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Faculty of Behavioral, Management, and Social Sciences

## **Reporting Challenges of Social Dimension ESG in Healthcare**

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I am eager to find out and explore the opportunities that lie ahead and hope that you find this thesis informative. Enjoy reading this master thesis!

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Britt Bakker

## **Abstract**

Although, the healthcare sector is exempt from ESG regulations under the Corporate Sustainability Reporting Directive (CSRD), stakeholders are increasingly demanding transparency in ESG activities and data disclosure. The sector plays a crucial role in in the global economy and fostering trust with society. However, the social aspect of ESG reporting is particularly significant, as health is linked to well-being, ethics, and interpersonal relationships. The healthcare sector has strong capabilities in addressing social issues, but many organizations still face certain major challenges such as lack of standardized guidelines and data management issues, resource constraints, limited industry-wide collaboration, and organizational commitment also hinder progress. To improve ESG reporting in healthcare, clear regulatory guidelines should be developed, data collection and integration should be enhanced, resources should be allocated effectively, collaboration within the sector should be strengthened, and ESG literacy and training should be boosted. Further research and industry-led initiatives are needed to bridge the gap between current efforts to create an integrated and standardized approach to ESG reporting in healthcare.

*Keywords: ESG reporting, social sustainability, healthcare sector, ESG reporting challenges*

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## List of abbreviations

Acronym	Definitions
ESG	Environmental, Social, and Governance
CSRD	Corporate Sustainability Reporting Directive
SDGs	Sustainable Development Goals
CSR	Corporate Social Responsibility
ESRS	European Sustainability Reporting Standards
NFRD	Non-Financial Reporting Directive
SME's	Small and Medium-Sized Enterprises
GRI	Global Reporting Initiative

## 1. Introduction

Amid an increasing group of organizations that are obligated to provide extensive ESG (Environmental, Social, and Governance) reports in 2025 and the following years, the healthcare sector seems to avoid these reporting regulations for now (CSRD). Nevertheless, there is increasing pressure from insurance companies, banks, and other stakeholders to be more transparent about ESG activities and provide ESG data. This noticeable demand from stakeholders is to be more transparent about the impact of corporate actions, with a greater emphasis on the social dimension within ESG discussions (Goldman Sachs Management, 2020). The increasing focus on ESG reporting and disclosure reflects growing public interest in understanding how companies allocate resources and carry out their operations, especially related to ESG activities. This demand is accompanied by a growing need for sustainable products and increased awareness of the risks, returns, and costs associated with sustainable practices.

The healthcare industry accounts for a significant portion of the global economy, roughly 10% of total economic production, provides employment to a vast number of individuals, and has a strong relationship of trust with society, especially patients and employees. It is a place where health is deeply connected to well-being, ethics, and interpersonal relationships (World Health Organization, 1946). Thus, the social aspect is of high importance to healthcare organizations and plays a crucial role in advancing the United Nations Sustainable Development Goals (SDGs) (Appendix 1, SDGs, 2015, Sepetis et al., 2024). It has the potential to contribute to SDG 3, regarding Good Health and Well-being, by enhancing healthcare.

Many ESG frameworks lack transparency, dependability, consistency, materiality, and especially in their emphasis on the social dimension of ESG (Cruz & Matos, 2023). As stated, the social aspect of ESG is important in this sector, yet frequently undermined (Capolongo., et al 2016). In the past, corporate social responsibility (CSR) in healthcare mainly focused on improving the living conditions of employees and the wider community, often through initiatives like funding hospitals, care homes, or orphanages (Chaffee, 2017). Recent changes in ESRS regulations require organizations to report on four specific focus areas which places greater emphasis on social accountability due to increased expectations from investors, regulators, and the general public. Previously, environmental and governance issues have been the main focus for investors and stakeholders, but attention has increasingly shifted to the social aspect in recent years, particularly following the COVID-19 pandemic.

This pandemic has led to a rise in mental health challenges and a decline in overall well-being (Ivbijaro, 2020). The global health crisis, which began in 2019, emphasized the significance of social factors such as employee well-being, community involvement, and worker protection in the long-term financial performance and resilience of companies. In addition, the healthcare sector in the Netherlands faces a 6.9% absenteeism rate, which places significant strain on resources and makes it challenging for organizations to focus on tasks beyond direct patient care.

In addition, from the perspective of ESG criteria, the healthcare sector has strong capabilities in addressing social issues as it's a socially driven sector, many organizations have been using innovative techniques and technologies to reduce inequality, measure satisfaction and improve the healthcare. Nevertheless, in many cases this data stays with Human Resources and is being stuffed in the already overfull closet of unstructured data. Healthcare companies are starting to embrace ESG principles by publishing try-out ESG reports, establishing clear objectives and commitments, and sharing stories that illustrate their dedication to a corporate mission that encompasses societal influence. However, this transformation presents its own difficulties, for example in the measurement of social indicators. Although the healthcare industry may perform well in reporting environmental indicators, there is still a necessity to address deficiencies in social sustainability.

The healthcare sector must prioritize social responsibility, signaling a broader change towards more ethical and sustainable corporate practices. The COVID-19 pandemic has highlighted significant vulnerabilities in global health systems and mental well-being, making the challenges in implementing social sustainability more relevant and urgent. Social reporting is important but currently insufficient if it remains company-centered, lacks standardized metrics, and fails to actively involve stakeholders in assessing real social impact, leading to uncertainty and superficial compliance (Becchetti et al, 2022). It is crucial to map out the challenges healthcare organizations face when implementing ESG reporting in order to use resources effectively and avoid wasted investments. Identifying the factors and the trial and error of other organizations, contributing to the success or failure of social sustainable practices in healthcare is essential for the sector's long-term sustainability goals.

In conclusion, the increasing focus on the social aspect of ESG in the healthcare industry underscores the growing importance of corporate social responsibility and societal well-being. As healthcare companies continue to face ESG reporting challenges, addressing challenges in social sustainability is of great importance for the sector's future.



## **2. Literature Framework**

### **2.1 Social Dimension in Healthcare**

The healthcare industry is crucial in every community, serving as a provider of essential services and a significant contributor to the economy. In the Netherlands, there has been a notable increase in employment in the healthcare sector since the early 2000s, with over 1.6 million individuals (which accounts for over 15 percent of the workforce) working in this sector by the end of 2022 (CBS, 2023). The growing importance of this industry does not only highlight its economic significance but also its fundamental connection to societal well-being. As healthcare directly impacts important human concerns such as patient care, workforce welfare, and public health, the social dimension within the ESG framework has become a major point of attention. Research in the healthcare sector often emphasizes care for people and their well-being, making the social dimension highly relevant (Castro & Gradillas, 2022).

The social aspect of ESG encompasses various factors, including patient care, employee well-being, and community health in access to healthcare services. Social indicators assess how organizations interact with stakeholders, which in healthcare includes patients, employees, suppliers, and the broader community (Neilan et al., 2020). These indicators often encompass important aspects such as customer rights, community relations, product safety, employee health and safety, labor standards, diversity, human rights, financial inclusion, and the use of hazardous materials (Nölting, 2020). Given the people-centered nature of the healthcare sector, its potential to influence sustainable development objectives—such as reducing health inequities and improving the quality of life—is significant. Human capital is a strategic resource within healthcare, and organizations must address challenges related to the health and well-being of their workforce. Ensuring the safety, satisfaction, and equitable treatment of healthcare workers is crucial for sustaining the industry's capacity to provide quality care. The importance of healthcare providers—doctors, nurses, and medical staff—cannot be overstated, as their working conditions and job satisfaction directly impact the quality of care delivered to patients. Improving employee welfare and addressing issues such as work-life balance, mental health, and safety are crucial components of the social dimension of ESG reporting in healthcare (Broadstock et al., 2019).

The healthcare industry has the potential to play a significant role in achieving sustainability targets, as acknowledged by initiatives like the European Union's Green Deal. Climate change and the deterioration of the environment pose a fundamental threat to both Europe and the world. To address these issues, the European Green Deal aims to convert the EU into a contemporary, resource-efficient, and competitive economy, ensuring (European Commission, 2020):

- no net emissions of greenhouse gases by 2050.
- economic growth decoupled from resource use.
- no person and no place left behind.

Furthermore, it encourages healthcare organizations to pursue five main goals, including enhancing the well-being of both patients and healthcare providers, increasing awareness of the environmental impact of healthcare operations, and striving for carbon neutrality by 2050 (European Commission, 2020). These objectives are in line with broader ESG frameworks and underscore the role of healthcare organizations in advancing sustainability alongside social targets. ESG reporting, which evaluates performance in environmental, social, and governance areas, has become a crucial element of organizational ESG activities. The foundation for sustainability reporting in the EU was established with the Non-Financial Reporting Directive (NFRD) in 2014, aimed mainly at large public-interest entities. Nonetheless, in 2023, the Corporate Sustainability Reporting Directive (CSRD) replaced the NFRD, broadening its reach and implementing more comprehensive, standardized reporting obligations for a wider array of companies, including small and medium-sized enterprises (SMEs) and large non-profit organizations. The CSRD is now accompanied by the European Sustainability Reporting

Standards (ESRS), which direct the reporting of ESG information, signifying a move toward a more organized and enforceable reporting system.

Year	Regulation	Description	Applicability
2014	NFRD	Require large public-interest organizations to disclose non-financial (ESG) information.	11,700 large listed organizations, banks, and insurers in Europe.
2022	CSRD	Replaces NFRD, expanding its scope, detail, and assurance requirements.	Large companies, listed SME's, and third-country companies with significant EU presence.
2023	ESRS	Detailed reporting standards for CSRD compliance, covering ESG topics.	All companies under CSRD.
2024-2028	CSRD-phased implementation	Gradual roll-out to listed SMEs and possibly large non-profit organizations.	Timeline varies per sector and organization (size).

*Table 1 Timeline of EU Sustainability Reporting Regulations.*

ESRS and CSRD are key concepts in the realm of ESG reporting and are closely linked. The ESRS offers many healthcare organizations a comprehensive framework and guidelines to meet the sustainability reporting requirements set forth in the CSRD. The ESRS is divided into three themes (environment, social, and governance) which have several key components such as pollution (e), workforce (s), and business conduct (g). The social theme encompasses a company's responsibilities toward its employees, supply chain, and overall societal impact. Its key components include the organization's own workforce, workers within the value chain, affected communities, and consumers or end-users. In the healthcare sector, this involves reporting on initiatives to improve patient safety, enhance community health, and ensure fair access to healthcare services.

Category	Subject	Sectors	Regulations
Social (S)	ESRS S1: Own Workforce	All sectors	Working conditions, health and safety, diversity and inclusion.
Social (S)	ESRS S2: Workers in the Value Chain	All sectors	Labor rights, safety, and health of workers in the value chain.
Social (S)	ESRS S3: Adjacent Communities Industry, energy, mining	Industry, energy, and mining (So not applicable)	Impact on local communities, engagement, and rights of indigenous peoples.
Social (S)	ESRS S4: Consumers and End Users	Retail, technology, and healthcare	Product safety, privacy, and consumer rights.

*Table 2 ESRS Social Theme and Key Components (Crowe, 2023)*

The ESRS framework sets out important guidelines for ESG reporting in healthcare, prioritizing transparency and accountability. However, these regulations do not ensure straightforward implementation. Multiple healthcare organizations struggle with incorporating ESG principles into their practices due to challenges in measurement, a lack of standardization, and a lack of resources. This gap between regulatory expectations and real-life challenges is highlighted in a PwC study (2022), which revealed that while environmental aspects are often well-discussed in ESG reports, social and governance aspects receive significantly less focus, which leads to unevenness in ESG reporting in especially those two areas. For example, measuring patient satisfaction in mental health institutions

should be addressed differently than in a hospital, to maintain reliable results. However, there is a growing acknowledgment of the importance of integrating social metrics into ESG reporting. Public accountability plays a crucial role in driving this shift, particularly in sectors like healthcare, where organizations are accountable for utilizing public resources efficiently and ensuring that their actions align with sustainability objectives (Flynn, 2012).

This difference arises because social sustainability is perceived as more complex to measure, often requiring nuanced, relational approaches to capture the internal and external impact of an organization on its workforce and local communities (Becchetti et al, 2022). The environmental aspect, by contrast, benefits from established metrics and tangible outcomes that make reporting relatively more concrete (Becchetti et al, 2022). The lack of reporting in this area highlights the importance of healthcare organizations focusing more on setting concrete social KPIs and reporting on them, such as labor relations, workforce diversity, employee training and education, and patient care standards. These elements should be integrated into ESG reports to offer a fuller picture of an organization's impact on society. These indicators not only improve transparency but also enable healthcare organizations to showcase their dedication to ethical practices, fairness, and social accountability.

It is essential for healthcare organizations to enhance their ESG reporting to identify key performance indicators (KPIs) based on the key components of the social theme in ESRS. For every key component, several KPIs will be used to effectively capture and measure the current state of the company. By setting specific KPIs, the company can track their progress and stay on track.

The social aspect of ESG focuses on improving societal outcomes by addressing critical issues like equity, diversity, and community health. Initiatives often center on "social determinants of health strategies, expanding access to healthcare for underserved communities, and fostering workplace diversity", such as through recruitment and mentorship programs (PwC, 2022). Healthcare organizations also play an active role in advancing societal well-being by engaging in initiatives like "upskilling staff, bolstering workplace safety, and increasing supplier diversity" (PwC, 2022).

Furthermore, the relational aspect is essential for the social pillar, emphasizing collaboration and trust among stakeholders. A "participatory approach to decision-making" fosters stronger relationships and sustainable outcomes. This approach ensures that healthcare providers contribute meaningfully to "local development and the improvement of multidimensional well-being" (Becchetti et al, 2024). Table 2 continues to elaborate the set ESRS standards for the social aspect by proposing examples of the data that needs to be collected, analyzed and structured for the entire ESRS social theme. It identifies the focus areas within each key component to eventually create KPIs to see what can be measured in order to get a clear understanding of the current situation and set goals accordingly. The KPIs are crucial for organizations to gain insights into what specific data needs to be collected. The selection of KPIs used for measurement is of high importance (Velirimovic, 2010).

Key Social Theme	Components	Focus areas	KPIs per aspect
Own Workforce		Skills and training	<ul style="list-style-type: none"> <li>• Training hours per employee per year (by level)</li> <li>• % workforce completing development programs</li> </ul>
		Working conditions	<ul style="list-style-type: none"> <li>• Employee retention</li> <li>• Temporary vs freelancers</li> </ul>
		Equal opportunities	<ul style="list-style-type: none"> <li>• Diversity metrics in all organization levels (%)</li> <li>• Reported discrimination incidents</li> <li>• Promotion rate by demographic group</li> </ul>
		Health, safety, and well-being of employees	<ul style="list-style-type: none"> <li>• Employee satisfaction</li> <li>• Absenteeism rate</li> </ul>
Workers in the Value Chain		Addressing human rights and risks value chain.	<ul style="list-style-type: none"> <li>• % supplier assessed human rights risks</li> </ul>
		Rights and well-being of workers employed by suppliers.	<ul style="list-style-type: none"> <li>• % suppliers audited for labor standards compliance annually.</li> <li>• Number of suppliers providing fair wages.</li> </ul>
Affected Communities		Human rights in supply chains	<ul style="list-style-type: none"> <li>• Supply chain operations screened for human rights issues.</li> <li>• Incidents of human rights violations identified.</li> </ul>
		Impact on local and indigenous communities.	<ul style="list-style-type: none"> <li>• Number of community engagement initiatives undertaken</li> <li>• Funds allocated to community development.</li> </ul>
Consumers and End-users		Responsible marketing practices	<ul style="list-style-type: none"> <li>• Number of marketing compliance violations</li> <li>• Consumer trust score</li> </ul>
		Product safety and information	<ul style="list-style-type: none"> <li>• Customer satisfaction score</li> </ul>

Table 3. ESRS Social Theme, Key Components and examples of KPIs

Measuring social factors in healthcare proves to be challenging due to the wide array of indicators involved. ESG indicators typically encompass measures linked to human rights, labor standards, workforce diversity, as well as customer and community relations (Boffo & Patalano, 2020). For healthcare entities, vital social indicators include patient safety, employee welfare, community health initiatives, and fair access to services. These indicators demonstrate how healthcare organizations tackle crucial societal issues, such as diminishing health inequalities and ensuring patients receive top-notch, accessible care. However, to report on these achievements, measurement must come first. Identifying clear, actionable indicators is essential, and distinguishing between metrics such as employee well-being, community health outcomes, and diversity efforts ensures that progress can be tracked effectively.

For instance, *patient safety* can be measured through clinical outcome metrics like readmission rates, infection control data, or patient-reported safety incidents (Nielsen, 2023). *Employee welfare* may involve tracking absenteeism, staff turnover, mental health support programs, and employee satisfaction surveys. Similarly, community health initiatives often rely on quantitative measures such as the number of outreach programs, vaccination rates, or reductions in local disease prevalence. Workforce diversity indicators, on the other hand, include measurable targets such as gender and racial representation in leadership roles and across the workforce, along with progress toward equal pay and inclusion initiatives. Nevertheless, tracking progress within one's own organization may be relatively straightforward, but identifying social impacts deeper down the value chain and within the broader community poses additional hurdles.

Healthcare entities rely on complex supply chains that include medical suppliers, contractors, and partners whose labor and ethical standards may not align with the parent organization's ESG goals (Kaplan & Ramanna, 2021). For example, monitoring labor practices among medical equipment manufacturers or ensuring community health initiatives address systemic social determinants of health requires robust data collection frameworks, collaboration, and accountability mechanisms.

Going deeper into each key component reveals specific obstacles. *Patient safety*, for instance, may suffer from underreporting due to fear of accountability or fragmented data across facilities, making it harder to measure and address systemic issues. Similarly, *employee welfare* initiatives often face challenges such as insufficient funding for mental health programs or inadequate mechanisms for gathering qualitative feedback on staff well-being (Nielsen, 2023). Workforce diversity can also face resistance due to unconscious bias in hiring practices or a lack of pathways for underrepresented groups to progress into leadership positions. Finally, community relations efforts, while crucial, often face difficulties in measuring long-term impact. For example, while organizations may initiate health education or affordable housing projects, assessing whether these interventions genuinely improve social determinants of health requires ongoing monitoring and collaboration with stakeholders.

Aligning these indicators with frameworks like the European Sustainability Reporting Standards (ESRS) can help healthcare organizations prioritize what to measure and report. The ESRS emphasizes materiality assessments that focus on stakeholder relevance and societal impact, ensuring that healthcare entities move beyond surface-level reporting toward substantial contributions (European Commission, 2023). For example, reporting on patient safety aligns with the broader goals of health equality, while tracking fair labor practices ensures ethical engagement across the value chain. However, adopting these standards can be resource-intensive, requiring healthcare organizations to build the necessary infrastructure for data collection, analysis, and validation.

In short, while measuring social indicators in healthcare remains complex, a precise understanding of each key component and its challenges can enhance tracking and reporting. Overcoming obstacles like fragmented data, underreporting, and the difficulties of reaching deeper into the value chain will require investment, transparency, and stakeholder collaboration to drive tangible societal progress.

However, measuring the actual impact of ESG initiatives in these areas is difficult, especially when social goals are abstract or lack clear, quantifiable targets. Furthermore, organizations may lean towards prioritizing environmental goals over social ones, given that environmental initiatives are often easier to measure and report. This leads to an imbalance in ESG reporting, where organizations may seem to be making substantial progress in sustainability while neglecting equally important social concerns. To tackle this challenge, healthcare organizations must develop better metrics for evaluating social impact and ensure that social goals are given the same level of importance as environmental and governance objectives (De Micco et al, 2020).

Healthcare organizations need to also take into account product responsibility, which involves guaranteeing the safety and effectiveness of medical products and services. They should also ensure transparent labeling and marketing practices. By focusing on the established KPI's and effectively measuring them, healthcare organizations can better match their operations with ESG principles and help achieve broader societal objectives. The healthcare sector plays a crucial role in advancing social sustainability. Although the sector has made significant progress in addressing environmental concerns, there is still a lot of work to do in terms of enhancing social reporting. It is essential for healthcare organizations to prioritize the social aspect of ESG by tackling obstacles, also ensuring fairness and transparency in their operations. Through the adoption of more comprehensive ESG reporting practices, healthcare organizations can better showcase their dedication to social responsibility and contribute to the broader aim of sustainable development.

By doing so, they will not only enhance their reputations and financial performance but also fulfill their ethical responsibilities to the communities they serve. The healthcare sector's focus on social accountability is not merely a regulatory obligation; it is a moral imperative that safeguards the welfare of society as a whole (Castro & Gradillas, 2022).

There are currently no mandatory rules and regulations that this sector has to comply with. There are five laws for care in the Netherlands which are Healthcare Insurance Act (Zorgverzekeringswet, Zvw), Long-term Care Act (Wet langdurige zorg, Wlz), Social Support Act (Wet maatschappelijke ondersteuning, Wmo), Youth Act (Jeugdwet), and the Public Health Act (Wet publieke gezondheid, Wpg) (RIVM). These laws primarily focus on ensuring access to healthcare for all groups in Dutch society. They do not focus on ESG implementation and reporting. Nevertheless, CSRD is an impending law that is already mandatory for an increasing number of firms. CSRD is a regulation set by the European Union aimed at improving and standardizing the disclosure of sustainability-related information. It supersedes the NFRD and greatly broadens its reach. The key aspects are enhanced reporting requirements (Abdullah et al., 2021), standardization (Sadou et al., 2017), external assurance (Saleh et al., 2011), and digital reporting (Fifka, 2013). Organizations that must follow these regulations include firms that meet at least two of the following criteria: More than 250 employees, Net turnover exceeding \$40 million, or balance sheet total over \$20 million (EU Commission, 2023)

Publicly listed companies on EU-regulated markets, including SMEs, must comply, although SMEs benefit from extended deadlines and lighter reporting obligations (Belal & Momin, 2009). Non-EU companies generating \$150 million or more in EU markets must also adhere to CSRD requirements (European Commission, 2023). In alignment with the United Nations' (UN) 2030 agenda and the 2015 UN Paris Agreement, the European Union has increased its pressure for a transition to a greener society. In the coming years, the CSRD will possibly extend to social service and healthcare non-profits (SSHC-NPOs). These organizations will fall under the CSRD if they satisfy two out of the three specified criteria (EU Commission, 2023).

## **2.2 Reporting Challenges of ESG in Healthcare: A Critical Examination**

Healthcare organizations have to go through several steps to fill out all aspects of the ESG reports. As stated in table 3, each key component consists of multiple focus areas which can be measured by KPIs. Usually, this data comes from multiple sources or is not collected by the company yet. This can be the first challenge to gaining insights into the current position of the company's social sustainability and can slow down its ESG reporting activities. Healthcare organizations can encounter such challenges when it comes to ESG reporting. These challenges include obstacles with data collection and measurement, a lack of support from senior management, issues with superficial compliance, and uncertainties about the actual social impact, privacy, and cultural barriers. Each of these challenges need to be addressed in order to develop a successful and meaningful ESG strategy.

### *Challenge 1: Data Collection*

Data collection and the measurement of ESG performance pose significant challenges for healthcare organizations due to the lack of standardized metrics and consistent data sources. Collecting, storing, and analyzing ESG data can be a challenging and time-intensive process. (Salehi, 2023). This makes it difficult for them to accurately assess their ESG performance. Companies are under increasing pressure to disclose both qualitative and quantitative ESG-related information, but healthcare organizations struggle to compile and report on diverse sustainability data. Looking at the ESRS which consists of four components and are likely to be measured separately, since it will be difficult to send an employee satisfaction survey which measures patient satisfaction and local communities' engagement simultaneously. This means that multiple data collection sources will be issued and collected to get insights in the workforce, value chain, the community, and patients.

Table 3 provides an overview of the key components, focus areas, and KPIs. For the workforce component, most data can be sourced from the human resources department, but inconsistencies arise due to variations in data formats, such as numeric scales (1-10) versus percentages (%). Additionally, data collection for other components, such as the value chain or consumer (patient) interactions, will follow different methods. Consequently, each KPI will require a tailored approach for data collection and analysis.

On top of that, the healthcare industry tends to prioritize specific operational aspects like patient care and cost management, often overlooking a holistic ESG approach that encompasses environmental, social, and governance factors comprehensively. Although there is a growing focus on improving mental health and employee well-being, there is still a gap in integrating broader ESG metrics. This suggests that researchers and analysts encounter significant challenges in managing extensive "data gaps" that encompass various companies, time frames, and ESG metrics (Kotsantonis et al., 2019). Many companies tend to focus on highly specific KPIs that they deem most relevant to their operations, rather than adopting a comprehensive approach in line with frameworks like the ESRS. As a result, different companies may prioritize distinct ESG components based on their unique perspectives, leading to inconsistencies in the KPIs they track. For instance, one company may focus on employee retention while another may emphasize cost management, without fully realizing that both are crucial for long-term success. This lack of standardized metrics and understanding of ESG's broader implications creates challenges in aligning with a unified approach to ESG performance.

One of the reasons for this lack of a broad ESG approach is because many organizations do not have this information row with the rows they have. Therefore, if hospitals collect employee satisfaction data, they can report this with ease, but if they only collect patient satisfaction data, it could be more difficult. It is often presumed that data is readily accessible for all healthcare companies; however, this assumption does not align with the reality (Kotsantonis et al., 2019).

To tackle this issue, healthcare organizations need to enhance their data organization and improve the availability of quantitative information, supplementing it with qualitative insights to address reporting gaps and make collecting data more efficient and easier. This will enable healthcare facilities to touch upon every KPI mentioned in the ESRS and support more informed strategic decision-making.

Furthermore, as data is collected and stored, it is the question whether the data can be interpreted in the same way and is consistent among other companies. The main objective of ESG metrics is to provide an accurate assessment of a company's performance on specific ESG issues. However, a frequently noted obstacle in analyzing ESG investment and performance is the inconsistency in how companies report ESG data. Organizations often use varying terminology and, crucially, different units of measurement to collect their data. This lack of standardization creates substantial difficulties when attempting to compare companies, as the metrics may not always evaluate equivalent aspects (Kotsantonis et al., 2019). For example, diversity metrics can be collected in percentage and employee satisfaction be collected by using a number.

Furthermore, data quality presents a significant challenge. The Global Reporting Initiative (GRI) identifies ten principles that data must meet to ensure high quality (GRI, 2022). These principles are divided into four content-related principles—stakeholder inclusiveness, sustainability context, materiality, and completeness—and six quality-related principles, namely accuracy, balance, clarity, comparability, reliability, and timeliness. Despite increasing interest in the topic, research on the lack in ESG data quality and the ways these issues manifest among ESG stakeholders during the reporting process remains relatively limited (Jonsdottir, 2022). Bringing together these diverse data sources into a cohesive ESG framework requires investment in data infrastructure and training, both of which are still underdeveloped in many organizations.

Healthcare organizations encounter significant difficulties in standardizing ESG metrics due to the complex and context-specific nature of the data, which frequently lacks structure and completeness (In et al., 2019). New data technologies, particularly AI and machine learning, present valuable opportunities to enhance data detail and fill reporting gaps. Nonetheless, the healthcare industry has been slow to embrace these advancements, which further intensifies disparities in evaluating ESG performance. Responses to ESG ratings among corporations vary widely, with some organizations actively complying while others either resist or engage only minimally with these metrics (Clementino & Perkins, 2020). Tackling these issues requires considerable investment in ESG infrastructure, including the development of training programs and effective tools to manage various data sources (Pagano et al., 2018). Following established guidelines, such as those from the GRI, can help ensure data integrity and promote comparability, ultimately aiding in more strategic decision-making (GRI, 2022).

### *Challenge 2: Senior Management Involvement and Organizational Commitment*

The lack of support and commitment from senior management is a significant obstacle to effectively implementing ESG reporting. Despite having dedicated teams for sustainability, these teams often operate in isolation and have limited influence and resources within the organization. Consequently, many ESG efforts only scratch the surface and fail to drive substantial organizational change or long-term value creation. True integration of ESG requires sustainability to be ingrained in the organization's core strategy, a goal that can only be accomplished with the full backing of senior management (Clementino & Perkins, 2020). CEOs and board members must take responsibility for aligning ESG initiatives with the company's overall vision, identity, and long-term objectives. Without this high-level commitment, sustainability teams may be constrained to superficial actions, like publishing annual ESG reports, which have minimal impact on the company's overall performance or sustainability efforts (Bauer & Greiling, 2024).

Furthermore, aligning ESG goals with an organization's strategic priorities often entails making tough decisions, such as reallocating resources, changing business models, or reevaluating corporate governance structures. These decisions cannot be made without the active involvement of senior management. Therefore, it is crucial to cultivate a culture of accountability, where senior leaders are held responsible for achieving ESG goals, to ensure successful ESG implementation.

To bring about meaningful organizational change and create enduring value, it is essential to understand the leadership styles that promote the adoption of ESG principles. Research indicates that ethical leadership, characterized by integrity, fairness, and accountability, fosters organizational cultures where ESG initiatives can thrive by bolstering stakeholder trust and transparency (Ajayi, 2024). Likewise, authentic leadership, which emphasizes self-awareness and openness, enables leaders to effectively communicate and align ESG goals with the organization's objectives. These leadership styles not only enhance perceptions of ESG but also inspire employees and other stakeholders to engage actively in sustainability efforts. Thus, cultivating leadership traits such as authenticity and ethical behavior among top management is crucial for incorporating ESG principles into the strategic framework of the organization.

### *Challenge 3: Superficial Compliance and Integrity*

The challenge of superficial compliance poses a serious obstacle, as businesses frequently focus on fulfilling regulatory obligations rather than genuinely embedding ESG principles into their core operations (Ajayi, 2024). This may lead to "greenwashing," where companies present a false image of sustainability without implementing meaningful changes that foster long-term value creation. Deceptive sustainability claims undermine the credibility of ESG initiatives and erode stakeholder trust, particularly when these efforts are perceived as mere marketing strategies instead of authentic efforts for transformation (Esty, 2020).



In the healthcare sector, the implications are particularly significant due to its direct influence on public health and safety. A superficial approach to ESG standards can diminish trust and harm reputational integrity. For example, healthcare entities might promote their environmental sustainability initiatives, such as lowering carbon emissions, while neglecting essential social or governance concerns like patient safety, employee welfare, or fair access to healthcare services (Sepetis et al, 2023). Although healthcare regulations seldom mandate ESG reporting at the moment, there is a rising demand from stakeholders for increased transparency and accountability through structured ESG disclosures, reflecting the growing pressure for accountability through official ESG reporting (KvK, 2024).

To address this challenge, healthcare organizations must move beyond compliance-driven ESG strategies and concentrate on integrating ESG into their core activities. Accomplishing this requires ESG reporting that is open and honest, highlighting not only successes but also recognizing areas that need enhancement.

This necessitates transparent and honest ESG reporting, with organizations openly sharing their challenges and progress, ensuring that stakeholders comprehend how ESG factors influence business decisions and operations. Integrity in ESG reporting is essential for establishing trust with internal and external stakeholders and ensuring that ESG initiatives have a meaningful and lasting impact. One example is Natura, which has gained acknowledgment for its clear sustainability reporting, candidly tackling both its achievements and its obstacles (Nielsen, 2023).

The adoption of ESG principles within the healthcare industry generates significant discussion regarding the actual impact of these initiatives on societal advancement. Measuring environmental sustainability efforts, like lowering carbon emissions, tends to be straightforward, whereas assessing the social elements of ESG—such as enhancing community health, guaranteeing equitable labor practices, and fostering diversity—proves to be more complex. Organizations ought to prioritize governance structures that regard social factors as equally vital as environmental efforts (Farneti, 2009).

Healthcare organizations, which have a significant role in promoting public health, face scrutiny regarding how effectively they address social issues. For example, the social component of ESG within the healthcare industry focuses on upholding excellent patient care standards, guaranteeing fair access to healthcare, and supporting the well-being of employees. This is where significant metrics and transparent governance can foster advancements. In the end, embedding ESG into the core strategies of healthcare organizations will necessitate a transformation in regulatory frameworks to require ESG disclosures. This shift would motivate organizations to go beyond mere compliance and embrace a comprehensive approach to sustainability.

#### *Challenge 4: Privacy of ESG Data*

As the volume of personal data collected continues to rise, so does the number of valuable services and products, but unfortunately, this also leads to a significant increase in data breaches, cyber fraud, and abuse. Today, attacks targeting citizens' personal data have evolved into a serious global concern. Personal data has been referred to as the "new oil," and privacy has become a key issue worldwide. With the digital transformation of the economy and the growing focus on Environmental, Social, and Governance (ESG) practices, there is an urgent need to integrate privacy into sustainable development frameworks. In the current digital age, privacy has become one of the most critical global challenges. Cybercriminals are continuously engaged in hacking and stealing personal data, which is then sold, exchanged, or used for fraudulent activities. This makes personal information increasingly vulnerable, and concerns about user privacy on the internet are more pressing than ever. There is now a strong demand for greater confidentiality, robust protection, and reliable control over personal data.

In the context of ESG reporting, addressing data privacy is a key challenge, as companies must balance the growing need for transparency and accountability with the critical requirement to safeguard individuals' sensitive information (Bicharov et al, 2024).

As the demand for ESG data grows and artificial intelligence platforms are employed to organize and analyze sensitive patient and employee information, there is an increasing urgency to incorporate this issue into ESG frameworks. Transparency serves as a fundamental principle for ESG reporting; however, data privacy holds equal significance. According to Balboni and Francis (2024), integrating privacy into the ESG framework not only boosts corporate accountability but also aligns data protection with wider sustainability objectives, particularly in fields that engage with vulnerable populations. The General Data Protection Regulation (GDPR) (Albrecht, 2016) provides a solid legal structure for data protection but does not automatically guarantee the ethical management of data for societal benefit (Balboni & Francis, 2024). Moreover, healthcare organizations are distinctly situated to establish benchmarks for ethical data practices due to the trust they naturally possess as guardians of public health. Implementing frameworks such as the Maastricht University Data Protection as a Corporate Social Responsibility (UM-DPCSR) Framework can assist healthcare providers in balancing transparency and privacy. By applying specific measures like Fundamental Rights Impact Assessments for data processing, healthcare entities can make sure their ESG initiatives honor the confidentiality of patient and employee data (Balboni & Francis, 2024).

The sector's emphasis on patient care further highlights the necessity of prioritizing privacy in ESG initiatives. Errors in data management can undermine public trust, which is essential for the healthcare industry's successful functioning. By integrating privacy-focused practices into their ESG strategies, healthcare organizations can protect sensitive information while also enhancing their reputation and the confidence of their stakeholders. This proactive strategy corresponds with the sector's broader objective of promoting well-being while advancing sustainable and socially responsible operations.

#### *Challenge 5: Cultural Barriers*

The successful implementation of ESG practices in healthcare is significantly challenged by cultural barriers. Resistance to change within organizations is common, as employees and managers are often used to traditional practices and may not fully grasp the importance of ESG principles (Ajayi, 2024). This lack of awareness and readiness can impede the adoption of sustainable practices and delay the integration of ESG values into the organization's culture. Establishing a culture of sustainability necessitates substantial investment in educational and training programs that enhance awareness and understanding of ESG issues among employees at all levels. Healthcare organizations need to promote engagement, encouraging both internal and external stakeholders to participate in sustainability efforts and collaborate on ESG initiatives (Aboueid et al, 2023). This involves close cooperation with external partners, such as suppliers, regulators, and community organizations, to align ESG goals and drive collective progress.

Furthermore, the absence of existing frameworks or incentives to drive ESG adoption further complicates the cultural challenge. Many healthcare organizations lack the necessary tools and guidance to effectively implement ESG strategies, resulting in fragmented efforts that yield limited results. Overcoming these cultural barriers requires a focused effort to develop internal expertise, establish clear incentives for ESG success, and cultivate an organizational culture that prioritizes sustainability as a fundamental business objective (Clementino & Perkins, 2020).

Incorporating ESG practices in the healthcare industry comes with various obstacles, such as challenges in data collection and measurement, gaining support from senior management, meeting compliance requirements on the surface, and overcoming cultural barriers (Aboueid et al, 2023). Overcoming these obstacles necessitates a comprehensive approach that integrates sustainability into the organization's fundamental strategy and ethos. Healthcare institutions should prioritize transparency, honesty, and responsibility in their ESG reporting, ensuring that they not only adhere to regulatory standards, but also contribute meaningfully to social and environmental advancement. By nurturing a sustainable culture, healthcare organizations can surmount these challenges and generate enduring value for their stakeholders and society at large (Ajayi, 2024).

Challenges	What does it mean?	Literature sources
Challenge 1: Data Collection (difficulty measuring)	<p><b>A1</b> <i>Data quality</i> varies across data sources and is often not usable.</p> <p><b>A2</b> <i>Inconsistent metrics and formats</i> across all departments in an organization, use several programs to measure this data.</p> <p><b>A3</b> No <i>standardization for company programs and departments</i> to gather data is difficult when striving for consistency and cohesiveness.</p> <p><b>A4</b> <i>Lack of unified ESG approach</i> leads to inconsistencies in data and a lack of coherence in frameworks</p> <p><b>A5</b> <i>Prioritization of operational metrics over holistic ESG metrics</i></p>	(Salehi, 2023), (Kotsantonis et al., 2019), (GRI, 2022), (Jonsdottir, 2022), (In et al., 2019), (Clementino & Perkins, 2020), and (Pagano, 2018)
Challenge 2: Senior Management Involvement and Organizational Commitment	<p><b>B1</b> <i>Lack of high-level leadership support</i> and responsibility for ESG efforts</p> <p><b>B2</b> No <i>clear staffing</i> or dedicated ESG roles.</p> <p><b>B3</b> <i>Green teams are isolated</i> and have limited resources and influence.</p> <p><b>B4</b> <i>Resistance to change</i> on all levels of the organization.</p> <p><b>B5</b> <i>Lack of intrinsically motivated leadership</i> to truly implement ESG into strategy.</p>	(Castro & Gradillas, 2022), (Clementino & Perkins, 2020), (Bauer & Greiling, 2024), and (Ajayi, 2024)
Challenge 3: Superficial Compliance & Integrity	<p><b>C1</b> <i>Focus on meeting regulatory obligations</i> without authentic integration of ESG principles.</p> <p><b>C2</b> <i>Greenwashing damages credibility</i> harm the credibility of organizations.</p> <p><b>C3</b> <i>Miscommunication and lack of transparency</i></p> <p><b>C4</b> <i>Insufficient focus on the genuine social effects of ESG efforts.</i></p>	(Farneti, 2009), (Esty, 2020), (Ajayi, 2024), (Sepetis et al., 2023), (KvK, 2024), and (Nielsen, 2023).
Challenge 4: Privacy of ESG data	<p><b>D1</b> <i>Collection and processing of sensitive data</i>, including highly sensitive patient and employee data</p> <p><b>D2</b> <i>Transparency vs privacy</i> in ESG reporting</p> <p><b>D3</b> <i>Integration of artificial intelligence tools</i> for analytics</p>	(Bicharov et al, 2024), (Balboni & Francis, 2024), and (Albrecht, 2016)

	introduces additional risks to data.	
Challenge 5: Cultural barriers	<b>E1</b> <i>Resistance to change</i> and divert from traditional practices. <b>E2</b> <i>Lack of training and stakeholder engagement</i> in ESG efforts <b>E3</b> <i>Absence of clear incentives</i> to implement ESG into the culture and strategy	(Ajayi, 2024), (Clementino & Perkins, 2020), and (Aboueid et al, 2023)

Table 4. overview of challenges from literature

### 2.3 Research Question and Interview Guideline

The literature review indicates there will be an increasing focus on ESG reporting, but it also highlights a notable lack in the systematic assessment of the social aspect, especially in the healthcare sector. Although the environmental and governance components have more defined metrics and regulatory guidelines, the social aspect remains less developed due to its qualitative characteristics, the lack of standardized reporting systems, and the absence of compulsory disclosure regulations (Becchetti et al., 2022; Clementino & Perkins, 2020).

Even though healthcare organizations operate in a domain, driven by social factors, their reporting on social sustainability is often variable, disconnected, and not integrated into established ESG frameworks. Issues like challenges in data allocation, the level of commitment within organizations, and the need to align transparency with privacy issues add complexity to the reporting process (PwC, 2022; Bicharov et al., 2024). The discrepancy between theoretical expectations and practical execution highlights the need for more extensive research of the particular challenges that healthcare organizations encounter in reporting the social dimension of ESG.

From this gap emerges the research question: “*What are the reporting challenges of the social dimension of ESG in the healthcare sector?*”. This question logically stems from existing literature by tackling the practical challenges that interfere with efficient ESG reporting in the healthcare sector. By exploring these challenges, this study seeks to enhance the understanding of the barriers organizations face and to identify possible solutions for improvement.

### **3. Methodology**

#### **3.1 Research design**

The primary focus of this paper is to identify the challenges associated with ESG reporting, particularly within the social dimension of the healthcare sector. To achieve this, the research will be conducted using qualitative methods. Qualitative research has gained increasing recognition in health and pharmacy services research due to its popularity and value. There are various qualitative research methods available, with the most common data collection methods including observations, semi-structured interviews, and focus groups. Moser and Korstjens (2017) summarize these methods as follows: Participant observation involves collecting data through participation in and observation of a group or individuals over an extended period of time. Interviews entail asking respondents questions face-to-face, by telephone, or online. Focus group discussions involve a small group of people discussing a given topic, usually guided by a moderator. Semi-structured interviews are the preferred method when the goal is to understand the participant's unique perspective rather than a generalized understanding of a phenomenon. Therefore, the empirical section aims to gain an understanding of the real-life challenges faced by healthcare professionals when implementing ESG reporting, specifically within the social dimension. Additionally, a primary advantage of semi-structured interviews is that they allow interviews to be focused while giving the investigator the autonomy to explore pertinent ideas that may arise during the interview, enhancing the understanding of the assessed service. This depth of understanding cannot be obtained from quantitative data alone. However, the literature framework provides a basis for quantitative data, which can be combined with the qualitative data from the interviews, following a mixed methods approach (Creswell, 1999).

The research design will consist of a literature review and fourteen semi-structured interviews with healthcare professionals of multiple levels of expertise, for example: financial controllers, human resources, and Green Teams. Data saturation was one of the guiding principles for determining this sample size. Another approach that was important to this research is the mixed methods approach (also called triangulation) which allows for comprehensive understanding and may uncover insightful approaches and perspectives that have not been previously explored (Creswell, 1999). Nevertheless, this approach of collecting and analyzing both qualitative and quantitative data is a time-consuming process. Yet, it is a very useful tool to enhance validity.

#### **3.2 Sampling**

To specifically evaluate the reporting implementation challenges of the social aspect of ESG in healthcare organizations, it is necessary to identify a particular group of professionals. The selection criteria were centered on individuals employed in the healthcare sector who possess knowledge and awareness of their organization's ESG implementation processes, upcoming ESG regulations for the public sector, relevant stakeholders, data and measurement matters, and implementation challenges. The sample size of fourteen professionals (Interview list in appendix 4) was determined according to the qualitative research standards, which means to deeply explore and understand the existing concepts instead of generalizing across large populations (Creswell, 2009). The focus remains on significant engagement with participants and their perceptions and experiences to understand multiple realities and how things occur. Given the time-extensive data collection and analysis of the interviews and literature research, this sample size was deemed realistic for this research. By emphasizing a smaller sample group, we were allowed to get meaningful insights without compromising the depth of the analysis (Creswell, 2009).

### 3.3 Data collection

The quantitative data of the literature review and the approach of the qualitative method will be discussed in the following sections.

#### 3.3.1 Semi-Structured Interviews

The face-to-face interviews were conducted to gain in-depth knowledge from healthcare professionals directly involved in the challenges of reporting the social aspect in the healthcare sector. The main source of empirical data was obtained through semi-structured interviews involving healthcare professionals. Their expertise and experience contributed valuable insights, facilitating a deeper exploration of various concepts, depending on the expertise of each interviewee.

As outlined in Chapter 3.2, interviewees were selected based on their involvement in ESG reporting and implementation challenges in their organization. The sample included a variety of professionals who have been involved in ESG activities in healthcare to provide insights into the social aspect. The semi-structured interviews provided diverse perspectives on the potential challenges and solutions in ESG implementation within this sector. To ensure clarity and cohesiveness during the interviews, a structured guideline was established based on the literature review and research question. The semi-structured interview guidelines encompassed a general introduction and an exploration of social aspect activities within ESG. Furthermore, the five identified challenges were discussed, along with how the social aspect can be measured according to the interviewees.

The interviews have been designed to cover every relevant aspect of the research, divided into several categories: The goal of this method was to understand the perspective of the healthcare professionals regarding the identified challenges and to assess whether the literature findings align with the interview results. Furthermore, the interview guideline was based on the challenges identified in scientific articles (appendix 2-3). All interviews were conducted, recorded, and transcribed between November 2024 and January 10, 2025, with each interview lasting approximately 30 to 60 minutes (Appendix 4).

In addition, this part of the research process will consist of seven steps to conducting, analyzing, and reporting semi-structured interview data (7S CARS-SID):

Steps	Sub-topics	Resources
<b>1. Assess method fit</b>	None	Adams, (2015)
<b>2. Interviewees selection</b>	Sampling approaches  Recruitment	Guest G, Namey EE, Mitchell ML, (2013). Bradley EH, Curry LA, Devers KJ, (2007) Raworth K, Narayan S, Sweetman C, Rowlands J, Hopkins, (2019)
<b>3. Interview design</b>	Interview Guideline Development	Varpio L, Paradis E, Uijt de haage S, Young M, (2020), Green H, (2014), Parahoo K, (2006), and LoBiondo-Wood G, Haber J, (2010)
<b>4. Interview process, transcribing, and data analysis.</b>	Preparation interview  Interview modality and recording considerations  Transcription Securely storing the data	UNC University Libraries Health Sciences Library, ( 2021) Sutton J, Austin Z. ,(2015)  Gernant SA, Adeoye-Olatunde OA, Murawski MM, et al. (2020)

<b>5. Data analysis</b>	Coding and theme identifications	Fonteyn ME, Vettese M, Lancaster DR, Bauer-Wu S, (2008), Saldaña J, (2016)., NVivo, QSR International, (2021), and A. NVivo 10 [software program], (2012)
<b>6. Drawing conclusions</b>	None	Burnard P., (2004) 3
<b>7. Reporting</b>	Reporting guidelines  Data display in results	Tong A, Sainsbury P, Craig J., (2007) O'Brien BC, Harris IB, Beckman TJ, Reed DA, Cook DA, (2014) Anderson C., (2010)

Table 5. 7S CARS-SID

### 3.4 Data analysis

Qualitative data was collected from semi-structured interviews and analyzed using a thematic analysis. To ensure accuracy in capturing every participant's insight, all interviews were recorded and transcribed. After the transcription process, all transcripts were uploaded to ATLAS.ti, a qualitative data analysis software system, to effectively organize and structure the collected data and identify themes.

#### The Coding process

The type of coding used for this study was inductive coding, which means the coding process was data-driven. The codes emerged organically from the data rather than relying on predefined codes or categories (Chandra & Shang, 2019). An initial review of the transcripts was conducted to identify significant statements and organize the interview data for labeling. The coding process remained entirely inductive. The data analysis followed the grounded theory methodology, which involves three main stages: open, axial, and selective coding (Mackey & Gass, 2011).

- (1) The first stage of the coding process was open coding, which breaks down the raw data into discrete parts and assigns codes to each of them. For example, the phrase *'But all the separate islands are not linked to each other yet'* (Interview 1) was coded under **Separate Islands**. Another phrase, *'Those are much more qualitative than quantitative, how do you measure that?'* (Interview 2) was coded under **Data Allocation**.
- (2) The next stage is axial coding. This focuses on grouping all relevant codes into overarching code categories and creating connections between these codes and categories. Codes such as **Separate Islands** and **Data Allocation** were examples that were grouped within the "ESG Reporting Challenges" coding category. This coding category also consists of other codes such as **data privacy**, **time and administrative burden**, and **no obligation**. The complete coding scheme covers six code categories in total: ESG Reporting Challenges, ESG Implementation & Organization Factors, ESG Knowledge & Expertise, ESG Reporting & External Factors, Professional Background & Work Context, and Other Relevant Topics (Appendix 5). Therefore, these categories are not isolated but interrelated, forming a structured framework that illustrates the challenges of ESG reporting in the healthcare sector. For example, the **ESG reporting Challenges** category includes all codes that highlight shared thematic issues. In addition, connections between these categories exist, e.g. the level of ESG Knowledge & Expertise can have a positive or negative direct influence on the ESG Implementation & Organization. By categorizing codes in this manner, the analysis reveals both the hierarchical framework and the thematic connections among various ESG-related factors within the healthcare sector.
- (3) In the final stage, selective coding was used to refine and integrate the code categories and address the research question to offer meaningful insights (Mackey & Gass, 2011).

Furthermore, triangulation was used to enhance the validity and reliability of the findings to cross-verify data (Hartley & Sturm, 1997). As stated above, the themes and patterns identified in this research were established entirely through inductive coding, indicating that no pre-existing codes or theoretical models influenced this process. It was only after completing the coding that the key findings were compared with existing literature. This was not part of the coding phase but rather the next step to assess how the empirical results correspond with or deviate from previous studies, leading to the identification of research gaps. As this research also aims to emphasize the gap between scientific literature and its practical findings, triangulation is a crucial element for achieving a true understanding.

To structure the analysis, data was categorized according to the six key code categories. Each of the codes was aligned with the relevant section to derive meaningful conclusions. Afterward, these results were compared to the literature findings to highlight similarities, major differences, and potential new insights.

### **3.5 Reliability and validity**

Establishing validity and reliability is crucial in research (Gibbs, 2009). Reliability relates to the research process and how well findings can be reproduced in similar circumstances (McDowell & Newell, 1996). To ensure reliability, this research adhered to a well-organized plan and consistent guidelines during the entire process. The interview process was uniform, the interview guidelines were constructed beforehand, all sessions were recorded and transcribed to improve reliability and ensure the precision of data collection.

A purposive sampling method was utilized, selecting participants based on their expertise and relevance to the study topic. Specifically, individuals were chosen for their experience in the healthcare industry and their understanding of ESG and sustainability issues within their organizations. This selection strategy enhances content validity by guaranteeing that the data collected is pertinent and meaningful, thus reinforcing the study's credibility. A mixed-methods strategy was adopted to enhance validity by integrating both qualitative and quantitative information. Furthermore, a semi-structured interview guide was used to ensure that all participants addressed the same essential questions while also enabling flexibility in the dialogue.

In addition, participants were chosen from various organizational levels and different roles within the healthcare sector. This diversity mitigates the risk of findings being overly concentrated on one group, hence enhancing the strength and applicability of the results.

### **3.6 Ethical considerations**

Before each interview, participants were asked for permission to record the interview session, and all identifiable information, such as the participants' names and company names was anonymized and securely stored.

The purpose of recording the interviews was explained to participants, and informed consent was obtained before conducting the interviews. To protect anonymity, "XX" codes were used to replace identifiable data. In addition, the collected data was securely stored and was only accessible to the researcher. Participants were able to withdraw their participation at any time during or after the interview without consequences. Lastly, this study underwent an ethical review and approval by the ethics committee of the University of Twente before data collection began. The approved data analysis plan remained unchanged during the research process.



## 4. Results

This section presents the findings of the study, which investigates the central research question:

*What are the reporting challenges of the social dimension of ESG in the healthcare sector?*

The study examines the key obstacles healthcare organizations face in implementing ESG reporting, comparing these real-world challenges with those identified in existing literature. By analyzing both perspectives and comparing them, this research aims to determine whether there are gaps between scientific articles and practical implementation. Identifying such gaps can provide valuable insights into underexplored challenges, thereby contributing to more informed decision-making and the development of more effective solutions.

### 4.1 General Understanding of ESG

Through qualitative coding of thirteen interviews with healthcare professionals, several key themes emerged, which will be discussed in the following sections. The initial interview questions aimed to establish a profile of the interviewees, their organizations, and their involvement with ESG reporting. A total of fourteen interviewees participated in the semi-structured interviews (one interview included two interviewees). These participants were drawn from various departments across multiple healthcare organizations, primarily located in the eastern and northern regions of the Netherlands. Notably, ESG reporting responsibilities predominantly fell under the review of financial departments, which explains the overrepresentation of participants from this sector. The interviewed organizations spanned various healthcare domains, including disability care, mental healthcare, elderly care, and youth care. Additionally, insights were gathered from financial consultancy firms supporting healthcare organizations in ESG implementation, as well as an umbrella organization overseeing sector-wide initiatives.

In terms of ESG adoption, most organizations were in the early stages, having engaged with ESG reporting for one to three years, with one frontrunner having initiated efforts approximately a decade ago. Given this, the majority of organizations remain in an exploratory phase, particularly regarding the social dimension of ESG. Some organizations aim to be frontrunners and actively engage in complying, while the majority of the organizations only engage minimally. In contrast, many had already undertaken environmental (E) initiatives, such as the Sustainability Barometer, and were actively monitoring real estate sustainability, CO<sub>2</sub> emissions, and other environmental metrics. These efforts are largely driven by regulatory requirements and certification obligations. However, when compared to environmental reporting, progress on the social (S) dimension of ESG remains limited. One of the interviewees also agreed to this statement by mentioning ‘*You could say that if you look at ESG, we’re mainly focused on the environmental aspect for now*’ (Interview 4). Most organizations have not formally started with specific social ESG reporting, with only a few beginnings exploratory efforts and one organization actively implementing measures. As noted, environmental concerns currently taking steps, driven by existing regulations and structured reporting frameworks. Some organizations have initiated ESG reporting on a small scale, primarily through narrative-based reports with limited measurable KPIs.

Overall, ESG reporting remains in its infancy across most healthcare organizations, with strategies still under development. The approach to ESG reporting also varies across organizations. Some healthcare providers, particularly those affiliated with ActiZ, a national sector organization, have opted to wait for clearer guidance or the emergence of frontrunners before implementing significant changes. One of the findings addressed ‘*Everyone keeps inventing the wheel, there are organizations that struggle, and these organizations rely on their branch associations to provide guidance*’ (Interview 3).

This huge difference in approaches underscores the broader challenge of ESG adoption within the healthcare sector, particularly concerning the social dimension, where clear standards and benchmarks are still lacking. In addition, the awareness and understanding of these standards and benchmarks are not sufficient among all levels of the organization.

Nevertheless, since most organizations did not use the ESRS framework which social aspect consists of four components, making it a more elaborate framework (regarding the social aspect) in comparison to the Green Deal or PwC frameworks. These frameworks focus mostly on the E-aspect, which clarifies why most of the organizations have mostly focused on this aspect thus far. Besides the recent changes in ESRS regulations, making the framework more extensive in all three aspects, the interviews found no standardized ESG framework in use across the organizations; instead, they employed a range of frameworks, including the Green Deal, the Corporate Sustainability Reporting Directive (CSRD), E-focused certifications (such as bronze certification), and the ESG framework developed by PwC. These frameworks vary in their targets, focus areas, and objectives.

## 4.2 Challenges in Implementing Social ESG Reporting

The challenges of ESG reporting are multifaceted, the interview analysis resulted in fifteen different identified challenges among healthcare professionals (Figure 1). The outlined challenges in this section emerged solely from inductive coding, which indicates that predefined codes from existing literature or theories were not utilized during the coding process. After coding was finished, the key findings were compared with existing literature to explore the similarities and differences. Therefore, the scientific articles were used for comparison rather than as a source for coding themes.

The findings showed the following identified challenges: ESG uncertainty, Reporting inconsistency, Separate Islands, Undefined KPIs, Lack of regulation, Data identification, Privacy concerns, Cost constraints, Time and administrative burden, Low priority, Third party dependence, Social metrics complexity, Team engagement, Communication barriers, and Impact measurement. These challenges were all discussed during at least one of the interviews. The highest-scoring challenges (most frequently mentioned in interviews) were: (1) Time and administrative burden, (2) Data identification, (3) Separate islands, (4) ESG uncertainty, and (5) Lack of regulation.

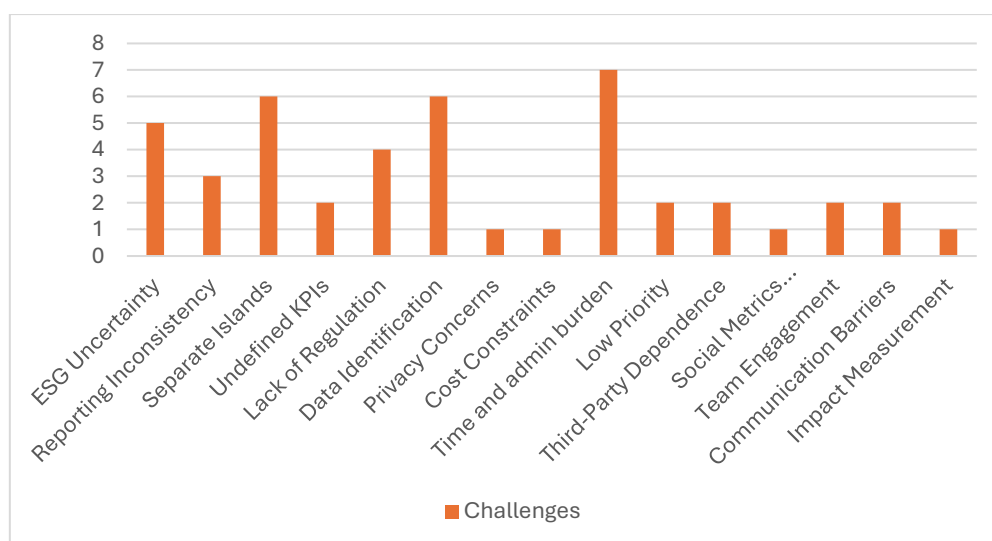


Figure 1. Discussed challenges in interviews.

#### 4.2.1 Data collection of ESG data

Also stated as one of the most significant challenges organizations struggle with is data allocation/identification. This means that they struggle with identifying where the relevant data, which is necessary for ESG reporting, is located and how to structure it for reporting purposes. The qualitative nature of social ESG data adds complexity, as it is difficult to measure and integrate alongside quantitative environmental data. Several interviewees expressed concerns about how to handle and consolidate various data sources and types of data (qualitative vs quantitative), highlighting the difficulty of setting up KPIs that accurately reflect ESG performance. The supporting statement was made *'When it comes to ESG and how it is all organization, where the data is located, it can sometimes be a bit of a search'* (Interview 5).

Furthermore, the involvement of third parties in data collection poses an additional hurdle, making it harder to obtain reliable information. Concerns about data privacy and the secure handling of sensitive information were also emphasized, particularly when dealing with employee and patient data. Several interviewees expressed the necessity of centralized IT systems that are specifically designed to collect, store, and protect ESG-related data in an efficient and privacy-aware way. In contrast, one interviewee addressed that due to the sensitive nature of data in healthcare, many organizations likely already have access to such IT systems. Meaning that data privacy would not be one of the reporting obstacles for this sector.

#### 4.2.2 Organizational commitment

Another major challenge is organizational commitment. While management support is generally present, it is not always sufficient to ensure effective ESG reporting. The interviews showed that all of the organizations did have support from board members or senior management and did consider it to be vital to make a start. In addition, this group of people was also involved in signing up for the Green Deal to a certain extent in every interviewed organization. Nevertheless, the findings did show that the interviewees thought it was only a small aspect of what was needed to be done to improve ESG reporting. One of the interviewees claimed *'Organizational involvement is very important, but it's not really the ultimate solution'* (Interview 2). The level of involvement did vary among the organizations: one board of directors signed the Green Deal and received updates on ongoing activities, while the other board was an active role in planning ESG initiatives.

Furthermore, some organizations have established Green Teams, consisting of sustainability coordinators and financial and real estate managers, to lead ESG efforts. These teams often face difficulties in implementing ESG initiatives across the entire organization. In some cases, management's motivation to support ESG initiatives stems from corporate social responsibility rather than an internal motivation and commitment to comprehensive ESG reporting. However, a recurring issue is the administrative burden on employees who already have demanding workloads. Many healthcare staff members are overburdened with their primary duties, making it difficult for them to spend time and energy to ESG-related tasks. This was also addressed during several interviews *'If the staff shortages were to decrease, meaning if we had more staff, there would also be some space to focus on other things'* (Interview 4). Staff shortages and high workloads further highlight the problem, leading to ESG reporting being deprioritized. In some organizations, there is a disconnect between upper management and middle management or primary care workers, which hinders widespread commitment and awareness. Despite management involvement, ESG reporting often remains a secondary concern due to competing priorities within organizations. Due to this issue, it is becoming increasingly challenging to involve the entire organization in ESG activities and prioritize this matter.

In addition, the issue of superficial compliance is also evident, as there is currently no legal obligation for ESG reporting in the healthcare sector. This lack of mandatory requirements results in a lower sense of urgency and involvement from employees. The findings show that multiple organizations have acknowledged that it is difficult to maintain momentum in their ESG progress, as they are not required by law to provide ESG reports. Nevertheless, some have already submitted their versions of ESG reports, which is not up to the CSRD standards, according to the findings. For example, the ESG report contains data from the locations that provide it but exclude the ones that have not been submitting it. Therefore, collecting ESG data from different departments and locations can make ESG reporting a tricky process. As ESG data is often fragmented across different departments, making it difficult to consolidate and analyze. One of the interviewees stated, *‘There wasn’t much alignment between departments and all these islands are quite disconnected from one another’* (Interview 5). Departments tend to operate separately, with relevant data scattered across finance, human resources, and operations teams.

The absence of a centralized ESG reporting framework creates inefficiencies and delays in data processing. Some organizations have begun reporting on CO2 emissions, but extensive ESG reporting, that covers all three aspects, remains underdeveloped. The need for healthcare organizations to provide ESG reports is increasingly growing according to the findings. Healthcare organizations have been receiving questions regarding their ESG activities and progress from stakeholders such as insurance companies and banks is growing, prompting organizations to take initial steps in ESG reporting to avoid future non-compliance. Some organizations even anticipate future regulatory changes that may mandate ESG reporting in the healthcare sector.

#### **4.2.3 Knowledge sharing and communication**

Knowledge sharing and communication barriers further complicate ESG reporting. Many employees have not received ESG training, with only occasional courses available in some organizations. In cases where training does exist, it tends to focus on environmental aspects rather than social or governance factors, or focus on a particular level within the organization, usually leaving out the primary workers. In addition, poor communication and involvement from the Green Team also contributes to the challenge, as ESG-related information often remains within management circles without reaching primary workers. Employees who are not directly involved in sustainability initiatives may be unaware of ESG efforts and their significance.

Time & Admin - Staff shortages and high workloads further hinder the ability to effectively share the ESG vision across all levels of the organization. Some organizations acknowledged that their internal communication strategies regarding ESG need improvement to ensure better employee engagement. There is also a general lack of understanding and awareness of ESG principles among healthcare workers, leading to limited involvement in sustainability initiatives. Some interviewees expressed the need for structured training programs for both employees and new hires through the onboarding process, to improve awareness and engagement in ESG initiatives and gain traction on the primary workers in the organization. An example of a response was *‘We still have quite a journey ahead with raising awareness among our primary care workers, the caregivers who work directly with clients’* (Interview 3).

Therefore, the findings highlight the significant challenges organizations face in ESG reporting, ranging from data collection difficulties to organizational commitment, superficial compliance, and hierarchical barriers. The interviewees believe that addressing these issues will require a combination of improved data management systems, stronger commitment from all levels of the organization, clearer regulatory requirements, and enhanced training and communication strategies. Organizations must work toward integrating ESG principles into their corporate culture and daily operations rather than treating them as secondary concerns. Collaboration across departments, investment in data infrastructure, and ongoing employee training will be critical in ensuring successful ESG reporting and compliance in the future.

Furthermore, the interviewees mentioned that resistance to change, greenwashing, and data privacy were not major concerns in ESG reporting at the moment. All the organizations showed a transparent demeanor, by stating that their motivation is partially intrinsic and partially external (e.g. pressure stakeholders). Responses of interviewees such as *‘Combination of both’* (Interview 2), *‘It’s a balance at our organizations of impending regulations and motivation’* (Interview 4), and *‘A large part is intrinsic motivation (4)’* support this statement. There was no mention of the term “Greenwashing”. Instead, organizations demonstrated a transparent approach, citing a mix of intrinsic motivation and external stakeholder pressure for ESG adoption.

Overall, these findings suggest that real-world implementation reveals a more fragmented and resource-constrained reality, with organizations struggling to integrate ESG reporting into their existing structures effectively.

### **4.3 Measuring the Social Aspect**

Measuring the social aspect of ESG presents a significant challenge for organizations, primarily due to the lack of standardized frameworks and the complexity of assessing intangible factors such as employee well-being, workplace safety, and social impact. While most organizations rely on employee and client satisfaction surveys as their primary tools for measurement, the absence of concrete KPIs and structured reporting frameworks limits their ability to track progress effectively and integrate findings into ESG reports. Across the interviews, it became evident that employee and patient satisfaction surveys are the most commonly used method for measuring the social aspect of ESG. Certain organizations emphasized their reliance on employee and client feedback as a means of assessing social performance. The findings stated to use *‘regular employee satisfaction surveys’*, *‘client satisfaction surveys’*, and *‘annual patient evaluation’*.

These surveys typically focus on aspects like job satisfaction, work pressure, and client experience. For example, one organization conducts regular surveys among employees and clients, ensuring that even intellectually challenged clients receive assistance from volunteers in filling out the forms. Similarly, another organization utilizes an annual digital employee satisfaction survey and integrates findings into structured evaluations with employees to identify areas for improvement.

However, many organizations struggle to move beyond basic satisfaction measurements. It is also highlighted that while employee satisfaction is measured through survey grades, ESG reporting is not yet linked to these metrics, making it difficult to demonstrate meaningful progress or comparison. This is acknowledged by several healthcare organizations, apart from a work pressure survey conducted some time ago, no concrete measurement strategies have been implemented for the social aspect. In addition, a major challenge reported by multiple organizations is the absence of clearly defined KPIs for social aspects, as stated above.

While environmental KPIs such as CO<sub>2</sub> emissions are relatively straightforward to quantify, social metrics such as workplace well-being, psychological safety, and work-life balance are inherently more difficult to measure. It often requires nuanced and relational approaches to capture the impact.

Which is something many interviewees seem to struggle with in terms of establishing social metrics and creating a consistent reporting approach. There seems to be confusion on the actions taken by other departments as the following statement frequently occurred: *'We don't have established KPIs to my knowledge, I am not sure if my colleagues are not measuring anything else'* (Interview 8).

It was admitted that nearly all the organizations have not yet formulated concrete KPIs for social measurement, though it recognizes the importance of doing so. One of the interviewed organizations collects a significant amount of social data but struggles to place it into a structured framework for ESG reporting. This lack of standardization creates inconsistencies in how organizations assess their social impact.

Several organizations acknowledged the difficulty of measuring more nuanced social aspects, such as workplace safety, inclusion, diversity, and employee well-being. One of the organizations noted that aspects like feeling safe at work, psychological well-being, and work-life balance are difficult to quantify, making it challenging to track progress in these areas. Findings showed the uncertainty with ESG reporting with the social aspect *'How do you measure a safe working environment? Based on the number of accidents, risk inventory, or other measures?'* (Interview 2).

Without clear metrics, organizations risk lacking insight into the true social impact of their operations. Similarly, uncertainty about how to measure the social aspect effectively was expressed, citing the challenge of assessing how employees and clients "actually feel" beyond survey responses.

This highlights a broader issue in ESG reporting—how to translate qualitative experiences into measurable data that can be used for performance tracking and decision-making. Another recurring theme in the interviews is that while social data collection efforts exist, they are often fragmented and not systematically integrated into broader ESG strategies. For example, an organization conducts various surveys related to work pleasure and client satisfaction, but these efforts remain localized rather than part of a centralized reporting system. This decentralization makes it difficult for organizations to consolidate insights and establish a clear roadmap for improving social performance. Despite the challenges, some organizations are taking steps to improve how they measure the social aspect of ESG. While some have begun documenting and analyzing employee satisfaction data as part of its annual cycle, ensuring that survey findings inform management reports. Due to this, many organizations recognize the need for improved IT systems to centralize social data collection and analysis.

Going forward, the findings indicate that while organizations recognize the importance of measuring the social aspect of ESG, current efforts are largely limited to satisfaction surveys and remain inconsistent and unstructured. The lack of concrete KPIs, standardized methodologies, and integrated reporting mechanisms poses a significant challenge to effectively tracking and improving social performance. Integrating qualitative and quantitative approaches—such as structured interviews, sentiment analysis, and long-term well-being tracking—may help provide a more comprehensive picture of the social performance of ESG. Addressing these gaps will require a combination of clearer measurement frameworks, enhanced data management systems, and innovative approaches to addressing the complex social metrics. Without these improvements, organizations risk missing key insights into their social impact and failing to meet the growing expectations of stakeholders in the healthcare sector.

## **5. Discussion**

The results of the study will be interpreted and discussed in this chapter. This chapter consists of six sections:

### **5.1 Empirical findings in relation to existing research**

The results of the semi-structured interviews have resulted in many insights into the general understanding of ESG, challenges of implementing the social aspect, identified reporting challenges, and measuring the social aspect. The literature framework was the foundation of the interview guide and introduced how scientific sources viewed the current state of the healthcare sector. The review of the transcripts offered data that both confirmed and contradicted certain claims that were made in literature. The healthcare sector is known for its care for people and well-being, therefore, Castro & Gradillas (2022), stated that the social aspect was the most relevant and interesting to report about. This was not the case in real-life, as the environmental aspect takes the stage in most cases, leaving the social and governance aspect in the dark. Focusing on the identified challenges in the existing literature, there seems to be a large contrast between the challenges derived from literature and the interviews.

For example, privacy concerns, superficial compliance, and senior management involvement (Clementino & Perkins, 2020; Bicharov et al., 2024) viewed these to be pressing relevant challenges for the healthcare sector. Nevertheless, the practical findings reveal a different set of challenges. Data allocation was a recurring challenge in both literature and the interviews. Collecting, storing, and analyzing ESG data can be an obstacle and time-intensive process (Salehi, 2023). Greenwashing was also a possible challenge according to Esty (2020), who stressed that “deceptive sustainability” could be a way for organizations without the legal obligation to provide ESG reports, to still pose to be sustainable. The interview findings showed a pattern of internal motivation and transparency for all organizations, so this did not seem to be an issue. Clementino & Perkins (2020) suggested that a full backing of senior management would lead to a true integration of ESG, which was not fully supported by the findings either. In addition, data privacy was also not as much of a threat as Bicharov et al (2024) stated. The majority of the organizations did not view this as one of the possible challenges and even stated that the healthcare has a lot of experience with sensitive data.

However, the involvement of a third party in the data collection process, was a challenge that was discussed by Kotsantonis (2022). This supports the findings in the interviews. Another recurring challenge that was also mentioned in the literature was the time and administrative burden, which aligns with PwC (2022). The demanding workloads and lack of resources were frequently mentioned as a major challenge for ESG reporting progress. Furthermore, the positive influence of training on current employees and new hires was stressed by Pagano et al (2018). Educating staff on the latest ESG initiatives is very beneficial for organizational commitment.

Lastly, the literature findings provided a theoretical foundation for the empirical research. The real-world situation reveals a struggling and resource-constraint reality, with organizations trying to prioritize ESG reporting.

### **5.2 Theoretical contributions**

The previous chapter (5.1) highlights significant gaps between theoretical ESG models and the practical challenges faced by healthcare organizations. While literature emphasizes senior management involvement and regulatory compliance, our findings indicate that the most reoccurring barriers include time and administrative burdens, ESG uncertainty, and data management. These real-world challenges have been largely overlooked in theoretical discussion. Future ESG frameworks should integrate these practical challenges for a more accurate representation of ESG implementation. In addition, this study challenges the assumption that healthcare organizations proactively adopt ESG practices.

However, our findings reveal a split in ESG adoption approaches: Some organizations wait for industry leaders to develop reporting frameworks and best practices before taking action. While others attempt to be frontrunners, experimenting with ESG reporting despite limited guidance. Therefore, some organizations follow internal frameworks such as the one proposed by Salehi (2023), others take an independent approach. Current theoretical models seem to have oversimplified this reality and should represent passive and proactive strategies more by allowing for a more accurate assessment of ESG engagement across organizations.

Furthermore, existing ESG theories presume a degree of uniformity in reporting that does not reflect actual practices. This research supports the apprehensions expressed by the European Commission (2020) regarding the fragmented nature of ESG frameworks. Healthcare organizations depend on a range of guidelines, such as the Green Deal and CSRD, resulting in discrepancies that obstruct cross-organizational comparisons. Theoretical models should recognize this complexity and promote the development of sector-specific ESG frameworks to enhance comparability and consistency in reporting. Theoretical discussions should advocate for sector-specific frameworks (sections) to enhance comparability and reporting consistency.

In addition, the perception that ESG reporting is solely a voluntary and internally motivated process is not supported by the findings. Interview discussions suggested that ESG efforts in healthcare are frequently deprioritized to more immediate concerns such as staff shortages and constraints. Therefore, future ESG models should integrate external motivation and financial pressures as more primary motivators.

Finally, there seems to be a significant gap between ESG literature and real-world implementation. While theoretical models assume structured reporting and proactive engagement, the research highlights that most healthcare organizations are struggling to implement even basic reporting practices.

### **5.3 Practical implications**

This research provides actionable insights for healthcare professionals navigating ESG reporting. Organizations face practical challenges such as data management, time and administrative burdens, and uncertainty on how to approach ESG reporting. These issues, often more evident than those emphasized in academic literature, are crucial to address for effective ESG implementation.

To tackle the disjointed regulatory environment, healthcare organizations need ESG guidelines that are specific to the sector, which will improve clarity, transparency, and benchmarking. In the absence of standardization, ESG information stays fragmented, insufficient, and variable, complicating the measurement of progress. It is essential for industry regulators and policymakers to focus on creating standardized reporting requirements that are customized for the healthcare sector to enhance data comparability and promote long-term sustainability. A standardized framework would enhance reporting clarity, transparency, and benchmarking.

Furthermore, ESG efforts often take a backseat to immediate operational issues like staff shortages and financial problems. Many organizations deprioritize ESG, viewing it as secondary to other matters. Short-term progress may improve as regulatory mandates or sector-wide incentives are being promoted, rather than relying on internal motivation alone. Healthcare organizations must recognize this and integrate ESG reporting into their culture and strategy despite other urgent matters.

Uncertainty in ESG implementation and reporting is another critical issue. Some organizations await clearer regulatory guidance, while others proceed independently with limited resources. This highlights the need for stronger ESG-specific guidance, industry representation, and sector-specific best practices to streamline reporting efforts.



Lastly, most healthcare organizations are still in the early stages of ESG implementation. While this presents an opportunity to establish robust foundations, it also suggests that emerging challenges will arise as ESG efforts mature. Healthcare leaders should proactively address future challenges, such as team engagement, internal communication, and long-term strategic alignment with ESG targets.

#### **5.4 Prospects & Recommendations**

The future prospects of ESG reporting in the healthcare sector present a range of challenges and opportunities, with many organizations recognizing the need for more structured frameworks, clearer regulations, and collaborative efforts to enhance reporting practices. Across the interviews, a common theme emerged: ESG reporting is still in its early stages, and many organizations are uncertain about how to move forward effectively. While there is a growing awareness of the importance of ESG, there is also a widespread lack of clarity regarding regulatory requirements, industry standards, and best practices. One of the most pressing concerns is the absence of clear guidelines and a structured approach to ESG reporting. Several organizations highlighted the vagueness surrounding current regulations, with no definitive timeline for when compliance will become mandatory.

The lack of clarity makes it difficult for healthcare organizations to prepare adequately, and many feel uncertain about what is expected of them. Several organizations pointed out that industry associations such as Vereniging voor de Gehandicapten and Actiz could play a crucial role in guiding healthcare providers by offering templates, best practices, and structured plans of approach. One organization specifically mentioned that Actiz is already collaborating with banks and insurance companies—who are further along in ESG reporting—to develop useful reporting templates that healthcare providers could adopt.

A recurring theme in the interviews was the need for greater collaboration and knowledge-sharing among healthcare organizations. Many organizations currently operate in isolation, each attempting to navigate ESG reporting independently. Several organizations noted that this leads to a duplication of efforts, wasting valuable time and resources. There is a strong consensus that collective action would be more effective, and several interviewees emphasized the importance of learning from industry frontrunners. It was stressed that sharing best practices, trial-and-error experiences, and benchmarking against similar institutions could accelerate progress. Also, it was suggested that healthcare organizations should have tools that allow them to compare themselves to peers in the sector, making it easier to track progress and identify areas for improvement. The need for a strategic approach to ESG reporting was another key point raised by multiple organizations. Impact emphasized that ESG should not be treated as a separate initiative but rather as an integral part of organizational reporting? This could be achieved by embedding ESG principles into onboarding processes and continuous learning programs, ensuring that employees at all levels develop an awareness of sustainability and social responsibility. Similarly, it was highlighted that ESG accountability should be embedded in organizational strategy, with clearly defined outcomes reported transparently.

Many interviewees noted that ESG is often discussed at the executive level but fails to reach primary care workers. Addressing this disconnect will require organizations to think about how to engage frontline employees more effectively, ensuring that ESG principles become ingrained in everyday operations rather than remaining an abstract concept confined to upper management. Another critical factor influencing the future of ESG reporting is the lack of urgency due to the absence of regulatory obligations.

Multiple organizations mentioned that since ESG reporting is not yet mandatory in healthcare, it often gets deprioritized in favor of more immediate concerns. Several interviewees suggested that making ESG reporting a legal requirement could drive greater engagement and ensure that organizations allocate the necessary resources to develop structured reporting practices.

Additionally, the administrative burden of ESG reporting was raised as a concern, with Impact recommending that dedicated time and resources be allocated to ESG efforts, whether through Green Teams or other sustainability-focused roles. Without proper resource allocation, ESG initiatives risk remaining underdeveloped and inconsistent. Technology and data management also play a crucial role in the future of ESG reporting. It was emphasized that the importance of recording ESG data in a structured manner, suggesting that tools like Power BI or other data visualization software could be leveraged to simplify reporting and make information more accessible. Many organizations expressed interest in implementing IT systems that centralize ESG data collection and streamline reporting processes, ensuring that relevant information is easily retrievable and comparable across different periods and institutions.

Overall, the findings indicate that while there is increasing recognition of the importance of ESG reporting, the path forward remains uncertain for many healthcare organizations. The key challenges include unclear regulations, a lack of industry-wide collaboration, limited engagement at the employee level, and insufficient resources dedicated to ESG initiatives. To address these issues, organizations will need to push for clearer regulatory guidance, develop concrete KPIs, foster knowledge-sharing, integrate ESG into organizational culture, and invest in technology to streamline reporting processes.

With growing pressure from stakeholders such as insurance companies and banks, as well as the possibility of future regulatory requirements, healthcare organizations must take proactive steps to establish a solid foundation for ESG reporting, ensuring that they are prepared for the evolving expectations of the sector.

## **5.5 Limitations**

This study has several limitations. The sample size was relatively small, with participants from the Netherlands and specialized healthcare subsectors. While qualitative research does not aim for statistical generalizability but instead seeks to provide transferable insights into ESG reporting in this sector (Source), future studies should expand the sample to include a more diverse range of organizations. For example, hospitals were underrepresented in the sample, despite several interview participants noting that this subsector is potentially more mature in ESG practices. The absence of certain subsectors in the healthcare sector may have influenced the findings, limiting insights into more mature ESG implementation. In addition, the study's focus on healthcare means findings may not fully apply to other (sub)sectors. Healthcare organizations, often structured as foundations, face different ESG pressures than corporate sectors like finance or technology, which have been preparing for these regulations for years. However, challenges such as data management and ESG uncertainty are likely also relevant across industries.

Furthermore, the use of semi-structured interviews allowed for in-depth exploration of participants' experiences and insights. Since most interview participants had limited experience with ESG, discussions predominantly focused on environmental aspects, offering fewer insights into the social aspect, which was the key focus of this research. The findings of this study are relatively general and do not offer detailed perspectives on the social aspect of ESG. However, data saturation was achieved, which means that additional interviews with similar interview participants were unlikely to produce new findings, adding reliability to the study. Conducting similar research at a later stage of ESG maturity could result in richer and more relevant findings.

Nevertheless, potential bias may also exist due to the interview structure, which was informed by literature-based challenges. A more open-ended approach could have encouraged participants to address, and highlight identified challenges organically, potentially revealing other key issues.

## 5.6 Future research

- Future research should include a larger and more diverse set of healthcare organizations, varying in size, geographical regions, and types of care.
- Longitudinal studies to track ESG reporting progress over time.
- Develop a standardized survey to measure the ESG maturity of different organizations within the sector and facilitate cross-industry comparisons.
- Explore the impact of healthcare-specific challenges, such as staff absenteeism and turnover, on ESG reporting.
- Investigate strategies to improve data management and enhance the accessibility, consistency, and standardization of ESG data.
- Comparative research across industries to identify transferable best practices in ESG adoption.

## 6. Conclusion

This study aimed to identify the challenges of ESG reporting in the healthcare sector, with a focus on the social aspect. The findings reveal that ESG reporting in healthcare is still in an exploratory phase, with organizations recognizing its importance but facing significant challenges as well. The research question, “What are the reporting challenges of the social aspect of ESG in the healthcare sector?” cannot yet be fully answered, as most healthcare organizations have not implemented structured ESG reporting frameworks or established clear KPIs for social metrics.

The findings identified several challenges that came to the surface. Firstly, a major challenge is the lack of standardized guidelines and regulations for ESG reporting. Many organizations struggle to define measurable social factors such as employee well-being, workplace safety, and diversity, leading to uncertainty, inconsistent reporting, and delays in implementation. Data management is another critical obstacle, as social ESG data is often fragmented, unstructured, or difficult to quantify.

While many organizations conduct employee and patient satisfaction surveys, these are not yet integrated into ESG frameworks in a way that allows for meaningful analysis and benchmarking.

In addition, organizational commitment and resource constraints hinder ESG progress. Sustainability efforts are often assigned to Green Teams or sustainability coordinators, but these responsibilities are typically secondary to employees’ primary roles, creating capacity limitations. Administrative burdens further complicate ESG efforts, as healthcare staff already face significant workloads. Moreover, ESG engagement tends to be stronger at the executive level, while frontline healthcare workers remain less involved, leading to a disconnect in implementation efforts.

A further challenge is the lack of industry-wide collaboration and knowledge-sharing. Many healthcare organizations approach ESG reporting independently, resulting in double the effort and inefficiencies. Several participants emphasized the need for sector-wide initiatives, where best practices and reporting methodologies can be shared to improve consistency. Industry associations such as Actiz and the Vereniging voor de Gehandicapten could play a crucial role in developing standardized ESG reporting templates tailored to the healthcare sector.

Despite these challenges, there is a growing recognition that ESG reporting will become increasingly important, particularly as external pressures from regulators, insurers, and financial institutions intensify. Many organizations anticipate that ESG reporting will eventually become mandatory, which could drive stronger engagement. However, at this stage, the absence of structured approaches, limited resources, and regulatory uncertainty continue to hinder progress.

In summary, while healthcare organizations are beginning to explore ESG reporting, the social aspect remains underdeveloped, and significant challenges persist. Addressing these challenges will require:

1. Clear regulatory guidelines to reduce uncertainty and standardize reporting.
2. Improved data collection and integration to enhance reporting accuracy.
3. Better allocation of resources to support ESG initiatives.
4. Stronger collaboration within the sector to share best practices and improve reporting consistency.

As ESG reporting evolves, further research and industry-driven initiatives will be essential to bridge the gap between current exploratory efforts and a fully integrated, standardized approach to ESG reporting in healthcare.

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## **Appendices**

### **Appendix 1 Sustainable Development Goals (SDGs)**



## Appendix 2 Interview Guidelines English

### 1. Introduction

Objective: Begin by explaining the intent of the interview and assuring to participants that their contributions will be kept confidential. The name of the participant and the company will not be disclaimed, besides the fact that it is a company in the healthcare sector. The interview will be transcribed and the name and company name will be anonymized, to ensure privacy. The transcription will be compared and used to add more value to the thesis.

- Example: "The purpose of this interview is to dive into the practical difficulties healthcare professionals encounter when incorporating ESG reporting, with a specific emphasis on the social aspect."
- Can I record this interview in order to properly transcribe it afterwards? Analyzing the answers and using them to compare to other results anonymously and eventually form a conclusion.

*\*These questions were just some basic introduction questions to make sure we're on the same page. Let's continue to your current understanding of ESG reporting. \**

## **2. General Understanding of ESG Reporting**

Objective: Obtain an understanding of their fundamental knowledge and engagement in ESG activities.

- Could you discuss your position within your organization and your participation in ESG reporting?
- How familiar are you with the social aspect of ESG, including topics like employee well-being and community involvement?"
- "Can you describe the key social issues your organization focuses on in its ESG efforts?"

*\*Summarize answers and note that according to literature, there are several obstacles that companies face when implementing ESG reporting. \**

## **3. Implementation Challenges in the Social Dimension**

*Data Collection Challenge (1):*

- What difficulties do you face when gathering and evaluating data about social factors such as employee well-being and patient treatment?
- Which measures are taken/planned to overcome these difficulties?

*Organizational Commitment (2):*

- Are there clearly defined leadership roles or designated personnel responsible for overseeing social ESG initiatives?
- To what extent is the senior management dedicated to addressing the social aspects of ESG reporting? Are you facing any difficulties regarding organizational commitment?
- What steps has your organization considered or taken to address these challenges

*Superficial Compliance and contribution (3 & 4):*

- In your view, is your organization genuinely committed to ESG, or is the focus primarily on adhering to regulations (e.g., 'greenwashing')?
- How open is your organization in reporting on social issues like labor practices and patient care standards? Are you facing any difficulties with incorporating ESG in the organization?
- Which measures are taken/planned to overcome these difficulties?

*Cultural Challenges (5):*

- Do employees and managers receive training on ESG topics, particularly those related to social sustainability?
- How would you characterize the organizational culture surrounding sustainability? Is there any resistance to change from the staff or management? Or other difficulties?
- What steps has your organization considered or taken to address these challenges

*\*Summarize answers per challenge, now we have discussed the obstacles that you have come across, how does your company handle measuring social dimension? \**

## **4. Measure Social Dimension**

Objective: To identify any deficiencies or obstacles in quantifying social progress.

- In terms of social impact, how does your organization define success and measure it? For example, does it consider employee well-being and equity in healthcare access?
- How is employee satisfaction being measured? (Internal, external, or publicly). In case yes, which methods tools are being used for this?
- How did you develop these S-metrics?
- How do these metrics fit the general KPI's of the company? (or not)
- Do you believe that the existing metrics effectively represent the actual social contribution of your organization?

*\*Summarize the answers and create the bridge from how these insights from the interviews can influence future innovations. \**

#### **5. Prospects and ideas**

- From your perspective, what changes are necessary within the healthcare industry to enhance social ESG reporting?
- What are the most effective methods or groundbreaking solutions you have come across that could address these obstacles?
- If not mentioned already, what are one of the best practices you've experience yourself?

*\*Summarize answers and make a small list of all key aspects and finalize the interview. \**

#### **6. Conclusion**

- Do you have any other important insights to share about the difficulties in social ESG reporting within the healthcare sector?

*\*Thanks for the time and valuable insights. \**

### **Short introduction for interview participants**

I am writing my thesis about the challenges of ESG reporting in the healthcare sector, focusing on the social factor. The purpose of this paper is to investigate the challenges that healthcare organizations could face over time when dealing with ESG implementation, with a focus on the social dimension and focus on existing literature and best practices, they may adopt to cope with them. The research is done to ultimately answer the following research question: "What are the reporting challenges of the social dimension of ESG, in the healthcare sector?".

## **Appendix 3 Interview Guidelines Translation Dutch**

### **Interview Richtlijn**

**Introductie doel:** Begin met het uitleggen van de bedoeling van het interview en verzeker de deelnemers dat hun bijdragen vertrouwelijk zullen blijven. De naam van de deelnemer en het bedrijf zullen niet bekend worden gemaakt, afgezien van het feit dat het een bedrijf in de gezondheidszorg is. Het interview zal worden getranscribeerd en de naam en bedrijfsnaam zullen worden geanonimiseerd om privacy te waarborgen. De transcriptie zal worden vergeleken en gebruikt om meer waarde toe te voegen aan de scriptie.

**Voorbeeld:**

"Het doel van dit interview is om in te gaan op de praktische moeilijkheden die zorgprofessionals ondervinden bij het integreren van ESG-rapportage, met een specifieke nadruk op het sociale aspect."

Mag ik dit interview opnemen om het later goed te kunnen transcriberen? De antwoorden worden anoniem geanalyseerd en vergeleken met andere resultaten, wat uiteindelijk zal bijdragen aan een conclusie.

*Deze vragen zijn slechts wat basisintroductievragen om zeker te weten dat we op dezelfde lijn zitten. Laten we verdergaan naar uw huidige begrip van ESG-rapportage.*

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## **1. Algemeen Begrip van ESG-Rapportage**

**Doel:** Verkrijg inzicht in hun basiskennis en betrokkenheid bij ESG-activiteiten.

- Kunt u uw rol binnen uw organisatie en uw deelname aan ESG-rapportage beschrijven?
- Hoe bekend bent u met het sociale aspect van ESG, waaronder onderwerpen zoals het welzijn van werknemers en betrokkenheid bij de gemeenschap?
- Kunt u de belangrijkste sociale kwesties beschrijven waarop uw organisatie zich richt in haar ESG-inspanningen?

*Vat de antwoorden samen en merk op dat er volgens de literatuur verschillende obstakels zijn die bedrijven tegenkomen bij het implementeren van ESG-rapportage.*

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## **2. Uitdagingen bij de Implementatie van de Sociale Dimensie**

### **Uitdaging 1: Verzamelen van Gegevens**

- Welke moeilijkheden ondervindt u bij het verzamelen en evalueren van gegevens over sociale factoren zoals het welzijn van werknemers en de behandeling van patiënten?
- Welke maatregelen worden genomen/gepland om deze moeilijkheden te overwinnen?

### **Uitdaging 2: Organisatorische Betrokkenheid**

- Zijn er duidelijk gedefinieerde leiderschapsrollen of aangewezen personeel die verantwoordelijk zijn voor het toezicht op sociale ESG-initiatieven?
- In hoeverre is het senior management toegewijd aan het aanpakken van de sociale aspecten van ESG-rapportage? Ondervindt u hierbij moeilijkheden?
- Welke stappen heeft uw organisatie overwogen of genomen om deze uitdagingen aan te pakken?

### **Uitdagingen 3 & 4: Oppervlakkige Naleving en Bijdrage**

- Is uw organisatie naar uw mening echt toegewijd aan ESG, of ligt de focus voornamelijk op naleving van regelgeving (bijv. 'greenwashing')?
- Hoe transparant is uw organisatie in het rapporteren over sociale kwesties zoals arbeidspraktijken en normen voor patiëntenzorg? Ondervindt u moeilijkheden bij het integreren van ESG in de organisatie?
- Welke maatregelen worden genomen/gepland om deze moeilijkheden te overwinnen?

#### **Uitdaging 5: Culturele Uitdagingen**

- Ontvangen werknemers en managers training over ESG-onderwerpen, met name die met betrekking tot sociale duurzaamheid?
- Hoe zou u de organisatiecultuur rondom duurzaamheid karakteriseren? Is er weerstand tegen verandering vanuit het personeel of management, of andere moeilijkheden?
- Welke stappen heeft uw organisatie overwogen of genomen om deze uitdagingen aan te pakken?

*Vat antwoorden per uitdaging samen. Nu we de obstakels hebben besproken, hoe gaat uw bedrijf om met het meten van de sociale dimensie?*

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#### **Meten van de Sociale Dimensie**

**Doel:** Identificeer eventuele tekortkomingen of obstakels bij het kwantificeren van sociale vooruitgang.

- Hoe definieert en meet uw organisatie succes op het gebied van sociale impact? Bijvoorbeeld, wordt het welzijn van werknemers en gelijkheid in toegang tot gezondheidszorg in overweging genomen?
- Hoe wordt werknemerstevredenheid gemeten? (Intern, extern of openbaar). Zo ja, welke methoden of tools worden hiervoor gebruikt?
- Hoe heeft u deze S-metrics ontwikkeld?
- Hoe passen deze metrics binnen de algemene KPI's van het bedrijf (of niet)?
- Geloof u dat de bestaande metrics de daadwerkelijke sociale bijdrage van uw organisatie effectief vertegenwoordigen?

*Vat de antwoorden samen en maak de brug naar hoe deze inzichten uit de interviews toekomstige innovaties kunnen beïnvloeden.*

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#### **Vooruitzichten en Ideeën**

- Wat zijn volgens u de noodzakelijke veranderingen binnen de zorgsector om sociale ESG-rapportage te verbeteren?

- Wat zijn de meest effectieve methoden of baanbrekende oplossingen die u bent tegengekomen om deze obstakels aan te pakken?
- Wat zijn, als nog niet genoemd, de beste praktijken die u zelf heeft ervaren?

*Vat antwoorden samen en maak een korte lijst van alle belangrijke aspecten en rond het interview af.*

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### **Conclusie**

- Heeft u nog andere belangrijke inzichten te delen over de moeilijkheden bij sociale ESG-rapportage binnen de gezondheidszorg?

*Bedankt voor uw tijd en waardevolle inzichten.*

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### **Korte Introductie voor Deelnemers aan het Interview**

Ik schrijf mijn scriptie over de uitdagingen van ESG-rapportage in de gezondheidszorg, met een focus op de sociale factor. Het doel van dit onderzoek is om de uitdagingen te onderzoeken waarmee zorgorganisaties in de loop der tijd te maken kunnen krijgen bij de implementatie van ESG, met een nadruk op de sociale dimensie. Daarnaast wil ik bestaande literatuur en best practices bestuderen die organisaties kunnen toepassen om deze uitdagingen aan te pakken. Het onderzoek is bedoeld om uiteindelijk de volgende onderzoeksvraag te beantwoorden: "Wat zijn de uitdagingen bij het rapporteren van de sociale dimensie van ESG in de gezondheidszorg?"

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### **Appendix 4 Interview List**

Number	Sector	Location (NL)	Title
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1.	Intellectual disability care	East	Senior Advisor Planning & Control (Finance)
2.	Financial consultancy	East	Senior Financial Consultant (Finance)
3.	Mental care	North-east	Internal Auditor (Finance)
4.	Elderly care	West	Project Leader (Sustainability)
5.	Elderly care	East	Finance
6.	Intellectual disability care	East	Human Resources (HR)
7.	Elderly, disability, mental care, and youth care.	North-east	Interview with two interview participants: Group Controller (Finance) Coordinator (Sustainability)
8.	Financial consultancy	East	Financial Consultant (Finance)
9.	Elderly care	East	Finance
10.	Healthcare consultancy	Netherlands	Business Owner Consultancy Firm (Finance)
11.	Intellectual disability care	Netherlands	CSR Manager (Sustainability)
12.	Elderly care	East	Coordinator (Sustainability), physical therapist and movement scientist.
13.	Authority for healthcare providers and insurance companies	Netherlands	Supervisor healthcare insurers (Laws & regulations)

## Appendix 5 Coding Scheme

Code	Category/Theme	Description
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Challenges ESG reporting	ESG Reporting Challenges	General challenges in ESG reporting
Confusion how to approach (ESG uncertainty)	ESG Reporting Challenges	Lack of clarity on ESG implementation
Third party involvement	ESG Reporting Challenges	Necessary involvement of third parties (external organizations, people, etc.)
No concrete KPIs/goals	ESG Reporting Challenges	The organization has not set any clear and concrete goals or KPI's for ESG reporting.
Data allocation	ESG Reporting Challenges	Locating and collecting internal ESG data.
Separate islands	ESG Reporting Challenges	The structure of the organization and how resources are divided over all the separate departments within the organization.
Data privacy	ESG Reporting Challenges	Concerns regarding data confidentiality.
Manageable costs	ESG Reporting Challenges	Financial constraints related to ESG activities and processes.
Time and admin burden	ESG Reporting Challenges	ESG reporting workload constraints.
Measure impact	ESG Reporting Challenges	Difficulties in assessing ESG effectiveness.
Measure the S	ESG Reporting Challenges	Challenges in measuring the social aspect of ESG.
No obligation law	ESG Reporting Challenges	Lack of mandatory ESG reporting requirements.
No reporting cohesion	ESG Reporting Challenges	Inconsistency in ESG reporting (frameworks).
No priority	ESG Reporting Challenges	ESG is not a primary matter in comparison to other more urgent matters.
Team involvement	ESG Reporting Challenges	Level to which the teams within the organizations are (motivated to) involved in the ESG process.
Approach to ESG	ESG implementation & Organization Factors	General ESG strategy of organization.
Current ESG activities of organization	ESG implementation & Organization Factors	Ongoing ESG efforts and organized initiatives.
ESG framework	ESG implementation & Organization Factors	Chosen ESG framework that is being followed and used as a guideline.
Old reports	ESG implementation & Organization Factors	Review of past ESG reporting efforts.

Green Deal	ESG implementation & Organization Factors	Sustainability agreement ESG
Green Team	ESG implementation & Organization Factors	Groups working together on ESG initiatives.
Green Team Tasks	ESG implementation & Organization Factors	Specific responsibilities and activities being done by the Green Team.
Management Involvement	ESG implementation & Organization Factors	Participation of management in ESG.
Resistance to change	ESG implementation & Organization Factors	Level of organizational pushback against ESG efforts.
Knowledge s- aspect	ESG Knowledge & Expertise	Understanding of the social component ESG.
S measurement tools used	ESG Knowledge & Expertise	Tools for assessing social ESG component.
Expertise ESG	ESG Knowledge & Expertise	Experience and proficiency in ESG matters.
Trainings	ESG Knowledge & Expertise	ESG-related courses or trainings being done or planned.
External pressure ESG reporting	ESG reporting & External Factors	Regulatory and stakeholder expectations.
Regulations ESG	ESG reporting & External Factors	Compliance with ESG policies and laws.
Reporting transparency	ESG reporting & External Factors	Clarity and openness in ESG disclosures.
Suggestions to improve ESG reporting	ESG reporting & External Factors	Recommendations to improve current ESG reporting practices.
Organization	Professional Background & Work Context	Specific organization of the interview participant.
Occupation	Professional Background & Work Context	Specific job of the interview participant.
Working experience	Professional Background & Work Context	Specific working experience of the interview participant.
Working tasks	Professional Background & Work Context	Specific working tasks of the interview participant.
Educational experience	Professional Background & Work Context	Specific educational experience of the interview participant.
Time working on ESG	Professional Background & Work Context	Specific time working on esg of the interview participant.
Relevancy	Other relevant topics	Importance of ESG in this sector.
Platform for inspiration	Other relevant topics	A platform for organizations to share ideas and best practices.
Previous ESG actions	Other relevant topics	Past ESG-related activities and processes.
Reason to start	Other relevant topics	Motivations behind ESG implementation.

Communication Green Team	Other relevant topics	Information-sharing within green teams.
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# UNIVERSITY OF TWENTE.

Humanities & Social Sciences (HSS)

## 241103 APPLICATION FOR ETHICAL REVIEW

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<b>Application nr:</b>	241103	<b>Intro form:</b>	8 - Introduction
<b>Researcher:</b>	Bakker, B.J. (M-BA)	<b>Middle form:</b>	7 - Humanities & Social Sciences (HSS)
<b>Supervisor:</b>	Svetlova, E. (BMS-FE)	<b>Outro form:</b>	5 - Submission
<b>Reviewer:</b>	Belotti Pedroso - Bominaar, C. (BMS-ETM)		
<b>Status:</b>	Positive advice by reviewer		
<b>Date of application:</b>	20-11-2024 10:50		
<b>Application version:</b>	1		