Health Reporting and a Healthy Bottom line

WHY COMPREHENSIVE HEALTH METRICS SHOULD BE INCORPORATED INTO CORPORATE RESPONSIBILITY REPORTING

DISCUSSION DOCUMENT

PRODUCED IN COLLABORATION WITH THE VITALITY INSTITUTE

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Executive summary

This document aims to inform discussions about the incorporation of more comprehensive health metrics into corporate responsibility reporting. The use of the term "comprehensive" does not imply a substantial increase in the quantity of metrics, but rather the incorporation of a small number of core metrics that would ensure comprehensive coverage of material health risks. Corporate responsibility reporting is used as an umbrella term for sustainability reporting, integrated reporting as well as 10K reporting in the United States (insofar as disclosures about market risk will include information that is traditionally categorized as non-financial or sustainability data). The intended audience for this report is broad, including corporations, regulators, investors and standard setting bodies.

Many companies already understand the business value of corporate responsibility reporting, and there is increasing support from governments for companies to report. Paragraph 47 of the final declaration at the Rio+20 Earth Summit in 2012, which was signed by 114 heads of state, reads:

> **"We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments as well as relevant stakeholders with the support of the UN system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account the experiences of already existing frameworks, and paying particular attention to the needs of developing countries, including for capacity building".**

In terms of the links between responsible business practices, reporting and corporate performance, the work on shared value by Porter has received significant attention, and in terms of integrated reporting, the work of Eccles has been very influential. For example, Eccles, Ionannou and Serafeim have demonstrated that what they call "high sustainability companies" significantly outperform their counterparts over the long term.

There is a growing body of research which points to a positive correlation between a healthy workforce and improved corporate performance. A recent study led by Fabius tracked the stock market performance of a group of US companies that had won awards for their health and safety programs. Between 1999 and 2012, an investment into a portfolio of these companies would have produced a rate of return that outperformed the S&P 500 average. The study tracked an initial theoretical investment of $10 000 in companies that had received health awards through four different investment scenarios, and in each case the healthy companies outperformed the market. In the highest performing scenario, the healthy companies achieved an annualized return of more than 5% against -0,06% for the S&P 500!

A current South African study will benchmark the performance of Discovery's 2014 Healthy Company Index with the Johannesburg Stock Exchange's All Share Index (JSE ALSI) to determine whether a similar correlation exists in South Africa.

However, mainstream reporting on health issues has mostly been limited to traditional Occupational Health and Safety (OHS) issues. A key recommendation of the recently released report of the Vitality Institute Commission on Health Promotion and Prevention of Chronic Disease in Working-Age Americans is that comprehensive health metrics be integrated into corporate reporting.

It is proposed that key points that should be considered during the development process are that health metrics must be:

- **Material;**
- **Understandable to non-health professionals and other stakeholders;**
- **Compatible with existing reporting standards;**
- **Inspirational; and**
- **Incentivized.**

It is also likely to be context-specific by focusing on what the legal system allows in terms of reporting – e.g. there will be privacy issues to be considered.

More specific information on what the actual metrics could be has been included in a document produced by the Vitality Institute ("Integrating Health Metrics Into Corporate Reporting"), and is not discussed here. The proposed metrics include process metrics (related to the culture of health in an organization) and outcome metrics (related to the population health in an organization). Proposed risk factors to be addressed include smoking, high blood pressure, ischaemic heart disease, lower back pain and major depressive disorder.

Some of the biggest challenges in this process include materiality, privacy issues and alignment with existing reporting standards.

From a materiality perspective, clarity is required on whether the proposed metrics will be considered material to all reporting organizations, or whether a selection should be made based on materiality considerations. Because the list is likely to be concise and based on universal health risks, it is possible that the metrics would be material to most organizations. However, it is proposed that the principle of "apply or explain" should be applied, since each organization has to go through an internal process of determining materiality.

In terms of privacy issues, both legal and ethical requirements in terms of privacy have to be considered, and will apply to the proposed outcome metrics. Legal constraints in terms of privacy should always be respected as a minimum requirement. Secondly, clear assurances should be provided that health metrics will not result in unlawful or unacceptable recruitment practices. From an ethical point of view, the use of aggregated and sanitized data should be sufficient to address concerns, but this will depend on existing levels of trust within individual organizations.

In terms of alignment with existing reporting standards, it is of the utmost importance that the proposed metrics should be fully aligned with existing standards and presented as complementary, not competitive propositions. With a possible review of OHS indicators by the Global Reporting Initiative (GRI), this presents an opportunity for collaboration and synergy. It is also proposed that discussions with the International Integrated Reporting Council (IIRC) continue on how qualitative information can be incorporated into integrated reporting processes.

A working group of early adopters of integrated health metrics has been established by the Vitality Institute. This group comprises a combination of important stakeholders, and its objectives are that by the end of 2015 it will have:

- **A proposal for comprehensive health metrics and the ways in which they could be implemented;**
- **A completed pilot of early adopter companies; and**
- **A broader implementation plan.**

By doing this the group hopes to achieve its mission, which is that by 2020, workforce health metrics will be an integral indicator of overall organizational performance within the broader corporate accountability framework. These metrics will be core to existing corporate social responsibility, sustainability and integrated reporting, and critical for consideration by all shareholders and potential investors.

The message is a fairly simple one. Corporate responsibility reporting is not a peripheral activity, but measures and reports on activities that are material to business success. Health metrics have been neglected and can make a substantial contribution to business success. These metrics should be developed by relevant stakeholders and should be aligned with existing international reporting standards. If a small group of early adopters can lead the way, there are short-term gains to be made and the long-term impact will be substantial. ■

Introduction

This document aims to inform discussions about the introduction of integrated health metrics for corporate responsibility reporting.[1] Corporate responsibility reporting is used as an umbrella term for sustainability reporting, integrated reporting as well as 10K reporting in the US (insofar as disclosures about market risk will include information that is traditionally categorized as non-financial or sustainability data).

An organization's sustainability report is defined by the Global Reporting Initiative as "a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities [which] also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy".[2]
The Global Reporting Initiative (GRI) defines sustainability reporting as follows: "Sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable. A sustainability report conveys disclosures on an organization's impacts – be they positive or negative – on the environment, society and the economy. In doing so, sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization's activities and strategy."

An integrated report is defined by the International Integrated Reporting Council (IIRC) as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term".[3] The integrated report should not be confused with integrated reporting, which is defined as "a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation".[4]

The finer distinctions between sustainability reporting and integrated reporting are not material to the purpose of this document and therefore the umbrella term of corporate responsibility reporting is used in most cases.

The Sustainability Report

"A REPORT PUBLISHED BY A COMPANY OR ORGANIZATION ABOUT THE ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS CAUSED BY ITS EVERYDAY ACTIVITIES [WHICH] ALSO PRESENTS THE ORGANIZATION'S VALUES AND GOVERNANCE MODEL, AND DEMONSTRATES THE LINK BETWEEN ITS STRATEGY AND ITS COMMITMENT TO A SUSTAINABLE GLOBAL ECONOMY"

Global Reporting Initiative

[1] This document was funded by the Vitality Institute, which is supported by Discovery Holdings Limited. It was informed by draft recommendations of the Vitality Institute Commission. However, the views and recommendations included in this document are not those of the Vitality Institute or the Commission.
[2] https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx, accessed 5 April 2014.
[3] http://www.theiirc.org, accessed 5 April 2014.
[4] http://www.theiirc.org, accessed 5 April 2014.

The intended audience for this report is broad, including corporations, regulators, investors and standard-setting bodies. It provides a high level overview and suggestions about different aspects of corporate responsibility reporting and health issues. Since the audience is diverse and the overlap between reporting and specific health issues is not that common, the document does not include detailed or technical discussions about either reporting or health.

Following a general introduction to corporate responsibility reporting, the rationale for reporting and the main players in terms of standard setting, the need for and the value of integrated health metrics are discussed in detail. The document concludes with suggestions on how best to obtain support, agreement and implementation of comprehensive health metrics. ■

Corporate responsibility reporting

Corporate responsibility reporting has been around for longer than many people might think. Although the focus has shifted from social to environmental components to a "triple bottom line" approach and currently is moving rather rapidly in the direction of integrated reporting, the roots can be traced back to the 1940's when the term "social audit" was used for the first time by Stanford Professor Theodore Kreps (1897 – 1981) in relation to companies reporting on their social responsibilities. This concept was further developed during the 1950s and beyond, but mostly within academic circles and focusing on the broader concept of corporate social responsibility (CSR), as opposed to the activities of measurement and reporting.

During the 1980's ethical investment funds in the UK and USA started screening companies based on their social and ethical performance. The 1990's brought increased reporting, e.g. the Body Shop International voluntarily published its first Values Report almost twenty years ago (1995) – this report included environmental, animal protection and social statements. The 1990s were described as the "Transparency Decade" by the globally recognized think tank SustainAbility – this was a period when a series of major incidents forced early pioneers to "come clean" and issue reports. At the same time sustainability reporting standards were formalized through the GRI. These guidelines are currently in their fourth iteration. SustainAbility argued that the first decade of the 21st century might become the "Trust Decade", based on ever-increasing transparency, accountability and reporting. Ironically, this decade turned out to be one of fundamental distrust, starting with the collapse of Enron and ending with the aftermath of the global financial crisis. It could perhaps be argued that the distrust arose as a result of increased disclosure and transparency. However, a more plausible reason is that poor or questionable corporate performance (rather than increased disclosure) remains the main culprit.

The most important changes that have been identified over the last two decades are the growth in the number of reporting companies (from a few dozen to a few thousand), the shift from environmental to triple bottom-line disclosure to integrated reporting and the rapid increase in the volume of information (both printed and online).

However, even a few thousand reporting companies still constitute a small percentage – in July 2014 there were approximately 6 400 reporting organizations listed on the GRI web site, and many of these are not multinational corporations.[6] According to the World Health Organisation (WHO), there are more than 60 000 multinational corporations in the world, and trade between these corporations and their subsidiaries or affiliates accounts for two thirds of total world trade.[5]

Large, multinational companies remain the most frequent reporters. The KPMG Survey of Corporate Responsibility Reporting 2013 confirms that corporate responsibility reporting is a mainstream business practice worldwide. Out of 4 100 large companies surveyed worldwide by KPMG, 71% issued corporate responsibility reports, and out of the 250 biggest companies in the world, 93% issued such reports.[7] The survey also indicated that 78% of companies surveyed that issued corporate responsibility reports used the GRI Guidelines. For the 250 biggest companies in the world, this number was 82%.

[5] http://www.who.int/trade/glossary/story057/en/, accessed 5 April 2014.
[6] http://database.globalreporting.org, accessed 5 April 2014.
[7] http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/corporate-responsibility-reporting-survey-2013.aspx, accessed 8 June 2014.

The challenge that was identified by SustainAbility some time ago remains relevant today: the need to link sustainability issues with business performance and corporate identity. More recently the positions of financial institutions and institutional investors have made a substantial contribution to highlight the business case for reporting, with the UN Principles for Responsible Investment (an initiative of the UN Global Compact and UNEP Finance Initiative) and the International Corporate Governance Network (ICGN) being particularly active in this regard.

Integrated Reporting

"TO BE ACCOUNTABLE, THE BOARD MUST REPORT IN AN UNDERSTANDABLE MANNER. FINANCIAL AND NON-FINANCIAL REPORTING ARE EACH CRITICAL BUT NEITHER ALONE NOR IN THEIR SILOS IS SUFFICIENT."

MERVYN KING, CHAIRMAN OF THE IIRC

Over the years, there have been increasing requests for governments to make some form of sustainability reporting compulsory. A few years ago, this culminated in the GRI's "Report or Explain" campaign.[8] Extensive lobbying also succeeded to put reporting on the agenda for the Rio+20 Earth Summit in 2012. In the end, a relatively watered down paragraph was inserted in the final declaration[9] signed by 114 heads of state. Paragraph 47 of the final declaration reads:

"We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments as well as relevant stakeholders with the support of the UN system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account the experiences of already existing frameworks, and paying particular attention to the needs of developing countries, including for capacity building".

Following agreement on this wording, France, Denmark, South Africa and Brazil agreed to form a governmental group entitled the "Group of Friends of Paragraph 47".[10]

In a speech to the Institute of Chartered Accountants in England and Wales in March 2014, Mervyn King, chairman of the IIRC said the following: "To be accountable, the board must report in an understandable manner. Financial and non-financial reporting are each critical but neither alone nor in their silos is sufficient. The system of [integrated reporting] requires the board to apply its collective mind to those reports prepared, to the average user, in incomprehensible language, understand them and explain 'the state of play' of the company in clear, concise and understandable language. Such a report enables all stakeholders to make an informed assessment about the company's stability and sustainability".[11]

A 2013 publication of the United Nations Environment Programme (UNEP), the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, the GRI and KPMG, "Carrots and Sticks: Sustainability reporting policies worldwide - today's best practice, tomorrow's trends", indicated an increase in mandatory reporting standards in many developed and developing countries. Seventy-two percent of the 180 reporting-related standards or policies that were identified in the 45 reviewed countries were mandatory.[12]

One of the most significant developments is the recent adoption of a new European Union (EU) Directive on Corporate Reporting of Non-financial Information. In terms of this directive, large listed companies will be mandated in the future to report on environmental, social and employee matters, as well as matters relating to human rights, bribery and board diversity. In the words of the EU's Internal Market and Services Commissioner Michel Barnier: "Companies, investors and society at large will benefit from this increased transparency. Companies that already publish information on their financial and non-financial performances take a longer term perspective in their decision-making. They often have lower financing costs, attract and retain talented employees, and ultimately are more successful".[13] ■

[8] https://www.globalreporting.org/network/report-or-explain/Pages/default.aspx, accessed 8 June 2014.
[9] http://www.un.org/disabilities/documents/rio20_outcome_document_complete.pdf, accessed 8 June 2014.
[10] http://www.unep.org/resourceefficiency/Portals/24147/Business-Ressource%20Efficency/GoF47%20Two-Pager.pdf, accessed 8 June 2014.
[11] http://www.ion.icaew.com/ClientFiles/a42b9c80-6acd-4dca-980a-bac45d9a324d/MervynKingspeech.pdf, accessed 7 June 2014
[12] UNEP, GRI, Centre for Corporate Governance in Africa, KPMG (2013). Sustainability reporting policies worldwide - today's best practice, tomorrow's trends.
[13] http://europa.eu/rapid/press-release_STATEMENT-14-124_en.htm, accessed 8 May 2014.

The business case for reporting

Corporate responsibility reporting is important because it is good for business and because it is the right thing to do. This is the classic argument of enlightened self-interest – doing well by doing good. As was described above, in the early years companies reported on so-called “non-financial matters” to appease stakeholders who wanted more information and complained heavily if it was not provided. Many companies who did this type of reporting did so not because they thought that it was material to business performance, but because they felt some moral obligation to do so and/or because they perceived a reputational risk if they did not.

The Business Case

“SUSTAINABLE FIRMS GENERATE SIGNIFICANTLY HIGHER PROFITS AND STOCK RETURNS, SUGGESTING THAT DEVELOPING A CORPORATE CULTURE OF SUSTAINABILITY MAY BE A SOURCE OF COMPETITIVE ADVANTAGE FOR A COMPANY IN THE LONG RUN.”

ECCLES, IONANNOU AND SERAFEIM

Today there is growing consensus that stakeholders, not only shareholders, have a legitimate interest to obtain material information about company performance. This includes environmental, social and governance (ESG) information. Some companies recognize the moral imperative to provide this information, based on the fundamental governance values of honesty, transparency and accountability.

However, currently the main driver for reporting is the business case. Material information on company performance has to focus on both financial and non-financial information. In terms of the correlation between responsible business and corporate performance, the work on shared value by Porter has received significant attention, and in terms of integrated reporting, the work of Eccles has been very influential. For example, Eccles, Ionannou and Serafeim have demonstrated that what they call “high sustainability companies” significantly outperform their counterparts over the long-term.[14] Based on a detailed analysis of a sample of 180 companies, they clearly articulate the business case: “sustainable firms generate significantly higher profits and stock returns, suggesting that developing a corporate culture of sustainability may be a source of competitive advantage for a company in the long run. A more engaged workforce, a more secure license to operate, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community, and a better ability to innovate may all be contributing factors to this potentially persistent superior performance in the long-term.”[15]

They continue to highlight the importance of measurement and disclosure: “reporting on performance measures, which are often non-financial regarding sustainability topics, to the board is an essential element of corporate governance, so that the board can form an opinion about whether management is executing the strategy of the organization well.”[16]

[14] Harvard Business School Working Paper 12-035, November 2011.
[15] Eccles et al, 2011, p.30.
[16] Eccles et al, 2011, p.20.

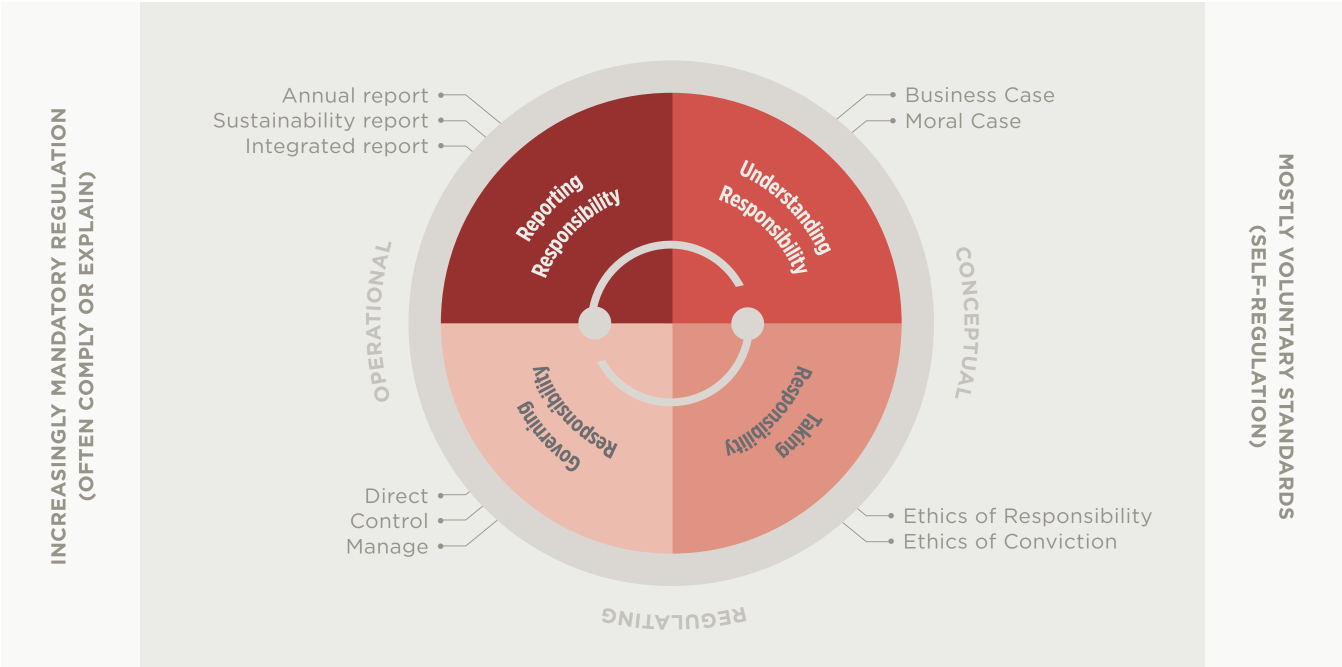

Figure 1: Different Dimensions of Corporate Responsibility (Malan, 2014)

By engaging in corporate responsibility reporting, companies benefit through improved understanding of the business model and better decision making, increased investor confidence, improved reputation and stakeholder support. Integrated reporting emphasizes the link between management information and external communication, as well as the need for integrated thinking.

Reporting has to be contextualized within the broader framework of corporate social responsibility.[17] **The visual above presents a framework of different dimensions of corporate responsibility.** The framework aims to assist corporations to conceptualize, develop and implement effective corporate responsibility programs. It is underpinned by the need to have a thorough understanding of responsibility, with specific reference to the distinction between the moral and business case. Such an understanding then informs a sequential series of activities that relate to both internal processes (taking responsibility, governing responsibility, managing responsibility and reporting on responsibility) as well as responding to the external activity of regulating responsibility. For the purposes of this report, it is important to understand how the reporting dimension is influenced by all the other dimensions. ■

[17] Extracted from a draft PhD dissertation (Daniel Malan, "Integrative Social Contracts Theory and the United Nations Global Compact", 2014).

The main role players

The main role players in this field can be divided into three main groups: those who want companies to report (sometimes, but not always equivalent to the readers of reports), those who set the standards on what and how to report, and – of course – the reporting companies themselves. For the purpose of this document we will call these groups users, standard setters and reporters, respectively. Report users include a very wide variety of stakeholders, including investors, local communities and advocacy groups. Ironically, one of the most powerful stakeholder groups in terms of influencing behavior (investors) has been less interested in corporate responsibility reporting. This position is changing as investors realize that ESG factors are becoming increasingly material to business success.

From the investors' point of view, two of the most significant groups that can influence reporting practices are stock exchanges and institutional investors. The stock exchanges that have been most active in terms of reporting include those from South Africa and Brazil, while the FTSE4Good Index in the UK and the Dow Jones Sustainability Index in the US have also improved disclosure. In this regard the Sustainable Stock Exchanges Initiative is also of particular importance.

"COMPANIES SHOULD MANAGE EFFECTIVELY ENVIRONMENTAL AND SOCIAL FACTORS THAT AFFECT THEIR BUSINESS AND SOCIETY AT LARGE WITH A VIEW TO ENHANCING THEIR LONG-TERM SUSTAINABILITY."

HERMES RESPONSIBLE OWNERSHIP PRINCIPLES

From an institutional investor perspective, two of the most important initiatives are the UN Principles for Responsible Investment (UN PRI) and the ICGN. Although the collective efforts from these initiatives are important, the individual efforts of members or signatories are just as significant.

For example, the "Hermes Responsible Ownership Principles" is an initiative of Hermes EOS, a signatory of the UN PRI and active member of the ICGN. One of their principles explains their expectations of the companies they invest in, in terms of the management of, and disclosure of ESG issues: "Companies should manage effectively environmental and social factors that affect their business and society at large with a view to enhancing their long-term sustainability. They should demonstrate how they identify and explore related business opportunities and explain the structures and procedures in place to manage related risks."[18]

The standard-setting environment has become increasingly cluttered. In terms of reporting standards, the most important initiatives are the IIRC, the GRI and the Sustainability Accounting Standards Board (SASB). The table on the next page provides basic information on a few of the main role players.

[18] Hermes Responsible Ownership Principles, p.11

Users

- UN Principles for Responsible Investment: **www.unpri.org**
- International Corporate Governance Network: **www.icgn.org** – with specific reference to its Integrated Business Reporting Committee
- Sustainable Stock Exchanges Initiative: **www.sseinitiative.org/**
- Individual responsible investment indices, e.g. DJSI, FTSE4Good, JSE SRI Index and Bovespa Corporate Sustainability Index
- Local communities, customers, consumers and advocacy groups

Standard Setters

- Global Reporting Initiative: **www.globalreporting.org**
- International Integrated Reporting Council: **www.theiirc.org**
- Sustainability Accounting Standards Board: **www.sasb.org/**
- UN Global Compact: **www.unglobalcompact.org**
- ISO 26000 Standard: **www.iso.org**
- All governments who are regulating or consider regulating in this area – leading countries are Denmark and France, and the recent initiative of the European Union is of particular significance

Reporters

- Leading reporting companies – e.g. those who participated in the IIRC pilot project and who are recipients of international reporting awards
- For the specific purpose of this report, companies who have a good reputation in terms of health performance, e.g. those who have won awards in healthy company indices worldwide
- Companies who deliberately build broader societal benefits into their business models, e.g. benefit corporations/B-Corps
- Any other organization that discloses sustainability information in some format

The need for standardization

"STANDARDISING DISCLOSURE OF SUSTAINABILITY INFORMATION COULD BRING SIGNIFICANT FINANCIAL BENEFITS FOR SHAREHOLDERS AND POTENTIAL INVESTORS – AND HELP STRENGTHEN THE GLOBAL ECONOMY'S LONG-TERM HEALTH"

MICHAEL BLOOMBERG AND MARY SCHAPIRO

The role of investors is critical. The need for investors to have comparable and standardized data has been a major driver behind reporting standards. In a recent article that was published in the Financial Times, this point is highlighted by Michael Bloomberg and Mary Schapiro, respectively the newly appointed chairman and vice-chairman of the Sustainability Accounting Standards Board: "Standardizing disclosure of sustainability information could bring significant financial benefits for shareholders and potential investors – and help strengthen the global economy's

[19] http://www.ft.com/cms/s/0/0d9ccea6-db66-11e3-94ad-00144feabdc0.html#ixzz3450plUC, accessed 8 June 2014.

Health Metrics

Health reporting has an ambiguous position within corporate responsibility reporting. Mainstream health reporting has been mostly in the form of reporting on issues related to occupational health and safety (OHS), sometimes extended to corporate well-being programs.

Although the word "health" features in this term it carries a very specific (and narrow) meaning in this context. Rightly or wrongly, OHS is perceived to be a risk management issue – i.e. preventing harm in the workplace to avoid corporate liability. For example, in their 2013 Sustainability Report the global mining company BHP Billiton identifies "fatigue and occupational exposure to noise, silica, manganese, diesel exhaust particulate, fluorides, coal tar pitch, nickel and sulphuric acid mist" as its major health risks. It is not surprising to see that the only graphic included in this report provides information on trends in occupational illness, with specific reference to musculoskeletal disease and noise-induced hearing loss.[20]

This type of approach is confirmed and re-enforced by reporting guidance that is provided by the GRI.
The following indicators are the only health-related indicators that are currently part of the GRI's G4 core reporting guidelines (relevant indicator references included in brackets).

- **Provision of health care (G4- LA2)**
- **Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs (G4-LA5)**
- **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 (G4-LA6)**
- **Workers with high incidence or high risk of diseases related to their occupation (G4-LA7)[21]**
- **Health and safety topics covered in formal agreements with trade unions (G4-LA8)**

However, it is very encouraging that OHS has been identified as a priority issue for the GRI. It is understood that a formal review process may start in the medium term, and the development of more comprehensive health metrics will hopefully be part of this process. [22]

There seems to be an interesting similarity between the current approach to health reporting in terms of OHS issues and a few other components of corporate responsibility reporting. For example, in terms of ethics and integrity reporting, the focus is often on metrics associated with dismissals, fraud and misconduct investigations and fraud hotline calls rather than on the value of pro-active ethics programs. Reporting on governance also often focuses on compliance aspects only (board composition, remuneration disclosure, attendance of committee meetings, etc.) rather than on the performance aspects of governance. Environmental reporting is perhaps slightly different, and is often presented more objectively, by simply providing hard data in terms of issues such as emissions and electricity or water usage.

[20] BHP Billiton Sustainability Report 2013, p.18.
[21] Specific guidance that is included for this indicator: "As part of a preventative strategy for managing the health and safety of its workforce, this Indicator is relevant for all organizations. It has specific relevance for organizations working in countries with a high risk or incidence of communicable diseases, and those in professions that have a high incidence of specific diseases. Preventing serious diseases contributes to the health, satisfaction, and stability of the workforce, and helps maintain the organization's social license to operate in a community or region." Serious diseases are defined as "Occupational or non-occupational related impairment of health with serious consequences for employees, their families, and communities. This may include HIV/AIDS, diabetes, repetitive strain injuries (RSI), malaria and stress."
[22] Updates regarding formal review processes for the GRI Guidelines will be announced in the GRI newsletter, which can be accessed here: https://www.globalreporting.org/_layouts/registration/signup.aspx?n=y

At an almost instinctive level it is clear that health of employees should form an important part of any organization's performance measurement system. Employees form one of the most critical stakeholder groups of any organization, and it seems self-evident that healthy employees will be more productive and – if their health can be partially ascribed to interventions by the company – more loyal to the company. To understand why this has been a neglected area, the following possible explanations should be considered:

- **Because the early entrants to corporate responsibility reporting were mostly from heavy industry (e.g. mining companies), there was a logical focus on the most material issues for them – e.g. environmental impact as well as occupational health and safety, due to the risks associated with this sector;**

- **OHS issues are easier to measure – the metrics are clearly defined and often legally required;**

- **The way in which corporations have incorporated non-financial issues into their measurement and reporting processes has been gradual, influenced by the intensity of stakeholder lobbying as well as their own realisation about the materiality of issues;**

and Historically health has been viewed as the responsibility of either the state or the individual, and it is therefore not surprising that these issues appear relatively late on the corporate reporting agenda.

The Business Case

"OUR RESULTS STRONGLY SUPPORT THE VIEW THAT FOCUSING ON HEALTH AND SAFETY OF A WORKFORCE IS GOOD BUSINESS"

FABIUS ET AL

It is important to develop more comprehensive health metrics for business as well as moral reasons. There is a growing body of research that illustrates a positive link between employee health and business performance – this is discussed below. A broader commitment to the ethics of care would also require companies to take a more pro-active interest in the overall health and well-being of their employees, as opposed to a "do no harm" approach that is associated with the more traditional focus on OHS.

The value of more comprehensive health metrics

Although there seems to be a logical link between a healthy workforce and financial performance, more conclusive evidence will be required if all major stakeholders were to be convinced that the development of more comprehensive health metrics is a worthwhile endeavor. Again, it should be highlighted that the use of the term "comprehensive" should not be viewed as an argument in favor of a substantial increase in the quantity of metrics. Rather, it is used to indicate the need for more comprehensive coverage of material issues. Even though it might sound counter-intuitive, the introduction of more comprehensive metrics could even lead to a reduction in terms of the overall number of health metrics used by reporters.

A recent study led by Fabius[23] tracked the stock market performance of a group of US companies that had won awards for their health and safety programs. Between 1999 and 2012, an investment into a portfolio of these companies would have produced a rate of return that outperformed the S&P 500 (a stock market index based on the 500 largest companies listed on the New York Stock Excange or NASDAQ) average. It should be noted that - similar to other studies that track the correlation between sustainability factors and financial performance - causality is much harder to prove than the correlation itself.

[23] Fabius R, Thayer RD, Konicki DL, Yarborough CM, Peterson KW, Isaac F, Loeppke RR, Eisenberg BS, Dreger M. 2013. The Link Between Workforce Health and Safety and the Health of the Bottom Line: Tracking Market Performance of Companies That Nurture a "Culture Of Health." Journal of Occupational and Environmental Medicine. Volume 55(9):993-1000.

The study tracked an initial theoretical investment of $10 000 in companies that had received health awards through four different investment scenarios, and in each case the healthy companies outperformed the market. In the highest performing scenario, the healthy companies achieved an annualized return of more than 5% against -0,06% for the S&P 500!
In the words of the authors of the study: "Our results strongly support the view that focusing on health and safety of a workforce is good business. Engaging in a comprehensive effort to promote wellness, reduce the health risks of a workforce, and mitigate the complications of chronic illness within these populations can produce remarkable impacts on health care costs, productivity and performance."[24]

A current South African study will benchmark the performance of Discovery's 2014 Healthy Company Index with the Johannesburg Stock Exchange's All Share Index (JSE ALSI) to determine whether a similar link exists in South Africa. These results will be available early in 2015.

An interesting perspective was provided by a UK-based fund manager: "The correlation between healthy employees and financial performance is a significant one from an investor perspective. However, as an investor I would not be interested in the detailed metrics. Rather, I would regard the activity of measuring and reporting on health issues as a proxy for responsible leadership". This view is very significant, because it hints at the need for health issues to feature both in terms of detailed metrics as well as on a more qualitative level, most likely as part of the human capital discussion in an organization's integrated report.

As part of the background research for this document a number of corporations' health reporting practices were assessed. Listed as an appendix are brief descriptions of some of the more interesting examples that were found.

All examples were taken from public reports and therefore offer insight into current reporting metrics. It is clear from these examples that most companies merely offer narrative descriptions about existing initiatives, which results in two constraints:

- **It is difficult to compare the performance of different companies; and**
- **It is difficult to assess the actual impact of such initiatives.**

Potential metrics

A proposal in terms of specific potential metrics for health reporting does not form part of the scope of this document. Some of the examples included in the appendix could be considered and are clearly already included in the reporting practices of the companies that were investigated. It is proposed that key points that should be considered during the development process are that health metrics must be:

- **Material;**
- **Understandable to non-health professionals and other stakeholders;**
- **Compatible with existing reporting standards;**
- **Inspirational; and**
- **Incentivized.**

It is also likely to be context-specific by focusing on what the legal system allows in terms of reporting – e.g. there will be privacy issues to be considered.

More specific information on what the actual metrics could be has been included in a document produced by the Vitality Institute ("Integrating Health Metrics Into Corporate Reporting"), and is not discussed here. The proposed metrics include process metrics (related to the culture of health in an organization) and outcome metrics (related to the population health in an organization). Proposed risk factors to be addressed include smoking, high blood pressure, ischaemic heart disease, lower back pain and major depressive disorder.

If health metrics for integrated reporting cannot be achieved over the short term, other options should be investigated, perhaps to be viewed as interim measures. In this regard, it is believed that certification (e.g. similar to the process to be certified as a benefit corporation) or indexing (e.g. through voluntary disclosure to initiatives such as the Carbon Disclosure Project) could be useful.

[24] http://www.acoem.org/CultureofHealth.aspx, accessed 7 June 2014.

Some of the biggest challenges in this process include materiality, privacy issues and alignment with existing reporting standards.

From a materiality perspective, clarity is required on whether the proposed metrics will be considered material to all reporting organizations, or whether a selection should be made based on materiality considerations. Because the list is likely to be concise and based on universal health risks, it is possible that the metrics would be material to most organizations. However, it is proposed that the principle of "apply or explain" should be applied, since each organization has to go through an internal process of determining materiality. Additional research on materiality is recommended. The following definitions on materiality provide some guidance on the issues that would have to be considered:

- **SEC (2005): "The term 'material', when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters about which an average prudent investor ought reasonably to be informed." (Regulation S-X, Rule 1-02, SEC 2005; Regulation S-K requires public companies to describe known trends, demands and uncertainties that have a material impact on financial results in their Management's Discussion and Analysis).**

- **International Accounting Standards Board (2010): Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.**

- **AccountAbility (2008): "Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders."**

- **GRI (2013): The report "should cover aspects that: reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders."**

- **IIRC (2014): The report "should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term."**

In terms of privacy issues, both legal and ethical requirements in terms of privacy have to be considered, and will apply to the proposed outcome metrics. Legal constraints in terms of privacy should always be respected as a minimum requirement. Secondly, clear assurances should be provided that health metrics will not result in unlawful or unacceptable recruitment practices. From an ethical point of view, the use of aggregated and sanitized data should be sufficient to address concerns, but this will depend on existing levels of trust within individual organizations.

In terms of alignment with existing reporting standards, it is of the utmost importance that the proposed metrics should be fully aligned with existing standards and presented as complementary, not competitive propositions. With a possible review of OHS indicators by the GRI, this presents an opportunity for collaboration and synergy. It is also proposed that discussions with the IIRC continue on how qualitative information can be incorporated into integrated reporting processes.

The way forward

The need for comprehensive health metrics to be integrated into corporate reporting is a key recommendation of the recently released report of the Vitality Institute Commission on Health Promotion and Prevention of Chronic Disease in Working-Age Americans.
A working group of early adopters of comprehensive health metrics

has been established by the Vitality Institute. This group comprises a combination of important stakeholders, and its objectives are that by the end of 2015 it will have:

- **A proposal for comprehensive health metrics and the ways in which they could be implemented;**
- **A completed pilot of early adopter companies; and**
- **A broader implementation plan.**

By doing this the group hopes to achieve its mission, which is that by 2020, workforce health metrics will be an integral indicator of overall organizational performance within the broader corporate accountability framework. These metrics will be core to existing corporate social responsibility, sustainability and integrated reporting, and critical for consideration by all shareholders and potential investors.

The message is a fairly simple one. Corporate responsibility reporting is not a peripheral activity, but measures and reports on activities that are material to business success. Comprehensive health metrics have been neglected and can make a substantial contribution to business success. These metrics should be developed by relevant stakeholders and should be aligned with existing international reporting standards. If a small group of early adopters can lead the way, there are short-term gains to be made and the long-term impact will be substantial. ■

About the author

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Appendix: Letter of Intent

We, the undersigned corporations, organizations and individuals:

- **Welcome the growing body of research which points to a positive correlation between a healthy workforce and improved financial performance;**

- **Understand the business value of corporate responsibility reporting, with specific reference to the developing field of integrated reporting; and**

- **Acknowledge the fact that mainstream reporting on health issues has mostly been limited to traditional Occupational Health and Safety issues.**

Our vision:

By 2020, workforce health metrics will be an integral indicator of overall organizational performance within the broader corporate accountability framework. They will be core to existing corporate social responsibility, sustainability and integrated reporting, and critical for consideration by all shareholders and potential investors.

Therefore:

- **We believe that a global discussion is required on how comprehensive health metrics could complement existing corporate responsibility reporting practices and standards; and how the related practices of certification and indexing could advance the discussion;**

- **We commit to form a working group that will be comprised of all relevant stakeholders;**

- **The objectives of this working group will be that by the end of 2015 it will have:**

  > A proposal for comprehensive health metrics and the ways in which they could be implemented;
  > A completed pilot of early adopter companies; and
  > A broader implementation plan.

Appendix: Best Practice Examples

Company	Brief Description of Best Practice
ASTRAZENECA	• Strategy centred on personal energy management, health screening and essential health activities • Health screening available at 80% of all sites • Essential health activities framework focuses on: Physical Fitness, Healthy Business Travel, Workplace Pressure Management, Tobacco Use Cessation, Healthy Eating and General Health Promotion
CISCO SYSTEMS	• Established a Global Ergonomic program which provides virtual support to identify and reduce ergonomic risks • Financial incentives of up to US$800 per year for employees and US$400 for domestic partners for the participation in wellness programs and activities • Certain sites in the United Sates also have fitness facilities for strength and cardiovascular training, sport leagues, group exercises, and outdoor walking and jogging paths
DELL	• On-site programs which offer medical checks, immunizations, smoking cessation, vision tests, and stress management programs • Offered in some regions: on-site wellness and fitness centers, blood pressure cholesterol and cancer screenings, health and wellness education seminars, community events such as blood drives and flu vaccines for employees and their dependents • The Health and Wellness team in India offer the following programs: blood testing, body mass index measurement, dental checks and cardiac awareness events

Company	Brief Description of Best Practice
DIAGEO	• DRINKiQ program promotes responsible drinking amongst employees through workshops offered during induction • Diageo Singapore offers yoga and Pilates classes as well as information on healthy cooking • In North America, the Striding towards Wellness program promotes health checks and raises awareness regarding common health issues and problems
FEMSA	• Promotes health and self-care to employees and their families in order to minimize work risk and the prevalence of diseases
GENERAL ELECTRIC	• Aims to improve long term employee health by increasing the amount of employees taking physicals on an annual basis • Aims to increase preventative screenings, and encourages employees to participate in the health risk questionnaire and associated lifestyle coaching program • In 2012, over 75,000 employees received preventative exams, 15,000 employees received preventative screenings, and over 20,000 employees completed health related risk assessments of which approximately 30% completed lifestyle coaching programs • Objective is to encourage biometric screening in order to improve awareness regarding key health metrics • In the process of developing a company-wide healthy weight initiative and programs that target high-risk employees specifically

Company	Brief Description of Best Practice
GENERAL MILLS	• In 2004 the 'General Mills Health Number Screening Tool' was developed, which is used as a personalized health risk assessment that helps employees to identify health risks, learn about health and wellness, and to motivate healthy lifestyle changes. • At the Company's headquarters, employees have access to a fitness center, healthy cooking classes, same-day medical appointments, and access to an on-site preventative health clinic • Employees are encouraged to complete an online health assessment and employees' blood pressure, body mass index, blood sugar and blood levels are tracked and measured • Employees are advised to confer with on-site doctors, nurses and physical therapists regarding the outcome of these tests as well as any other medical concerns that may have come to light • Financial incentives to U.S. based employees for exercising, taking health assessments and smoke cessation
HEINEKEN	• Global framework aimed at directing additional attention to wellness and the prevention of non-communicable diseases
HENRY SCHEIN	• Wellness programs address blood pressure, diabetes, cholesterol, skin cancer, cardiovascular screenings, spirometry, bone density, hearing exams, and eye exams • Other programs include mammograms, flu vaccines, smoking cessation assistance, nutrition seminars and body mass indexing

Company	Brief Description of Best Practice
MEDTRONIC	• 'Total Health' program addresses preventable employee health risk factors, including smoking, obesity, diet, high blood pressure, lack of exercise, and high cholesterol • 90% of all employees on a Medtronic health plan completed a health risk questionnaire in 2012 • The Company estimates that total savings in 2012 amounted to US $4.6 million due to this program. The program features health improvement programs, lifestyle and health coaching, nutrition information, wellness challenges, incentives to improve health and wellness, flu vaccinations, employee assistance programs and health club discounts • Medtronic Global Wellness Challenge is focus • Medtronic Employee Assistance program helps employees to resolve personal and workplace issues through short-term counseling, referrals, skills-based coaching, and follow up services on exercise and weight-loss
MICROSOFT	• The 'U.S. Stay Fit' program offers reimbursements of up to US $800 per year for fitness-related expenses such as recreational sports, personal training, fitness center memberships, and fitness classes • Promotes healthy eating through its farm-to-fork initiative and made-from-scratch food options in campus cafes
NESTLÉ	• Company wellness programs are country specific and cover employee assistance programs, fitness centers, counseling, stress management, smoking cessation, health screenings and various other services • The Company cites work-related stress as one of the key causes of lost work days and an online assessment is used to examine workplace stress in certain countries • Provided at many of its operations: vaccinations, cardiovascular testing, diabetes testing, HIV/AIDS prevention information, and the distribution of mosquito nets to prevent malaria

Company	Brief Description of Best Practice
NIKE	• The Company offers healthy living pledges, employee benefit plans, on-site gyms, risk-based safety assessments and exercise classes at corporate facilities
NOMURA HOLDINGS	• Company has implemented the 'Life and Family' program which promotes healthy living and the management of work-life events • The company conducts stress checks on a regular basis
NOVARTIS	• The 'Be Healthy' program focuses on prevention programs aimed at the prevention of non-communicable diseases such as cancer, lung disorders and cardiovascular disease • The 'Be Healthy' program introduces health activities, encourages regular exercise, offers healthy food offerings at cafeterias, and offers free blood pressure and cholesterol screening • There are also support programs for the management of illness and disease
PEPSICO	• The Company's 'Healthy Living' program includes preventative screenings and rewards employees for completing health improvement programs and assessments • This program includes personal coaching, nutrition programs, fitness programs, employee incentives, online tools, worksite wellness initiatives, educational material, and health benefit coverage • Some regions offer educational programs, routine medical care, smoking cessation programs, nutrition and exercise, organized exercise programs and on-site fitness centers • The Company also offers financial incentives for completing the online wellness program and completing the telephonic wellness program

Company	Brief Description of Best Practice
QIAGEN	• At the majority of its operations, the Company offers regular health days where employees receive free counseling and can participate in medical checkups, screening programs and nutrition programs • The Company has implemented the 'Weight Watchers @ Work' program offering employees more information on weight loss and healthy living • The Company also provides in-house gyms, on-site soccer fields, sport courses, professional training courses, beach volleyball courts and table tennis free of charge • Female employees have access to HPV screening, which is a primary cause of cervical cancer • The Company also implemented voluntary workshops in order to raise awareness regarding balanced diet, stress recovery, relaxation and exercise
SAB MILLER	• The company has implemented a Wellness Development program in Botswana, South Africa, Tanzania and Swaziland • The program focuses on HIV/Aids, sexually transmitted diseases, malaria, hepatitis B and C and tuberculosis • In Peru, the Company introduced the 'Vida Saludable' (Healthy Living) program to increase productivity by improving the health of employees, and to reduce high cholesterol and obesity. It focuses on physical activity, nutrition and education. Employees have access to monthly consultations with a nutritionist, and encourages employees to exercise and to participate in an annual medical examination
SANOFI	• The Company's 'Employee Wellness and Prevention' program focuses on regular physical activity, healthy nutrition and prevention management • The Company reports that musculoskeletal disorders accounted for 96% of all reported diseases. These disorders can be attributed to working conditions and are related to limb, neck and back disorders. The Company aims to mitigate this through ergonomics training and the optimal design of workstations

Company	Brief Description of Best Practice
SAS INSTITUTE	• The Company has an on-site health-care center at its headquarters through which employees have access to nurses, physicians, nutritionists, physical therapists, a psychologist and medical laboratory technologists
SAUDI ARAMCO	• Health and wellness programs focus on improving awareness on healthy eating, traffic safety, physical exercise and smoking cessation • Programs include improvements to the quality of healthcare delivery in Saudi Arabia, the promotion of healthy lifestyles among the youth, and the provision of education to individuals with high-risk lifestyles
TONGAAT HULETT	• The Company is planning to implement the South African National Standard for Wellness and Disease, including TB and HIV Management System into a single standard that will be applicable throughout the organization • The introduction of this standard will also enable the Company to develop an approach for managing chronic non-communicable diseases such as hypertension and diabetes • The Company has implemented malaria control programs in Zimbabwe and Swaziland that include awareness, vector control, personal protection, diagnosis and treatment

Company	Brief Description of Best Practice
VERIZON COMMUNICATIONS	• The Company's health and wellness program is based on health literacy, healthy workplace practices, stress management resources, preventative early detections services, tobacco-free policies, the provision of health tools and media and social support • One of the wellness programs is the 'Be Well, Work Well' program which offers on-site health and wellness initiatives through which employees have access to biometric health screenings, flu shots and mammography screenings • The Company reports that more than 7000 employees received screening for blood sugar, cholesterol, blood pressure and body mass index • The 'Always a Higher Gear' voluntary program has been implemented to measure employees' weight, minutes in exercise and body composition
WPP	• The Company monitors and assesses work-related stress across all operations through regular staff surveys, through exit interviews, Employee Assistance Programs, and by monitoring information acquired from the 'Right to Speak' helpline • Employees have access to health and safety training, employee assistance programs, flexible work arrangements, medical checks, health screenings, on-site doctors and nurses, stress management programs and time management programs • In the UK, the program includes advice workshops on smoking cessation, physio consultations, subsidized cancer screenings and financial incentives to participate in wellness activities • In South Africa employees have access to HIV/Aids testing, blood pressure tests, counseling services, cholesterol tests and an annual wellness day • Ogilvy & Mather has implemented the 'Happy Healthy Ogilvy' program in New York through which employees have access to a medical center, physicals, immunization, cancer screenings, and stress counselors