



German Council for  
SUSTAINABLE  
Development



# The Sustainability Code Benchmarking sustainable economy

2nd completely revised edition 2015

**What is sustainability?**

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. [...] In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.”

Brundtland-Commission 1987



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# 1 Foreword



## FOREWORD FOR THE PUBLICATION OF THE SUSTAINABILITY CODE

CHANCELLOR DR. ANGELA MERKEL

How can one ensure a dignified life for everyone? What must be done in order not to diminish the chances of our children and grandchildren to live in prosperity? How can we preserve the natural bases of existence for us and future generations? Anyone who ponders seriously on such vital questions will have to admit that an urgent rethink is needed in many respects.

The key to the answer lies in the guiding principle of sustainable development, which aims to harmonize economic performance, social responsibility and the regenerative capacity of the Earth. Business, society and the environment influence each other and must be considered in unison. In fact, evermore companies are seeing new opportunities for innovation and competitiveness in a sustainable economy. Consumers are increasingly showing interest in the socially responsible and environmentally friendly production and processing of products. Financial service providers are appreciably focusing their attention on investment that is as sustainable as possible in the long term.

The facets of sustainable development are extremely diverse. To encourage a move towards the principle of sustainability in everyday life, the Council for Sustainable Development has developed and tested the Sustainability Code and now adapted it to new circumstances in dialogue with businesses. With its 20 criteria, the Code provides companies with guidance regarding its strategic orientation on the one hand and, on the other hand, gives customers and investors an important decision-making tool thanks to its greater transparency and comparability. In addition, the Code, developed in Germany, is tied in with existing voluntary international reporting standards, which is why it is suitable as a “Sustainability Code” for global companies or companies in other countries, too.

The Federal Government supports the Sustainability Code as a voluntary instrument that aims to spread the idea of sustainability and to promote sustainable development. We regard sustainability as a collective achievement that more than pays off. I therefore invite all companies to explore the use of the Sustainability Code and to seize the opportunities offered by sustainable management.

## 2 Preamble

The Sustainability Code is a benchmark for sustainability management which was developed in Germany. After a successful launch and the EU legislation on nonfinancial reporting the German Council for Sustainable Development places now this transparency standard on the European level.

With its update of the Sustainability Code, the German Council for Sustainable Development reinforces its aim of advancing thoughts of sustainability and of making companies' sustainability performance transparent and comparable. On 13 October 2011, the Council adopted the Sustainability Code after a 2010/2011 stakeholder process. The update once again involved the interested parties in a broad process.

In Germany, companies and organizations apply the Sustainability Code voluntarily. In response to the Code's 20 criteria, companies submit a summary declaration of the measures relating to the environmental, social and economic dimensions of sustainability they have undertaken. Quantifiable performance indicators support these data and increase the comparability of the declarations of conformity. Sector-specific particulars and additions are possible.

In a declaration of conformity vis-à-vis the Sustainability Code, the company reports in what way it meets the Code criteria (comply) or gives a plausible explanation why it does not satisfy a criterion (explain). For this purpose, the service of the Code database of the German Council for Sustainable Development is made available to companies on the following website: [www.nachhaltigkeitscode.eu](http://www.nachhaltigkeitscode.eu).

The EU Commission has named the Sustainability Code as a possible standard for compliance with the European obligation to non-financial reporting by public-interest entities with more than 500 employees that will come into force as of 2016.

The benefit of the Code lies in its compressed and user-friendly form that offers companies of all sizes a framework they can use to report on their own sustainability management system. Its clear structure and focus on the essential criteria represent the central benefits of the Code. They promote the comparability of the information given. By drawing up a report that is in line with the Code, the company produces a resource that it can use to answer inquiries from within the company itself and from the general public. The Sustainability Code is also a useful tool for internal management and the future strategic alignment of the company. It is particularly useful for all businesses and organizations with no established reporting system. In order to gain greater credibility, the company is free to organize a third-party review of the data.

Sustainable corporate governance requires compliance with the basic principles of good corporate governance. They are the subject of broad public debate and are recorded in corporate governance codes. A special role is played here by the German Corporate Governance Code (GCGC) formulated by the German Corporate Governance Commission. The basic principles of good corporate governance are a reference of the Sustainability Code.

The promotion of the transparency of the sustainability data and their standardization to an exacting level are central concerns of the German Council for Sustainable Development. In the process, the Sustainability Code provides the opportunity for dynamic standard setting by the companies themselves when they make applied and ambitious sustainability management their benchmark.

## 3 The Sustainability Code



## 3.1 THE 20 CODE CRITERIA

### Criteria 1–4 concerning STRATEGY

#### Strategic Analyzis and Action

- 1** The company discloses how it analyzes the opportunities and risks of its major activities in the context of sustainable development. The company explains what concrete measures it is undertaking to operate in compliance with the essential and recognized sector-specific, national and international standards<sup>1</sup>.

#### Materiality

- 2** The company discloses what aspects of sustainability have a significant impact on its business operations and how, in its strategy, it takes them into account and systematically addresses them.

#### Objectives

- 3** The company discloses what qualitative and/or quantitative as well as temporally defined sustainability goals are set and operationalized, and how their level of achievement is monitored.

#### Depth of the Value Chain

- 4** The company states what significance aspects of sustainability have for added value and how deep into the value-added chain the sustainability criteria are verified.

### Criteria to 5–10 concerning PROCESS MANAGEMENT

#### Responsibility

- 5** Accountability in the corporate management with regard to sustainability is disclosed.

#### Rules and Processes

- 6** The company discloses how the sustainability strategy is implemented in the operational business by way of rules and processes.

#### Control

- 7** The company discloses how and what performance indicators on sustainability are integrated into its periodical internal planning and control and how the reliability, comparability and consistency of the data applied to internal controls and external communication are safeguarded through appropriate processes.

#### Incentive Schemes

- 8** The company discloses how target agreements and remuneration schemes for executives and employees are also geared towards the achievement of sustainability goals and how they are aligned towards long-term value creation. It discloses the extent to which the achievement of these goals forms part of the evaluation of the top managerial level (board / managing directors) conducted by the monitoring body (supervisory board / advisory board).

<sup>1</sup> Examples of standards, references etc. that refer to criteria are explained in the glossary.

## Stakeholder Engagement

- 9 The company discloses how the socially and economically relevant stakeholders are identified and integrated into the sustainability process. It is disclosed whether and how an ongoing dialogue takes place with them and how the results are integrated into the sustainability process.

## Innovation and Product Management

- 10 The company discloses how innovations in products and services are enhanced through suitable processes which improve sustainability with respect to the company's utilization of resources and with regard to users. Likewise, a further statement is made with regard as to how the current and future impact of the key products and services in the value chain and in the product life cycle are assessed.

## Criteria 11–13 concerning ENVIRONMENT

### Usage of Natural Resources

- 11 The company discloses the extent to which natural resources are used for the company's business activities. Possible options here are materials, the input and output of water, soil, waste, energy, emissions, land and biodiversity as well as emissions for the life cycles of products and services.

### Resource Management

- 12 The company discloses what qualitative and quantitative goals it has set itself with regard to its resource efficiency, its use of renewables, the increase in raw material productivity and the reduction in the usage of ecosystem services, and how these goals have been met or will be met in the future.

### Climate-relevant Emissions

- 13 The company discloses the GHG emissions in accordance with the Greenhouse Gas (GHG) Protocol or standards based on it and states the goals it has set itself to reduce emissions.

## Criteria 14–20 concerning SOCIETY

### Employment Rights

- 14** The company reports on how it complies with the employment rights of both nationally and internationally recognized standards and how it promotes employee involvement in sustainability management.

### Equal Opportunities

- 15** The company discloses in what way it has implemented national and international processes and what goals it has to promote equal opportunities and diversity, occupational health and safety, the integration of migrants and people with disabilities, fair pay as well as a work-life balance.

### Qualifications

- 16** The company discloses what goals it has set and what measures it has taken to promote the employability of all employees, i.e. the ability of all employees to participate in the working and professional world, and to adapt it to demographic change.

### Human Rights

- 17** The company discloses what measures it takes for the supply chain with the aim of ensuring that human rights are respected globally and that forced and child labour as well as all forms of exploitation are prevented.

### Corporate Citizenship

- 18** The company discloses how it contributes to corporate citizenship in the regions in which it conducts its core business activities.

### Political Influence

- 19** All significant input relating to legislative procedures, all entries in lobby lists, all significant payments of membership fees, all contributions to governments as well as all donations to political parties and politicians should also be disclosed by country in a differentiated way.

### Conduct that Complies with the Law and Policy

- 20** The company discloses which measures, standards, systems and processes are in place to prevent unlawful conduct and, in particular, corruption, and how they are verified. The company depicts how corruption and other contraventions in the company are prevented and exposed and what sanctions are imposed.



### 3.2 DECLARATION OF CONFORMITY WITH REGARD TO THE SUSTAINABILITY CODE

The declaration of conformity is composed of descriptive sections of texts and performance indicators that are backed up by figures. The declaration of conformity applies the principle of “comply or explain” in the following way: companies report or explain any deviation when data have not been collected or the informations required for the case in question are not material. Even declarations of conformity with multiple defects are satisfactory, because they allow the users of the information to assess where a company or organization stands in the sustainability process. Information about the fundamental parameters such as the scope of consolidation, significant assumptions and estimates, definitions used, as well as a description of the business field can be explained in the introduction to the declaration of conformity.

The declaration of conformity should be as long as necessary and as short as possible in order to draw readers’ attention to the essentials. A benchmark figure for brief reports on the individual criteria is 500 to 2,000 characters.

Selected indicators from the wide set of indicators from the GRI and EFFAS and, wherever appropriate, indicators added with regard to industry-specific circumstances are the key to understanding the business field and the particular challenges with regard to sustainable development. When content overlaps, reference is made to the appropriate point where the report is located.

GRI has extensively updated its performance indicators with the fourth generation (G4) of its guidelines. Until 31 December 2015, companies can still file reports on the basis of the GRI 3.0/3.1 indicators and, on this basis, issue a declaration of conformity with the Code.

### 3.3 COMPATIBILITY VERSION OF THE DECLARATION OF CONFORMITY WITH THE CODE

The compatibility version of the declaration of conformity allows companies already reporting according to GRI or other international standards the opportunity to submit a declaration of conformity with the Sustainability Code with a reasonable amount of effort. These companies may use this information basis for their declaration of conformity with the Code. To this end, with regard to individual criteria of the Code, the company points out where and how it reports on the individual Code criteria in a relevant and compatible way elsewhere. Relevant information is provided in the form of legislation as well as from international and private organizations, partly also in connection with certification and audits. The options are:

- Global Reporting Initiative, GRI, G4 as well as GRI 3.1 (valid until 31 December 2015)
- UN Global Compact (Communication on Progress)
- OECD Guidelines for Multinational Enterprises, Revision 2011
- ISO 26000
- Eco-Management and Audit Scheme, EMAS (EU Regulation 1221/2009)
- Carbon Disclosure Project, CDP
- International Integrated Reporting Framework, IIRC (integrated reporting)
- Sustainability Accounting Standards Board, SASB (under development)
- Corporate governance report within the meaning of the German Corporate Governance Code, DCGK, and the declaration of conformity with regard to the DCGK in terms of Section 161 AktG (Companies Act)

In the compatibility statement, the enterprise assigns to the Code criteria the respective relevant parts (e.g. page references, functioning links) of the report published by it as well as the relevant criteria of the reporting formats used. An indication is made as to whether the compatibility thus referenced is a declaration of “comply” or “explain” with regard to the Code. In order to increase the readability and comparability of the declarations of conformity, we recommend a short summary of the main points. The focus on the essentials and the transparency of the declaration of conformity with the Code should be preserved.

Vice versa, it is helpful to include in the sustainability report an indexing of the Sustainability Code within the meaning of the GRI Index introduced.

### 3.3 PERFORMANCE INDICATORS

Performance indicators can be used to simplify reporting.

A selection of the relevant performance indicators of the Global Reporting Initiative (GRI) and the European Federation of Financial Analysts Societies (EFFAS) that are already established and used in practice are listed below.

Companies decide whether to report on the basis of the KPIs of the GRI or EFFAS. However they decide, they should continue on this basis throughout the Code. It is also possible to add voluntarily sector-specific indicators.

The definition and the calculation of the indicators are explained in the respective underlying standards.

### Selection of Performance Indicators from GRI G4 / EFFAS for Code Criteria

#### Strategy: criteria 1–4

Strategic Analysis and Action, Materiality, Objectives, Depth of Value Chain

none

#### Process management: criteria 5–7

Responsibility, Rules and Processes, Control

<b>G4-56</b>	Describe the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.
<b>EFFAS S06-01</b>	Percentage of total suppliers and supply chain partners screened for compliance in accordance with ESG-criteria.
<b>EFFAS S06-02</b>	Percentage of suppliers and supply chain partners audited for compliance.

#### Process management: criterion 8

Incentive Schemes

<b>G4-51a</b>	Remuneration policies – report the remuneration policies for the highest governance body and senior executives.
<b>G4-54</b>	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.

#### Process management: criterion 9

Stakeholder Engagement

<b>G4-27</b>	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.
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### 3.3 Performance Indicators

Process management: criterion 10 Innovation and Product Management	
G4-EN6	Reduction of energy consumption.
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening.
EFFAS E13-01	Improvement rate of product energy efficiency compared to previous year.
EFFAS V04-12	Total investments in research on ESG-relevant aspects of business as defined by company such as e.g. eco-design, eco-efficient production processes, decreasing impact on biodiversity, improving health and safety conditions of employees or supply chain partners, consulting on integration of ESG aspects in change management, development of products to exploit ESG opportunities etc. in monetary terms, i.e. currency as a percentage of revenue.
Environment: criteria 11–12 Use of Natural Resources, Resource Management	
G4-EN1	Materials used by weight or volume.
G4-EN3	Energy consumption within the organization.
G4-EN8	Total water withdrawal by source.
G4-EN23	Total weight of waste by type and disposal method.
EFFAS E04-01	Total waste in tonnes.
EFFAS E05-01	Percentage of total waste which is recycled.
EFFAS E01-01	Energy consumption, total.
Environment: criterion 13 Climate-relevant Emissions	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).
G4-EN16	Energy-related indirect greenhouse gas (GHG) emissions (Scope 2).
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).
G4-EN19	Reduction of greenhouse gas (GHG) emissions.
EFFAS E02-01	GHG emissions, total (Scope 1, 2).

Society: criteria 14–16 Employment Rights, Equal Opportunities, Qualifications	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.
G4-LA8	Health and safety topics covered in formal agreements with trade unions.
G4-LA9	Average hours of training per year per employee, by gender and by employee category.
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
G4-HR3	Total number of incidents of discrimination and corrective actions taken.
EFFAS S03-01	Age structure/distribution (number of FTEs per age group, 10-year intervals).
EFFAS S10-01	Percentage of female employees in relation to total employees.
EFFAS S10-02	Percentage of female FTEs in senior positions in relation to total FTEs in senior positions.
EFFAS S02-02	Average expenses on training per FTE p.a.
Society: criterion 17 Human Rights	
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.
EFFAS S07-02 II	Percentage of total facilities certificated according to SA 8000 standard.

<b>Society: criterion 18</b> Corporate Citizenship	
<b>G4-EC1</b>	Direct economic value generated and distributed.
<b>Society: criterion 19</b> Political Influence	
<b>G4-S06</b>	Total value of political contributions by country and recipient/beneficiary.
<b>EFFAS G01-01</b>	Contributions to political parties as a percentage of total revenues.
<b>Society: criterion 20</b> Conduct that Complies with the Law and Policy	
<b>G4-S03</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.
<b>G4-S05</b>	Confirmed incidents of corruption and actions taken.
<b>G4-S08</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
<b>EFFAS V01-01</b>	Expenses and fines on filings, law suits related to anti-competitive behaviour, anti-trust and monopoly practices.
<b>EFFAS V02-01</b>	Percentage of revenues in regions with Transparency International corruption index below 60.

## 4 Helpful information for using the online tool for drawing up Declarations of Conformity with the Sustainability Code

## 1. Procedure

### 1.1 PROFILE CREATION

The office of the German Council for Sustainable Development (RNE, send an e-mail to [dialog-dnk@nachhaltigkeitsrat.de](mailto:dialog-dnk@nachhaltigkeitsrat.de)) creates a company profile and generates the necessary access data (i.e. a user name and password). Only one user account per company is created. These access data can be used to draw up the Declaration of Conformity with the Sustainability Code in a password-protected area of the database.

### 1.2 LOG-IN

The log-in page is <http://datenbank.deutscher-nachhaltigkeitskodex.de/login.aspx>.

### 1.3. EDITING YOUR PROFILE

The company profile can be activated at <http://datenbank.deutscher-nachhaltigkeitskodex.de>. Summary reports can be added to the criteria and performance indicators on the pages called HOME, GENERAL, STRATEGY, PROCESS MANAGEMENT, ENVIRONMENT and SOCIETY.

For security reasons, there will be an automatic time-out of the session after two hours. After that, you will have to log in again before you can continue processing the data set.

From the user's perspective, the following applies: brevity is the soul of wit. A benchmark value is **500 to, at most, 2,000 characters per short report**. Particular attention should be placed on quantitative indicators and forward-looking statements.

The individual **parts of the text** of the Declaration of Conformity **must be saved at regular intervals** as you type **by clicking on the "Save" button** at the end of each topic's input field.

The database offers limited formatting options that can be inserted with shortcuts (see section 4).

If you have any questions or problems when drawing up the Declaration of Conformity, you can contact the RNE office ([dialog-dnk@nachhaltigkeitskodex.de](mailto:dialog-dnk@nachhaltigkeitskodex.de)).

### 1.4. FORMAL REVIEW AND UPLOAD

After completing the profile, it is then formally reviewed by the office of the German Council for Sustainable Development (RNE). The review may also include hints regarding the content of the Declaration of Conformity along with suggestions on how to make amendments as well as its publication in consultation with the reporting company.

**of 70 pixels** and should have a minimum resolution of 72 dpi. Logos in portrait format can be adjusted to this format, if need be, by means of adding a white area. Whether the logo is displayed correctly can be tested under Home.

### 2.2 GENERAL INFORMATION

This is where you can enter contact details, reporting standards, a description of the area of business and additional notes (third-party verification, overlapping reporting years or the like). If you only give a brief declaration in PDF format (still possible up to 31 December 2015), you can upload it here, too.

### 2.3 STRATEGY, PROCESS MANAGEMENT, ENVIRONMENT AND SOCIETY

This is where you can enter the various points and performance indicators. If industry-specific performance indicators are added, they can be entered here. For the sake of direct usability and comparability of the information, the RNE recommends entering quantified performance indicators directly into the database, rather than referring or linking to figures reported in the referenced reports.

## 2. Input pages

### 2.1 HOME

Home is where you can gain access to the German and English input interface. If the Declaration of Conformity is to be issued only in German or only in English, then only the corresponding page must be completed.

This is where the **company logo** (PNG, JPG or GIF) can be uploaded. The image **must not exceed a width of 158 and a height**

### 3. Input interface

These functions are available to you on the input interface:



Edit



Cancel



Save

### 4. Formatting your input

HTML orders such as `<a href=www.rne.de>test.de</a>` are not permitted for reasons of safety and will result in an error message.

#### 4.1 POSSIBLE FORMATTING OPTIONS:

##### 4.1.1 Bold face:

Enclose the individual words in \* asterisks.

\*bold\* becomes: **bold**

##### 4.1.2 Italic face:

Enclose the individual words in \_\_ double underscores.

\_\_italic\_\_ becomes: *italic*

##### 4.1.3 Superscript characters:

Enclose the individual characters in ~ tildes.

m~2~ becomes: m<sup>2</sup>

##### 4.1.4 Subscript characters:

Enclose the individual characters in ^ carets.

H^2^O becomes: H<sub>2</sub>O

##### 4.1.5 Insert weblinks:

Enclose the text to be linked in " straight quotation marks, then add a : colon and the URL (without a space).

„Sustainability Code“:http://www.sustainabilitycode.eu then becomes a hyperlink in the continuous text [Sustainability Code](http://www.sustainabilitycode.eu).

From a user perspective, it is recommended that relevant documents (Sustainability Report, Annual Report etc.) are inserted either with the general information or when they are first mentioned. On the other hand, since some users deliberately search for specific criteria, it may be worth the effort to create a hyperlink for each criterion.

In Windows, one source of error could be the “curved” inverted commas – they are adopted in HTML and do not produce a weblink. That is why we recommend you create the link directly on the input interface instead of Word, txt or WordPad.

## 5. Aids

There are now three aids for each point reported on in the Sustainability Code. They come from the “[Guideline for the German Sustainability Code: Guidance for SMEs](#)”.

1. “What does this mean?” describes the general requirements of this report item.
2. “What you should report” lists typical report items that companies usually list here.
3. “What others write” shows what other companies have written under this item. By using a drop-down box, you can view and filter the texts of companies from specific industries. By default, only contributions from companies in the industry to which the logged-in company belongs will be displayed.

## 5 Glossary

**Corporate citizenship:** In the context of the Sustainability Code, corporate citizenship is to be understood as groups of persons or authorities that are linked to each other regionally or because of certain characteristics, in particular because of kinship or legal relations. Corporate citizenship offers its members the space wherein they can undertake political action. In democratic societies, the state is the dominant organizational form of political corporate citizenship, particularly with the involvement of local communities as one of its elementary subsystems. Companies can have a positive or negative influence on the economic, social or ecological conditions of corporate citizenship. Corporate contributions to the community are taxes paid, employment and purchasing volume across the sites of a company. Value added statements or a common good balance sheet can provide information about this.

**Corruption:** The abuse of entrusted power for private gain or benefit. The Business Principles for Countering Bribery are guidelines issued by Transparency International that focus on companies and improve the prevention and avoidance of corruption. Further guidance is given by the OECD and the ILO conventions. In Germany, the auditing standard IDW PS 980 substantiates compliance management requirements. Other specific measures include the Extractive Industries Transparency Initiative (EITI), a global coalition of national governments, companies and civil society working together to improve transparency on the exploitation of natural resources, as well as the guideline of the Food and Agriculture Organization of the United

Nations (FAO) on the responsible management of land, fish stocks and forests for the benefit of food security.

**Ecosystem services:** This collective term describes the benefits and advantages of functioning ecological systems that humans make use of. It relates to, for example, the soil functions, the pollination of plants, nutrient cycling and genetic diversity, natural resources such as food, water, timber, fibres, raw materials for medicines, but also to the regulatory benefits in terms of climate, soil fertility, water resources, waste disposal. Ecosystem services include the foundations of a country's culture, leisure and recreation, as well as its aesthetic and spiritual sensibilities.

**EFFAS:** The European Federation of Financial Analysts Societies (EFFAS) is the umbrella organization of the national societies of European financial analysts. Together with the German Association of Financial Analysts (DVFA), EFFAS specifies performance indicators from the perspective of analysts and investors in order to better integrate environmental, social and corporate governance (ESG) into the reports of the capital market representatives and the practices of financial service providers.



**EU Directive on disclosure of non-financial information:** The EU's reporting requirement directly affects capital-market companies with more than 500 employees and/or a balance sheet total of €20 million and/or a net turnover of over €40 million. It focuses on public-interest entities that are listed on the stock exchange or issue bonds, as well as financial service providers such as banks and insurance companies. As of 2017, they will be required to report annually on their performance in regards to the environment, society, employees, human rights, anti-corruption and diversity. This can be achieved by including it in the management report as part of the annual report or by compiling a separate sustainability report. Affected entities must apply the principle of "comply or explain" when reporting on the issues specified in the Directive. The Sustainability Code can be used among others.

**Grants:** This term refers to all payments not based on legal obligations, i.e. donations and sponsorship.

**GRI:** The Global Reporting Initiative (GRI), founded in 1997 by CERES and the United Nations Environment Programme (UNEP), is a charitable foundation with a variety of partners involved. CERES is a non-profit organization that, for more than 25 years, has lobbied for managerial responsibility for sustainability, especially in the private sector. GRI has developed a comprehensive framework for sustainability reporting, which applies worldwide. For this purpose, GRI defines a set of differentiated performance indicators.

**ILO (International Labour Organization):** The ILO determines its actions in line with its four fundamental principles (freedom of association and the right to collective bargaining, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation). On this basis, a total of eight so-called core labour standards have been gradually drawn up since 1930: the Freedom of Association and Protection of the Right to Organize, the Right to Organize and Collective Bargaining, the Abolition of Forced Labour, Equal Remuneration Discrimination (Employment and Occupation), the Minimum Age, and the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

**ISO 26000:** This guideline was drawn up on the basis of a multi-stakeholder approach with experts from over 90 countries and 40 international or regional organizations. It provides guidance on the principles of corporate social responsibility. It is not intended for certification purposes.

**Life cycle approach:** "The main objectives of a life cycle approach are to reduce the environmental impacts of products and services as well as to improve their socio-economic performance throughout their life cycle, that is, from the extraction of raw materials and energy generation, through production and use, to end-of-life disposal or recovery. An organization should focus on developing innovative solutions and not just concentrate on compliance with laws and regulations. Furthermore, it should commit itself to the continuous improvement of its environ-

mental performance." (Source: ISO 26000)

**Lobby lists:** These include the public lists regarding the registration of associations and their representatives of the German Bundestag or other national parliaments and the publicly viewable Brussels transparency register for the European Parliament and the EU Commission. In addition, there is the non-public list of the Bundestag Administration for the registration of individual companies in Germany.

**Management systems relating to aspects of sustainability:** Performance requirements relating to sustainable management are laid down in specific management systems. A uniform consolidated system for sustainability management does not yet exist. The following systems relate to partial aspects of the overall system: EMAS (Eco Management and Audit Scheme – European Regulation), IDW PS 980 (national auditing standard for compliance issued by the Institute of Public Auditors in Germany), ISO 14001 (international environmental management system), ISO 9001 (international quality management system), SA 8000 (international standard relating to the minimum standards of working conditions of employees, published by

Social Accountability International, an international non-governmental organization).

**Materiality:** The principle of materiality comes from Anglo-American accounting standards. They state that all circumstances that are material must be disclosed in the annual financial statements, because, owing to their scale, they have an impact on the result for the year. In the Sustainability Code, the principle of materiality is applied to the activities of companies with regard to their social and environmental impacts. What is, therefore, essential is any featured process that improves one's insight into the real impact of the business activities on people and the environment to an extent that is relevant to the decision-making process.

In the Sustainability Code, the concept of materiality applies to the entire document.

**OECD (Organization for Economic Co-operation and Development):** In 2011, the Organization for Economic Co-operation and Development formulated guidelines for the responsible behaviour of multinational companies. They were negotiated through an extensive international consultation process between companies, trade unions, NGOs and governments, and contractually



agreed between the governments of the OECD countries and a few others. They are not binding on companies.

**Performance indicator:** Performance indicators serve to provide further explanation and quantification; they thus improve the comparability of the Code criteria for all users of declarations of conformity with the Sustainability Code. The performance indicators help users from, for example, the capital market to integrate them into their analysis models or to use them to determine key data (e.g. emissions per unit of power).

**Process:** “A process is a structured group of interrelated activities that collectively result in adding value to the purpose of a client.” (Source: DIN ISO 9001)

**Scope of reporting:** In order to establish financial reporting comparability, the Sustainability Code, as a rule, refers to the same group of companies as those included in the consolidated financial statements. In some cases, it may be useful and necessary to deviate from this. What is generally required is the expansion vis-à-vis financial reporting, e.g. when one has to report on the supply chain. In such instances, the companies will indicate this and give reasons for their decision.

**Stakeholders:** Stakeholders are legal or natural persons that are already or will, in the future, be significantly affected by the activities, products and/or services of companies or other institutions. Stakeholders include customers, employees, suppliers, non-governmental organizations, civil society

groups and people affected by the activities of the company as well as relevant financial service providers and investors. Stakeholders exert an influence on the alignment and the success of the company, often in particular by bringing to bear concerns regarding good corporate management, environmental protection, human rights and the handling of social concerns.

**Standard:** In this context, a standard is a comparatively uniform and widely accepted course of action that is usually taken into account. A standard is often the result of a standardization process. Whether a standard is established by a public or other formalized procedure or by general recognition is not decisive.

**Supply chain:** “Sequence of activities or parties that provides products or services to the organization.” (Source: ISO 26000) Depending on a company’s business area, supply chains can be of different lengths or branched. The depth of the supply chain denotes the stages of extraction of raw materials, prefabrication, refining, production, sales, and logistics. Furthermore, product responsibility may also refer to the use of the products by customers as well as recycling and disposal (see value chain).

**United Nations Global Compact:** In the Global Compact of the United Nations, acceding companies commit themselves to aligning their operations with the ten principles of sustainability. These include, inter alia, human rights, labour standards, environment protection and the fight against corruption.

**UN Guiding Principles on Business and Human Rights:** The UN Guiding Principles on Business and Human Rights outline how states and companies can implement the UN “Protect, Respect and Remedy” framework. This framework defines the obligations of states and the responsibility of enterprises to advocate the observance of human rights in the economy with due diligence.

**Usage:** The usage of ecosystem services includes data about usage and the consumption of natural resources such as, in particular, input, process design, output and outcome as well as the data on impact over the life cycle of products and services.

**Value chain:** “Entire sequence of activities or parties that provide or receive value in the form of products or services. Parties that provide value include suppliers, outsourced workers, contractors and others. Parties that receive value include customers, consumers, clients, members and other users.” (Source: ISO 26000) In contrast to the value chain, the supply chain is therefore the broader term.

# Council Members

**Marlehn Thieme**

Chairwoman of the Council, Member of the Council of Lutheran Churches in Germany (EKD)

**Olaf Tschimpke**

Deputy Chairman of the Council, President of "NABU" (Nature and biodiversity conservation)

**Prof. Dr. Alexander Bassen**

Full Professor of Capital Market and Management at the University of Hamburg

**Vera Gäde-Butzlaff**

CEO of the Berlin City Cleaning Services (Berliner Stadtreinigungsbetriebe, BSR)

**Alois Glück**

President of the Central Committee of German Catholics

**Walter Hirche**

Former parliamentary secretary for the Ministry of the Environment, Vice-Chairperson of the Governing Board of the UNESCO Institute for Lifelong Learning in Hamburg, former minister in Lower Saxony and Brandenburg

**Kathrin Menges**

Executive Vice President Human Resources and Infrastructure Services, Chairwoman of the Sustainability Council at Henkel AG & Co. KGaA

**Jennifer Morgan**

Program Director, World Resources Institute, Washington

**Alexander Müller**

Senior Research Fellow, Institute for Advanced Sustainability Studies in Potsdam (IASS)

**Prof. Dr. Lucia A. Reisch**

Professor at Copenhagen Business School, Department of Intercultural Communication and Management, visiting professor at Zeppelin University Friedrichshafen

**Dr. Imme Scholz**

Deputy Director, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)

**Max Schön**

Entrepreneur in Lübeck, president German Association for the Club of Rome, Hamburg

**Prof. Dr. Wolfgang Schuster**

Professor and managing director of Institut für Nachhaltige Stadtentwicklung GmbH Stuttgart, former Lord Mayor of the City of Stuttgart

**Michael Vassiliadis**

Chairman of the Industrial Union of Mining, Chemical and Energy (IG BCE)

**Prof. Dr. Hubert Weiger**

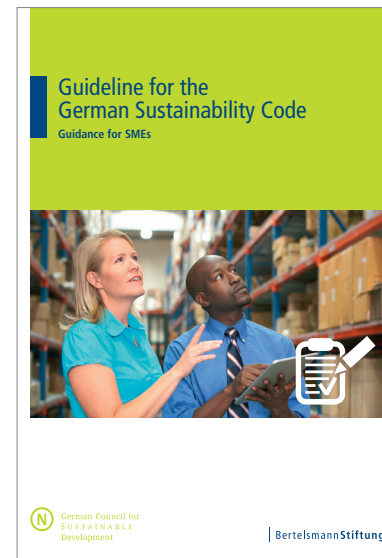
Chairman of Friends of the Earth Germany (Bund für Umwelt- und Naturschutz Deutschland, BUND)

## The German Council for Sustainable Development (RNE)

The Council comprises 15 public figures appointed 2010 by Federal Chancellor Dr. Angela Merkel for a three-year term. The RNE was first established in April 2001 by then Chancellor Gerhard Schröder. The Council's tasks include generating contributions to the national sustainability strategy, specifying concrete fields of activity and projects and also providing contributions that make sustainability a public issue of vital importance.

For more information head for:

[www.nachhaltigkeitsrat.de/en](http://www.nachhaltigkeitsrat.de/en)



## Imprint

© 2015 German Council for Sustainable Development (RNE)  
c/o Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Responsible: Yvonne Zwick, Günther Bachmann

Editorial office: Petra Thoms

Translation: EBS Jones, Düsseldorf

Fotocredits: © adam121 – Fotolia.com | © RNE, Fotograf André Wagenzik [www.wagenzik.de](http://www.wagenzik.de)

Graphic design: Marc Pettenkofer, meva media gmbh, [www.meva-media.de](http://www.meva-media.de)

Print: DieUmweltDruckerei GmbH, [www.dieUmweltDruckerei.de](http://www.dieUmweltDruckerei.de)

Printed on Mundoplus



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