



The
SUSTAINABILITY
Code

The Sustainability Code

An established standard for reports
with non-financial parameters

German Council for Sustainable Development, March 2015

www.sustainabilitycode.org

The German Council for Sustainable Development (RNE) – advisory body to the Federal government.

- Founded by Federal Chancellor Schröder in 2001
- Federal Chancellor Angela Merkel extends mandate and appoints 15 members
- RNE is a content-independent, multi-stakeholder body

Three main tasks:

- Advises the Federal government on sustainability matters and the national sustainability strategy
- Fosters the public debate on sustainability
- Specifies fields of action and action projects



Sustainability. Definition according to the Brundtland Commission

“

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. [...]

[...] a process of change in which the exploitation of resources, the direction of investments, [...] technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.

”

World Commission on Environment and Development, 1987



Main goal: re-set the framework conditions for economic success

- **Create comparative frameworks:** enable competitors to compare sustainability performance using standardised minimum requirements
- **Mainstreaming:** facilitate access to sustainability information
- **Efficiency on the market:** active demand and quality assurance through capital market players (liability for quality of information rests with companies)
- **Foster environment for market-driven rewards:** focus on new groups of investors; promote opportunities for investment; channel capital flow into sustainable business models



Five benefits for users

1. Makes reporting easier and comparable.
2. Meets the EU's reporting obligation and is compatible with international standards.
3. Suited to small and medium-sized enterprises (SMEs).
4. Also of benefit to civil society organizations.
5. Recognised control instrument for sustainable management.

The standard: four areas with twenty criteria

Strategy Criteria 1-4	Process Management Criteria 5-10	Environment Criteria 11-13	Society Criteria 14-20
<ul style="list-style-type: none"> • Strategic analysis and action • Materiality • Objectives • Depth of the value chain 	<ul style="list-style-type: none"> • Responsibility • Rules and processes • Control • Incentive systems • Stakeholder engagement • Innovation and product management 	<ul style="list-style-type: none"> • Usage of natural resources • Resource management • Climate-relevant emissions 	<ul style="list-style-type: none"> • Employment rights • Equal opportunities • Qualifications • Human rights • Corporate citizenship • Political influence • Conduct that complies with the law and policy

The GSC is backed up by 16 EFFAS and/or 28 GRI performance indicators

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Key data on scope of validity and application

- The Code can be readily applied to all sizes and organisational and legal forms
- Relates to the same area of consolidation, such as the financial report
- Implementable on a “comply or explain” basis with greater binding character
- Supplemented by performance indicators relating to environmental, social and governance issues (KPIs for ESG)

of GRI/ EFFAS/ DVFA



- Room for manoeuvre: branch-specific differentiation, explain boxes, materiality
- Refers to:



Council recommendations on specific application

- Although GRI A+/EFFAS Level III* reports are recognised as fulfilling the GSC, a detailed declaration of conformity is recommended, as this will enhance the value of the information provided.
- Declarations of conformity with the Sustainability Code can mark the inception of strategic sustainability communications. In this case, third-party assurance is not necessary.
- To raise its effectiveness on the market, the credibility of the information can be verified by an independent, third-party review.

Impetus from Brussels: EU Commission decision

The draft directive COM(2013) 207 amending the Accounting Directive to integrate non-financial and diversity information into the management report was adopted by the EU Parliament and Council.

- **Approach:** binding reporting on non financial information in accordance with the comply-or-explain approach
- **Target group:** companies of public interest with over 500 employees and a balance sheet total > 20 million euros or a net turnover > 40 million euros.
- **Topics:** environmental, social and employee-related matters, human rights, diversity as well as anti-corruption
- **Interfaces:** recognition of national and international standards (e.g. Sustainability Code)



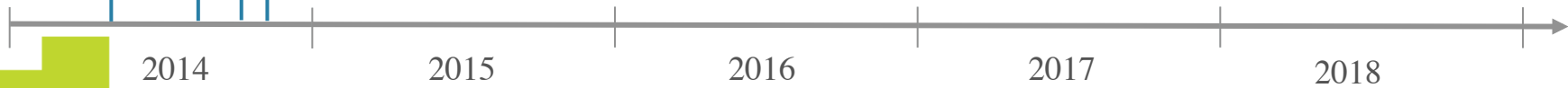
Timeframe for EU COM 2014

15.04.2014 EU directive adopted by EU Parliament

29.09.2014 EU directive adopted by Council of Ministers

15.11.2014 Published in Official Journal of the EU

06.12.2014 EU directive comes into force





Timeframe for EU COM 2014-2018

15.04.2014 EU directive adopted by EU Parliament

29.09.2014 EU directive adopted by Council of Ministers

15.11.2014 Published in Official Journal of the EU

06.12.2014 EU directive comes into force

Up to 06.12.2016

Directive to be transposed into national law by
EU member states: method guidelines

01.01.2017 at the latest: reporting obligation

EU COM Report to EU Parliament/
Council: status of implementation of
directive

By 06.12.2018

2014

2015

2016

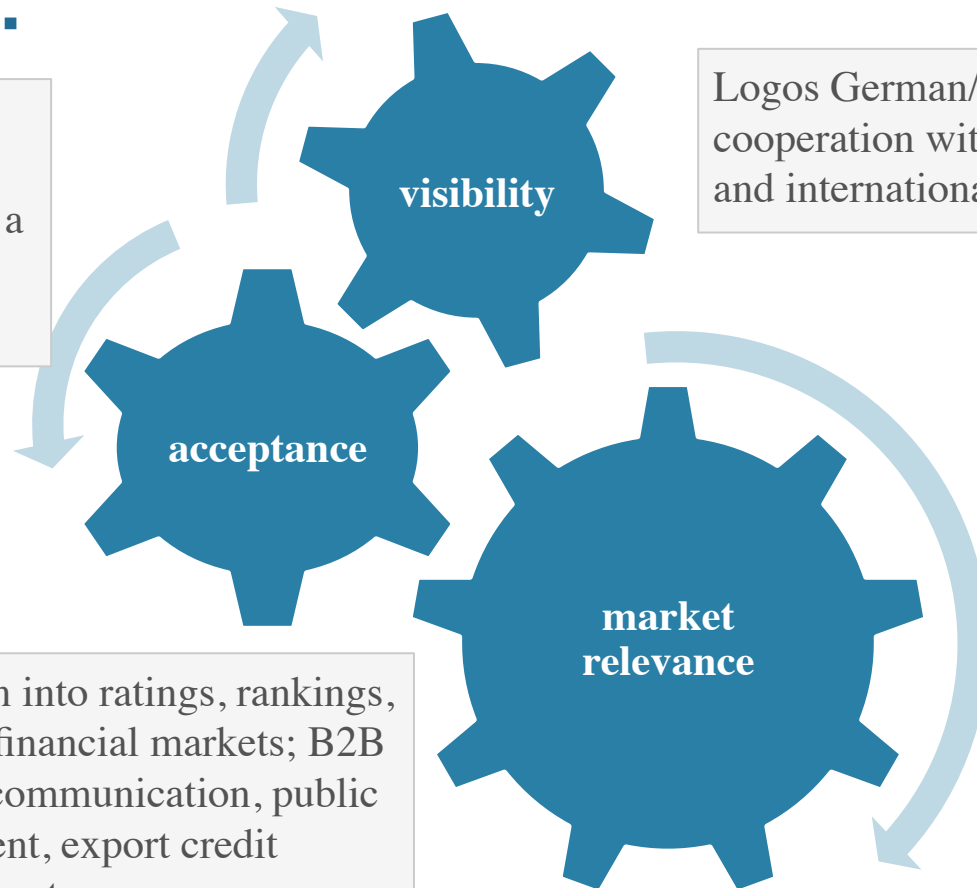
2017

2018



We advocate for more sustainability through...

Create added value for companies and users, incl. lowering of transaction costs, a database with comparable information



Logos German/English; cooperation with market and international partners

Integration into ratings, rankings, bond and financial markets; B2B and B2C communication, public procurement, export credit guarantees, etc.

Status quo and next steps in 2015

- **Focus on SMEs:** a strategy for small and medium-sized enterprises should enable SMEs and non-reporters to begin using the Sustainability Code. In conjunction with the Bertelsmann Foundation a guideline for the Code has been developed in consultation with small and medium-sized enterprises.
2015: development of a workshop and multiplier concept
- **Create added value:** inclusion of all financial market players as users of the declarations of conformity; development of scenarios for international cooperation and usage of the Sustainability Code
- **Raise visibility:** currently 80 companies with 165 declarations of conformity



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