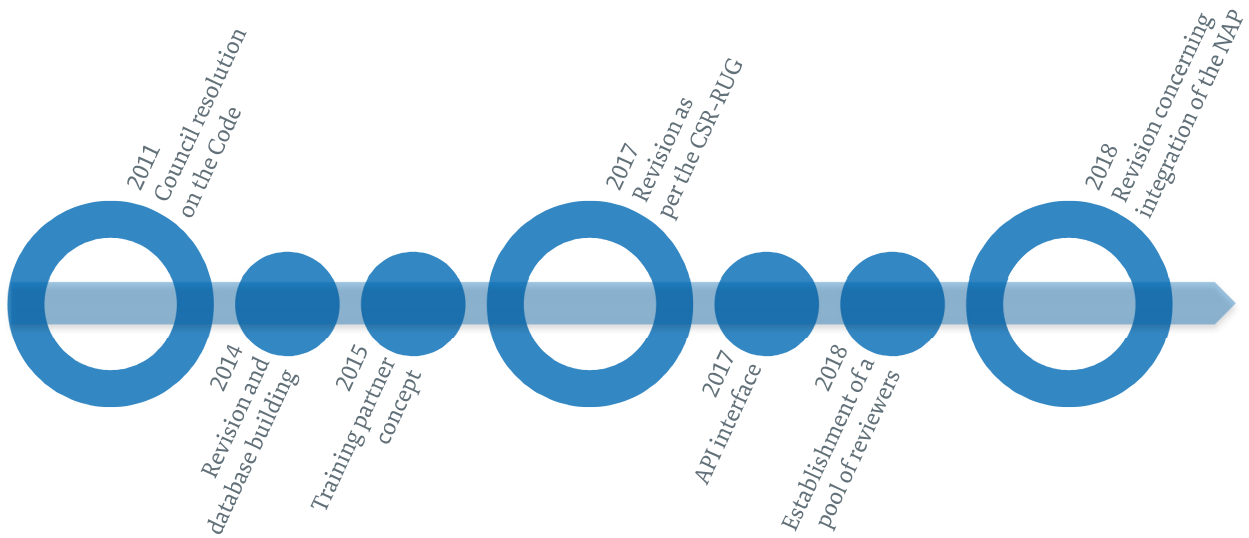**German Council for SUSTAINABLE Development**

The Sustainability Code
– lessons learned

Milestones in the creation and
further development of the transparency standard

September 2018

The SUSTAINABILITY Code

Milestones for the Code

Table of contents

1 Introduction

With the Sustainability Code, the German Council for Sustainable Development (RNE) aims to take the concept of sustainability to the next level in the business world by promoting transparency and comparability in the reporting of sustainability achievements.

Companies bear a considerable responsibility due to the impact they have throughout their supply and production chains, which is why the RNE has been considering the concept of corporate social responsibility (CSR) since 2006. Any company that wants to produce, act and trade more sustainably is dependent on gaining and maintaining the trust of its business partners and customers. The RNE considers credibility to be best achieved through the transparent publication of conflicting goals and hurdles – more so than simply reporting on too flawless perfection. With this in mind, the RNE advocates understandable, comparable sustainability reporting by organisations, which describes developments in an understandable way. In the wake of the financial crisis, dialogue with experts from the financial industry and businesses gave rise to the idea of developing a reporting standard for sustainability aspects, which would offer an accessible entry into sustainability reporting and enable a direct comparison of CSR activities.

The aim of the Code is not reporting for its own sake. Instead, it aims to promote competition to do business sustainably and to foster corresponding management and transparency. The Code primarily serves the market, which is why it is particularly important when forging business relations and for financial analysts and investors. It makes it easier for them to incorporate information about environmental, social and governance aspects (ESG) into company analyses. The Code can be used as a basis for valuation within the scope of portfolio management, for corporate bonds, in lending and for providing investors with information.

The advantage of the Code is its condensed and user-friendly form. It provides companies and organisations of all sizes and legal forms with a framework for preparing reporting on aspects of sustainability and their management. This enables users of the Code to report not only on their contribution to achieving the goals of the Paris Agreement, for instance, but also on their own supply chain, as is called for by the National Action Plan for Business and Human Rights (NAP) of the German Federal Foreign Office. Moreover, companies with a reporting obligation as per the German Commercial Code (HGB) can use the Code to prepare a non-financial declaration in line with their CSR reporting requirements.

2 Development of the reporting standard

2.1 Initiation

The Code was developed in a multi-stakeholder dialogue process by the German Council for Sustainable Development in 2010. It was conceived as an internationally applicable transparency standard for corporate responsibility to meet the needs of both global companies and the financial market in equal measure. The Council presented the first draft in late 2010 and invited feedback from businesses and the public. By the end of the dialogue phase, the Council had received almost 80 comments and discussion contributions. The development was overseen by Prof. Dr Alexander Bassen, Professor of Capital Markets and Management at the University of Hamburg, who is now a

member of the German Council for Sustainable Development. The contributions, a qualification workshop with companies and the experience derived from a practical test formed the basis for further development of the draft. At a multi-stakeholder forum in mid-2011, questions about the applicability of the Code and how to implement it as effectively as possible were discussed publicly. The Code was adopted at a meeting of the German Council for Sustainable Development in October 2011.

Since the beginning of 2012, the RNE Office has been organising the Code, developing it further, drawing attention to it in the public debate – both nationally and at European level – and facilitating its use by businesses. Businesses can apply the Sustainability Code by framing their sustainability reporting according to the Code's criteria and key performance indicators. The resulting structured document is published as the respective business's Code declaration.

2.2 Further development

The RNE Office regularly checks the Code to ensure its coherence with other reporting frameworks and current political developments, amending it when necessary.

The first fundamental revision was completed in 2014 as the Global Reporting Initiative (GRI) Guidelines were updated from G 3.1 to G 4. Experience from the Code's practical application by both companies and the RNE Office was taken into account during the revision work. Redundancies in the criteria and performance indicators were eliminated and the requirements as a whole were made more precise. National and international representatives from the business, associations, the political arena, consultancies and academia were involved in the further development.

A digital Code database was also set up (see chapter 3.7 Database) to increase the visibility and comparability of the published Code declarations and the sustainability information they contain. Its implementation was backed by the German Federal Ministry of Education and Research (BMBF) as part of a project by the Sustainable Business Institute (SBI).

After the Bundestag passed the "Act to strengthen non-financial reporting by companies in their management reports and group management reports" (CSR Directive Implementation Act [CSR-RUG]) on 9 March 2017 to transpose EU Directive 2014/95/EU into German law, the Code was updated and (with legal support from Mr Andreas Hecker, a lawyer at Hoffmann, Liebs, Fritsch & Partner Rechtsanwälte mbB) aligned with the newly formulated statutory requirements for CSR reporting.

This involved revising specific criteria texts, explanations and checklists and modifying the Code database accordingly. Criterion 2 in particular was rephrased in line with the definition of materiality, which serves as the basis for the EU Directive and the CSR-RUG. Furthermore, the text on criterion 1 was enhanced for clarity. In addition, the "four-pronged approach" stipulated by the CSR-RUG for describing individual issues (policy, outcome of the policies, risks, indicators) was taken up in the review process and the terminology used for the criteria was revised to correspond to the legislation. A new review level was introduced: companies can now state in the database whether they are subject to the reporting obligation and want to use their Code declaration as a non-financial declaration as per the CSR-RUG. The Code Office then assesses the declaration for compliance with

both the Code criteria and the legally stipulated content as interpreted in the Code, and flags up any gaps. A corresponding CSR-RUG conformity mark was developed for use in communication.

The
SUSTAINABILITY
Code
Signatory 2018

prepared according to
CSR Directive
Implementation Act

Code signet for the CSR-RUG

In July 2018, the G4 indicator set was replaced according to GRI specifications. From now on, firms can report as per the indicators of the European Federation of Financial Analysts Societies (EFFAS) or the GRI SRS (Sustainability Reporting Standards) in their Code declaration.

In autumn 2018, the core elements of a due diligence process regarding human rights were integrated into the Code. This means that companies can voluntarily incorporate the key reporting elements of the National Action Plan on Business and Human Rights (NAP) into their declaration, in addition to the content of criterion 17 of the Code, and have it checked for formal completeness by the Code Office.

3 Project structure

3.1 Review and review team

Organisations draw up and submit a Code declaration using a **free database** (see chapter 3.7 Database) on the Sustainability Code website. Prior to its final publication, the Code declaration can only be accessed by the author and the review team. Following registration and data entry, the Code declaration undergoes a **formal check for completeness** by the Sustainability Code Office. The details are not checked for correctness; this remains the companies' responsibility.

Various review levels are available, depending on whether the user selects the optional checklists provided to support compliance with the CSR-RUG and/or the NAP in addition to the Code. The individual criteria are examined using a checklist and marked in the Code database as "comply" (full information provided), "explain" (justifiable reasons given for an omission) or "missing". A Code declaration can only be published when all the criteria are rated as "comply" or "explain".

Code declarations are reviewed by the Code Office. As the number of submissions has increased, a pool of five external reviewers with professional expertise has been assisting with initial assessments since 2018. The results are double-checked by the RNE Office as a quality assurance step and to resolve any conflicts. Reviewers are given a briefing document covering the various aspects of checking Code declarations. This serves as a means of guidance and quality assurance. The entire review and feedback process is carried out within the Code database. Notes and comments specify what, if any, information the company needs to add. Following a review, the company, which submitted the declaration usually, receives **feedback within two to three weeks**. They can then submit

a revised version for another review. Once the Code declaration is complete, it is approved and published in the database.

Screenshot showing the review section of the database

3.2 Communication and public relations work

At the same time as the basic processes were established, a communication strategy was developed to position the Code in the sustainability reporting environment. Since 2014, an **agency** has been providing support with a **comprehensive communication concept** including a project and engagement plan, the distribution of information material, editorial work and advice for the RNE Office. Weekly discussions are held as part of this collaboration. The agency's remit comprises:

- **Project office**. A project office serves as a central point of contact for all queries concerning the Code and as an organisational linchpin. The project office handles enquiries from the RNE Office, potential users, representatives of the press, RNE, NGOs, partners and other project participants or interested parties. The project office communicates with companies before they start using the service and helps them throughout the Code process – from producing corporate profiles and assisting with content-related questions or technical issues to publication on the website. The project office has a central telephone number and email address. It works closely with the RNE Office and can answer general queries about the Sustainability Code and the Council.

- **Website.** The Sustainability Code website is the central information-sharing platform. As well as offering access to the Code database, where Code declarations are produced and reviewed, it contains comprehensive information about the Sustainability Code, its creation and development, and information and assistance for all target groups. The latest news and

information about events is also published here. Furthermore, the website contains profiles of Code training partners and mentors.

- **Newsletter.** Since September 2015, the Code Office has been sending out a quarterly newsletter containing news, information and details of events relating to non-financial information and the Sustainability Code.

- **Press releases and specialist articles.** The Code Office publishes intermittent press releases on relevant events and developments concerning the Sustainability Code on the Code website. It also writes specialist articles for relevant publications.

- **Mailings for specific target groups.** Mailings are sent out to raise awareness of the Code. These are primarily aimed at opinion shapers – such as industry associations and chambers of commerce – but are also sent to individual businesses. For instance, following the adoption of the CSR-RUG, companies with a reporting obligation and key industry associations were sent a mailing containing basic information about reporting requirements and the Code.

- **Twitter.** The RNE Office tweets information on events and news concerning the Code and other relevant topics. In addition to this, the publication of new Code declarations is communicated via Twitter.

- **Event attendance.** In 2017, the Code Office organised approximately 50 talks and training sessions relating to the CSR reporting obligation. Talks on the practical application of the Code are delivered by Code training partners (see chapter 3.3 Training partner programme), while talks on the political context of the Code are the responsibility of the RNE Office.

- **Information material.** Information material about the Code (flyer, brochure, guidelines) can be downloaded from the website. Hard copies are also distributed at events and can be ordered free of charge. In 2017, information material was distributed in German and English in the form of more than 3,500 flyers, 3,000 brochures and over 1,000 guidelines. An annual calendar of relevant events is used to organise the distribution of information material via displays.

3.3 Training partner programme

Small and medium-sized companies (SMEs) often have little or no experience in sustainability reporting. To make it easier for these organisations in particular to start reporting, the Code Office developed a comprehensive **training concept** on using the Code in 2015.

Code training partners have extensive expertise in the field of sustainability and have completed an in-depth course to qualify as coaches. They are given a **toolbox** with material about the Sustainability Code for their information and training events. The toolbox contains specially prepared information material about the Code's set of criteria, the CSR reporting obligation, detailed recommendations on using the Code and real-life examples. Upon request, the Code team can provide interested parties with details of regional training partners offering seminars and information events. The partners reach their own agreements concerning fees and travel expenses, without the involvement of the Code Office. Training partners offer the following formats:

- **Information events about the Code.** Presentation of the Code's application as a helpful tool for those new to reporting, real-life examples, Code training concept.

- **Code training courses.** In-depth preparation for the production of a Code declaration with information about specific criteria and performance indicators and on using the database.

- **Individual support.** Support for companies throughout the process of drafting a Code declaration, all the way through to its publication.

The Code Office informs training partners about new developments via special mailings and in a dedicated section of the Code database. Every year, it also invites them to build on their qualifications, for example by attending a training course or a webinar. Some of the partners also offer training in English. An English webinar was held in 2016 to cater for increased interest from international partners.

Everyone in a Code training partnership is asked to complete a questionnaire about their expertise in sustainability consultancy and produce their own Code declaration. Based on this information, the Code Office invites suitable **candidates** to attend an internal training course. Existing training partners are screened each year via their Code declaration and a questionnaire about past and planned activities.

A **map indicating the location of training partners, as well as a list of** their events can be found on the Code website. Furthermore, there is an internal **training partner section** offering services such as up-to-date information, a calendar of events and the option to order information material. The network of Code training partners makes a major contribution towards the widespread awareness of the Code, especially among SMEs. It consists of around 100 training partners from 15 federal states (as of 2018).

3.4 Mentor programme

Code mentors are **companies with experience of using the Code** from throughout Germany who support interested parties and other users. They talk about their experience of applying the Code at various training events in their local region.

As well as publishing a Code declaration, the mentors document their **hands-on experience** by answering six questions in the Code database covering areas such as challenges, opportunities and involving co-workers in the use of the Code. A list of mentors with a brief profile and their answers to three of the six questions can be found on the Code website. In addition to this, the RNE prioritises mentors when it **seeks collaboration partners** and offers them the opportunity to participate in interviews and panels (e.g. at the RNE annual conference) or contribute to articles in industry publications.

3.5 Stakeholder involvement

As many stakeholders as possible were involved in the Code's development right from the start. Stakeholders are involved in the Code's development process to enable current debates, experience and feedback to be incorporated into its further development:

- **Multi-stakeholder forums** provide an opportunity to discuss fundamental questions relating to the Code. To date, three such events have been held (in 2011, 2014 and 2016). The participants discussed seminal questions concerning the Code's applicability and implementation, the future development of the Code in relation to the UN's Sustainable Development Goals, and the application of the Code in the context of the CSR reporting obligation.

- **Conferences for Code users** are held regularly, with the aim of finding out about current user-side challenges in connection with sustainability reporting and thereby optimising processes. These events also offer Code training partners and Code mentors the opportunity to liaise with the Code team in order to give and receive feedback.

- **Surveys** of Code users serve to establish how the Code is utilised, what users' experiences of applying the Code and preparing declarations are, whether the Code is helpful for users, and which challenges arise in conjunction with reporting. Two large-scale surveys of Code users have been carried out so far. Furthermore, a survey of training partners is conducted annually.

  - In December 2015, 50 large companies and 21 SMEs took part. The results are available [here](#).

  - 138 Code users participated in June 2018. The results are available [here](#).

- **Dialogue with political bodies.** The Code Office is in dialogue with the relevant political bodies – such as the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, the German Federal Financial Authority and the German Financial Reporting Enforcement Panel – on the subject of the reporting obligation. It also maintains dialogue with auditing firms on the implementation of the reporting obligation, the definition of materiality and risk, the review of non-financial declarations and the market relevance of the Code.

- **Dialogue with investors.** The RNE has established the [Hub for Sustainable Finance (H4SF)](#) in conjunction with Deutsche Börse AG. At the annual German Sustainable Finance Summit and other events, questions concerning the materiality of non-financial reporting are also discussed, along with its inclusion in portfolio management, corporate bonds, lending and the provision of information for investors.

3.6 Network of partners

Sector-specific further development of the Code

The Code has been further developed for specific sectors in cooperation with industry associations. This entails adapting the help texts to **conditions and requirements specific to the sector**, thereby making it easier to apply the Code. In part, the industry associations collaborate with Code training partners for this revision process. On request, the Code Office participates in stakeholder dialogue processes on a case-by-case basis. The guidelines are approved by the Code Office, published on the industry association's responsibility and publicised. A number of industry associations also offer courses for their member companies in collaboration with Code training partners. As of 2018, sector-specific Code guidelines are available for municipal waste management and street cleaning, the

energy sector, the food processing industry, higher education institutions, medium-sized banks, savings banks and the real estate sector.

To help small and medium-sized enterprises establish a sustainability management system, in 2014, the RNE worked together with the Bertelsmann Foundation to develop **guidelines with real-life examples** and explanations of, in particular, how the Code is applied by medium-sized businesses. The illustrative questions contained in these guidelines were integrated into the Code database in full as help texts in 2016. Following ratification of the CSR reporting obligation, this guideline for SMEs saw increased demand from first-time Code users. Thus, as part of its extensive reworking in 2018 the guideline was restructured as "A guide to the Sustainability Code: guidance for first-time users" and amended to include information on the optional CSR-RUG and NAP reporting supplements. In its new form it functions as a practical guide on using the Code for companies of all sizes and legal forms and links the various reporting aims and application levels of the Code.

Stakeholder event on the Code for higher education institutions

Partnerships with other sustainability initiatives

To generate synergies for reporting companies, the Code Office strives to create **links with established standards** and systems and to enter into partnerships with other sustainability initiatives.

- **Database interface.** Data can be imported into and exported out of the Code database. Users of data management systems can use this feature to make their data visible, while analysts and research institutions can use the data for evaluation purposes (see chapter 3.7 Database).

- **The National German Sustainability Award (GSA).** Since 2018, companies have been able to use their Code declaration to enter the GSA. Submitting a Code declaration eliminates the

need to complete an online survey. In the first year alone, 30 businesses took up this option. The companies were assessed based on their declarations of conformity via a so-called Code scoring matrix.

- **EcoVadis.** The sustainability rating platform for global procurement chains awards Code users extra points in its scorecards. Jointly published guidelines show how users of EcoVadis can raise their profile without much additional work by means of a Code declaration, how they can use this in EcoVadis ratings and – vice versa – how EcoVadis clients can achieve politically visible reporting.

- **Global Compact network.** It is simple for companies, which publish a Code declaration to produce a Global Compact Communication on Progress (CoP) and vice versa. This process is supported by a comparison tool developed jointly by the German Global Compact Network and the RNE in conjunction with concern GmbH, a Code training partner. Essentially, a Code declaration supplemented by a statement from the Management Board/executive team affirming the company's ongoing commitment to the Global Compact is considered a complete CoP.

International partnerships

The RNE contributes its experience from the introduction of the Sustainability Code to **international discourses** in order to position its structure as a model for other national adaptations. Since 2014, the Code has used the English name **The Sustainability Code**. In addition to the English translation, French, Greek, Hebrew, Russian and Spanish versions are available.

The first complete **national adaptation**, the **Greek Sustainability Code**, was established in 2016 by the Greek non-governmental organisation QualityNet Foundation. On this basis, the most sustainable Greek companies were recognised for the first time at the *Sustainability Performance Directory* event in Athens in 2018. The Greek Sustainability Code initially comprises four different review levels, each with between five and 20 criteria, to adapt the standard to national market conditions and offer businesses a means of starting sustainability reporting gradually (for more information, click here). Other international activities relating to the Code (as of 2018):

- Prompted by the EU Directive 2014/95/EU, the RNE invited high-ranking representatives from industry, politics and civil society across Europe to a workshop in Brussels. Some 70 participants from ten countries discussed future approaches to sustainability reporting based on experiences with the Code.

- After the Sustainability Code was presented to representatives from Brazil, Colombia, Costa Rica, Egypt, Hungary, Lithuania, Romania and Thailand at the Open SDGclub.Berlin, a webinar was held with attendees from 17 countries.

- The Academy for International Collaboration is looking into whether the standard could be used by suppliers in Asia.

- The Wuppertal Institute is sharing companies' experiences of applying the Sustainability Code with businesses from Belarus.

- A Czech translation is currently being completed, and there are plans for a stakeholder dialogue process.

- A cooperation with SÜRATAM for implementation of the Turkish Sustainability Code has been agreed to in the first half of 2019.

- An initial stakeholder round table on the Code has been held in Romania with the support of Code training partners and the University of Bucharest. The Romanian government intends to adapt the Sustainability Code during its 2019 presidency of the Council of the European Union.

- The RNE maintains discourse on the Code as a blueprint for sustainability reporting with dialogue partners in other countries including Belarus, Israel and Japan.

International interest shows that the stakeholder approach and the content of the Code are valid in various national contexts. The option for countries to **adapt the Code to their needs** is particularly well received internationally. It is also possible to use the infrastructure of the Code database for potential national adaptations. Four **free logins** are currently available. There are plans to transfer all Code declarations written in English into an overarching database to support international comparison.
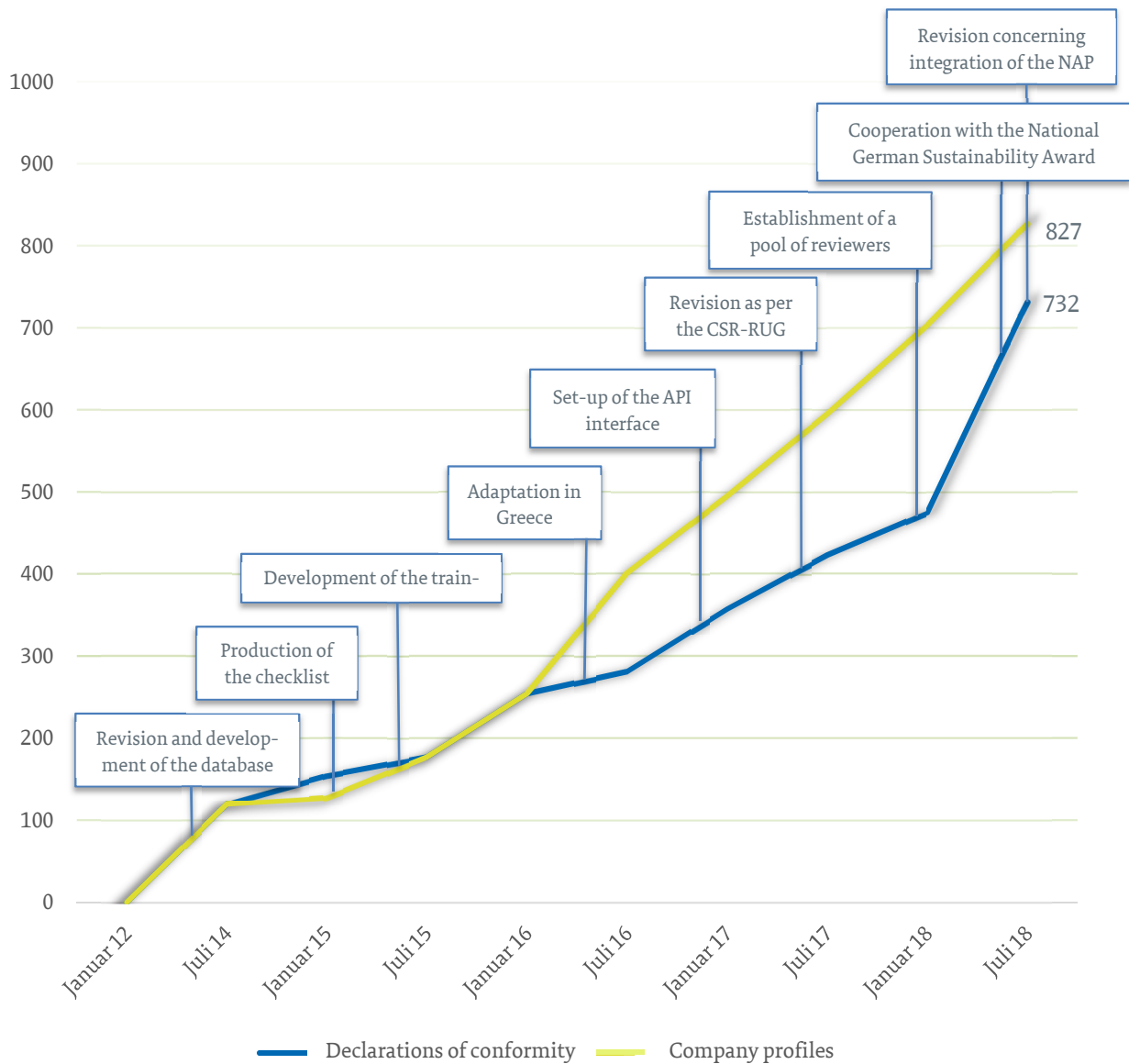
3.7 Database

Accessed via the website, the database is a key element of the Sustainability Code. It was set up early on in the Code's development process (see chapter 2.2 Further development). Since then, work has been ongoing to **expand its features** and make it easier to use. The database is instrumental in:

- **Producing Code declarations.** The whole process of creating a finished Code declaration is carried out digitally in the database – from entering information to the review, feedback, corrections and publication. Prior to publication, all the submitted data can only be accessed by the author(s) and the review team. Several people from the same company can work on a Code declaration together. Additionally, a special function in the database allows for Code training partners (see chapter 3.3 Training partner programme) to be invited by their clients to provide support in drafting and editing. Furthermore, data can be exported into other file formats, enabling the Code declaration to be downloaded as a non-financial declaration or used as the basis for a sustainability report or other communication tools.

- **Using the reported sustainability information.** All published Code declarations can be accessed by interested parties, such as investors, via the database. A full-text search feature, as well as sorting and filter options based on the location of the company's head office, type of declaration, sector, business type, stock market listing, language and reporting year make it easy for users to find the information they want. Furthermore, a comparison tool allows the information provided on the various criteria in different declarations to be compared.

In early 2017, an **automatic programming interface (API)** was developed which allows data and content to be shared between the database and other websites, programs or databases.

- **Importing.** Companies can import content from other management systems or software solutions for the production of sustainability reports directly into the Code database to save time and reduce transaction costs.

  o **360report.** This software solution for the production of sustainability reports links the international reporting standards of the Global Reporting Initiative (GRI SRS), ISO 26000, UN Global Compact and the Sustainability Code with one another, so that data can be entered just once to fulfil several standards.

  o **EcoVadis.** It is possible to share the reported sustainability information between the Code and EcoVadis, making it easier to use whichever standard was not initially applied.

  o **Kap N.** The sustainability consulting firm Kap N offers users of the indicators for savings banks a direct link to the Code database via the Kap N Publisher.

  o **WeSustain.** This CR compass helps small and medium-sized enterprises to build up a CR management system. Data can subsequently be transferred to the Code database.

- **Exporting.** Ratings agencies, competition organisers and research institutes can export data from our database. Thus, the database makes it possible for the information it contains to be used for the purpose of **analysis and research**. There are cooperation agreements governing the use of Code data with the following partners:

  o **CSRHub USA.** A major international database for CSR information and sustainability ratings.

  o **promathics GmbH.** The Code visualisation dashboard created by promathics GmbH from Oberursel generates a graphic depiction of basic information drawn from declarations of conformity with the Code.

  o **Sustainability Intelligence.** Analyses and assesses the individual business model adopted by businesses and projects with regard to their sustainability performance.

  o **WikiRate.** A global platform funded by the European Commission, which aims to make companies' CSR activities transparent.

The development of the Code in figures

Declarations of conformity ⎯⎯⎯⎯ **Company profiles** ⎯⎯⎯⎯

Chart labels:
- Revision and development of the database
- Production of the checklist
- Development of the train-
- Adaptation in Greece
- Set-up of the API interface
- Revision as per the CSR-RUG
- Establishment of a pool of reviewers
- Cooperation with the National German Sustainability Award
- Revision concerning integration of the NAP

Values: 827, 732

Y-axis: 0, 100, 200, 300, 400, 500, 600, 700, 800, 900, 1000

X-axis: Januar 12, Juli 14, Januar 15, Juli 15, Januar 16, Juli 16, Januar 17, Juli 17, Januar 18, Juli 18

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