓
17	257	China EB Int'l	✓	✓	✓
18	293	Cathay Pac Air	✓	X	X
19	388	HKEx	✓	✓	✓
20	494	Li & Fung	✓	X	✓
21	688	China Overseas	✓	✓	✓
22	823	Link REIT	✓	✓	✓
23	941	China Mobile	✓	✓	✓
24	992	Lenovo Group	✓	✓	✓
25	1398	ICBC	✓	X	✓
26	1972	Swire Properties	✓	X	X
27	2018	AAC Tech	✓	X	X
28	2388	BOC Hong Kong	✓	✓	✓
29	3968	CM Bank	✓	✓	✓
30	3988	Bank of China	✓	✓	✓
		Total	30/30	19/30	25/30

Preliminary Findings

No	Code Number	Constituent Name	Labour Practice & Decent Work- Occupational Health & Safety	Product Responsibility - Customer Health and Safety	Society - Public Policy - Community Health Promotion	Environmental externalities
1	1	CKH Holdings	✓	x	✓	x
2	2	CLP Holdings	✓	x	✓	x
3	3	HK & China Gas	✓	✓	x	x
4	4	Wharf Holdings	✓	x	x	x
5	5	HSBC Holdings	x	x	x	x
6	6	Power Assets	✓	✓	x	x
7	11	Hang Seng Bank	✓	✓	x	x
8	12	Henderson Land	✓	x	x	x
9	14	Hysan Dev	✓	✓	✓	x
10	16	SHK Ppt	x	x	x	x
11	17	New World Dev	x	x	✓	x
12	19	Swire Pacific A	✓	x	x	x
13	66	MTR Corporation	✓	✓	✓	✓
14	69	Shangri-La Asia	✓	x	✓	x
15	83	Sino Land	✓	x	x	x
16	101	Hang Lung Ppt	✓	x	x	x
17	257	China EB Int'l	✓	✓	x	✓
18	293	Cathay Pac Air	✓	✓	x	✓
19	388	HKEx	x	x	x	x
20	494	Li & Fung	✓	✓	✓	✓
21	688	China Overseas	✓	✓	✓	x
22	823	Link REIT	✓	✓	x	x
23	941	China Mobile	x	x	x	x
24	992	Lenovo Group	✓	✓	x	x
25	1398	ICBC	✓	x	x	x
26	1972	Swire Properties	✓	✓	x	x
27	2018	AAC Tech	✓	x	x	x
28	2388	BOC Hong Kong	x	x	x	x
29	3968	CM Bank	x	x	x	x
30	3988	Bank of China	x	x	x	x
		Total	22/30	12/30	8/30	4/30

Example 1

Social (Labour Practice & Decent Work): Occupational Health & Safety

Category	Aspect	Specific Standard Disclosures – Material Aspects	Description	Reference
Occupational Health and Safety		G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Sustainability Website 2015/2016, Data Tables
		G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Sustainability Website 2015/2016, Data Tables
		CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	There is health and safety management system in place but yet to be verified with internationally recognized standard
Training and Education		G4-LA9	Average hours of training per year per employee by gender, and by employee category	Sustainability Website 2015/2016, Data Tables
		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Website 2015/2016, Nurturing a High Quality Team of Staff

Example 2

Social (Product Responsibility): Customer Health & Safety

B6 Product responsibility

- | | |
|--|--|
| <ul style="list-style-type: none"> Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress | <ul style="list-style-type: none"> “Health and Safety – Health and Safety Policy” “Workplace Quality – Code of Ethics”, which covers data privacy Not aware of any material non-compliance |
| <ul style="list-style-type: none"> KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons | <ul style="list-style-type: none"> Not applicable |
| <ul style="list-style-type: none"> KPI B6.2 Number of products and service related complaints received and how they are dealt with | <ul style="list-style-type: none"> Our “Service Scan” highlights customer complaint and request handling. For each service, the service levels are stated, each with an accompanying KPI and monitoring methodology. |
| <ul style="list-style-type: none"> KPI B6.3 Description of practices relating to observing and protecting intellectual property rights | <ul style="list-style-type: none"> “Workplace Quality – Code of Ethics”, which covers protection of copyrights |
| <ul style="list-style-type: none"> KPI B6.4 Description of quality assurance process and recall procedures | <ul style="list-style-type: none"> “Service Scan” details standard service levels and their related KPIs and methods of measurement. It is used regularly to measure tenants’ satisfaction levels for service improvements. |
| <ul style="list-style-type: none"> KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored | <ul style="list-style-type: none"> “Workplace Quality – Code of Ethics” |

Example 3

Social (Society): Public Policy ~ Community Health Promotion

SPORTS FOR ALL

The Group supports major sporting events and other sports-related community programme to foster development of sports in Hong Kong and promote healthy living.



A Signature Hong Kong Event

Since 2011, and for the fourth consecutive years, New World Group has been the title sponsor of New World Harbour Race, organised by the Hong Kong Amateur Swimming Association. New World Harbour Race 2014 was awarded the "M Mark" status for the third consecutive year and the Outstanding Progress Award by the Major Sports Events Committee, recognising the event's contribution in promoting sports development in Hong Kong. The event also scored a Grand Award at the International Mercury Awards, a testament to the event's distinguished performance in public relations and promotion.

New World Development, 2015

Health Care

- About **6,000** villagers in Bharuch District in Paguthan benefited from the non-subsidized health care projects funded by CLP India.
- Under the Pulse Polio Programme, we provided vaccinations for **3,000** young children.
- Our signature Mobile Health Van medical outreach programme in Jhajjar continued to provide free treatment and consultation for over **25,000** villagers nearby.

CLP, 2015



Example 4: Environmental aspects

Sustainable Sourcing

Our approach to sustainable sourcing is to work with our customers, suppliers and industry partners to further the adoption of standards and best practices. We also provide our customers with sustainable design, manufacturing, products and packaging options. We do this to meet customer requests for sustainably-sourced materials and products with reduced environmental impact from well-managed factories.

Some of the ways we helped customers source products and packaging with sustainability attributes over 2015 include:

Apparel



- Garments made of cotton from certified organic sources, such as the Global Organic Textile Standard (GOTS), that meet the Better Cotton Initiative (BCI) standard, and/or have been produced by mills that have joined Cotton LEADS™ as partners
- Garments comprising recycled yarn, polymers, leather and shearing
- Garments that are fur-free or comprise responsibly-sourced angora wool or down feathers
- Textiles that are independently tested and certified to meet the Oeko-Tex Standard 100 criteria and/or REACH requirements
- Textiles and shoes sourced from suppliers that are phasing out hazardous chemicals in production for customers committed to Greenpeace's DETOX campaign
- Leather for shoes, wallets, covers and pouches produced from tanneries that are audited against the environmental responsibility practices of the Leather Working Group

Li & Fung, 2015

- In compliance with the European Union's Emissions Trading Scheme (EU ETS), our 2015 emissions data from intra-EU flights were reported on by an external auditor in January 2016 and our emissions report was submitted to the UK Environment Agency in February 2016. Cathay Pacific's greenhouse gas (GHG) emissions data for 2015 were reported by an external auditor.
- We purchased carbon credits certified to the Gold Standard from renewable energy projects in Mainland China and Taiwan for Cathay Pacific's "FLY greener" carbon offset programme. This programme allows passengers to offset the environmental impact of their travel.

Cathay Pacific Airline, 2015

Concluding Remarks

- **In the case of Hong Kong blue chips, mostly focus on internal health and safety issues, less on social and environmental ones.**
- **Should regulators take a cross-disciplinary approach in policy formulation for make the stakeholders accountable?**
 - Involving finance, health, and environmental departments to develop policies to enhance existing regulations, such as green tax rules, product safety, and related regulatory measures through compliance requirements
- **Public education much needed on the interrelationship between health and sustainability, targeting**
 - General public
 - Professionals
 - Students at large
- **Future studies**
 - Relevance of sustainability reporting to NGOs and social enterprises

Q&A

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