



ecovadis



German Council for
SUSTAINABLE
Development

The Sustainability Code and EcoVadis – A Practical Guide for Companies

Two Complementary Initiatives

To satisfy stakeholder requirements, e.g. legal, clients' or financial analysts' demands for transparency on companies' Corporate Social Responsibility (CSR) and sustainability performance it is best to employ a synergy of integrated sustainability management, reporting and third party assessments. Both, the **Sustainability Code by the German Council for Sustainable Development** and the **EcoVadis assessment** offer **solutions to filter and present essential information on an organization's sustainability performance** in a clear and structured way.

Companies that are already reporting in line with the Sustainability Code can enhance their business profile through EcoVadis assessment and vice versa. However, to understand the value of each of the solutions it is vital to see how they differ. This practical guide explains these differences and provides guidance on how to go through each process and benefit from the synergy between them.



Two Different Objectives

The Sustainability Code provides a framework for reporting on non-financial performance that can be used by all enterprises regardless of their size or legal structure. Some of the major advantages of the Code are its condensed, user-friendly format as well as a clear structure and a well-defined focus. The Code's standardized presentation enhances comparability of disclosures and makes it suitable for use when assessing a company's overall performance.

The Code was introduced by the German Council for Sustainable Development, an advisory body to the German Federal Government. It targets companies that seek to provide their stakeholders with sustainability performance information which is tangible, structured and can be easily compared.

As confirmed by a legal review of compliance with the German CSR Directive Implementation Act, the Code covers all aspects named in the Act. This means it clearly describes the minimum standard for non-financial disclosures in accordance with the EU CSR reporting obligation. Companies disclose their sustainability processes, goals and how their level of achievement is monitored.

Companies reporting in line with the Code explain how they comply with its requirements in a Declaration of Conformity. The document covers twenty criteria as well as non-financial performance indicators derived from the Global Reporting Initiative (GRI) and the European Federation of Financial Analysts Societies (EFFAS). There are different ways

companies provide information to these criteria: In order to submit a declaration of conformity to the Sustainability Code, companies register on a database and compile all information necessary to respond to the set of indicators they have selected (GRI SRS or EFFAS). They can add voluntary, industry-specific indicators. The submitted information is then reviewed by the Sustainability Code office, by the German Council for Sustainable Development and international cooperation partners, following which the declaration is published.

The Code constitutes a basic level for reporting, which may lead to a deeper implementation of sustainable practices in companies' core processes and supply chains.

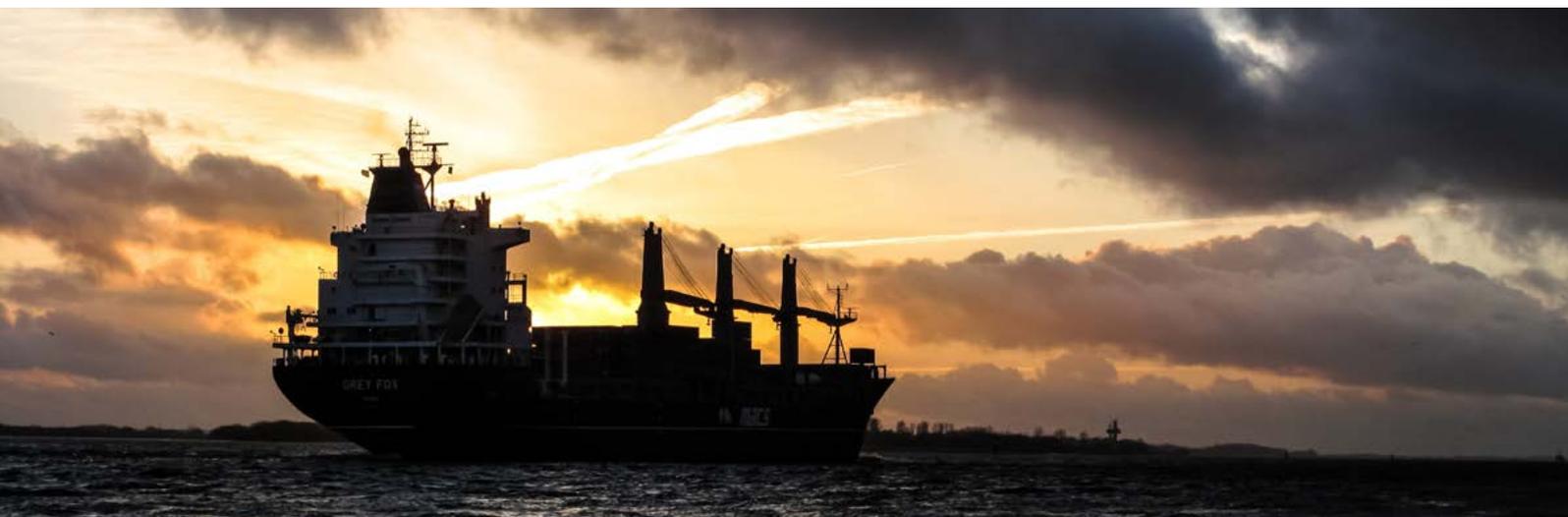
Both, the Sustainability Code and EcoVadis are compatible with other frameworks and initiatives. This transparency standard was derived from principle-based frameworks and initiatives such as Global Compact, OECD Guidelines, ILO and ISO 26000.

The objective of the EcoVadis CSR Rating is to assess the quality of a company's CSR management system through its policies, implementation measures and results. The assessment uses 21 criteria, which are grouped into four themes: Environment, labor practices and human rights, fair business practices, and sustainable procurement. The 21 criteria are based on international CSR standards such as the Global Compact Principles, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 standard, and the CERES principles.

The assessment focuses on seven management indicators: Policies, endorsements, measures, certifications, coverage, reporting and a 360° news watch. Companies assessed by EcoVadis receive an interactive and actionable scorecard summarizing their CSR performance in terms of strengths and improvement areas, as well as an overall score. This scorecard can help to win new clients, e.g. in tender processes or to improve visibility and trust among existing clients. The assessment questionnaire is customized according to a company's business activity, location and size. Company-specific documentation must be provided as evidence for the declarations made by the company when answering each question. The catalogue of documents, e.g. CSR reports, Codes of Conduct, internal procedures or certificates are then verified by the EcoVadis analysts and eventually summarized on the scorecard.

In summary:

- EcoVadis is a third-party CSR rating solution.
- The Sustainability Code is a CSR reporting framework.



Similar Coverage

There is a significant overlap between the CSR topics covered by the Sustainability Code and the EcoVadis rating: The criteria applied in the EcoVadis assessment cover 90 percent of those addressed in the Code. Only political influence and corporate citizenship are not covered in the assessment. Meanwhile, the Sustainability Code uses 15 out of the 21 EcoVadis criteria and covers as much as 71 percent of the EcoVadis methodology. The EcoVadis assessment includes the following criteria that are not covered by the Sustainability Code: Product End-of-Life, Customer Health and Safety, Sustainable Consumption, Social Dialogue, Anti-Competitive Practices and Responsible Information Management.

The table below shows how the criteria used by the two systems correspond to each other.

Criteria Counterparts	
Sustainability Code	EcoVadis
Strategic Analysis and Action	All criteria - Measure indicator
Materiality	Criteria activation according to materiality
Objectives	All criteria - Policy indicator
Depth of the Value Chain	Suppliers' Social and Environmental Performance
Responsibility	All criteria - Policy indicator
Rules and Processes	All criteria - Measure indicator
Control	All criteria - Reporting indicator
Incentive Schemes	All criteria - Measure indicator
Stakeholder Engagement	All criteria - Measures and endorsement indicator
Innovation and Product Management	Materials, Chemicals & Waste; Product Use
Usage of Natural Resources	Energy Consumption & GHGs; Water; Biodiversity; Local and Accidental Pollution; Materials, Chemicals and Waste; Product Use
Resource Management	Energy Consumption & GHGs; Materials, Chemicals and Waste
Climate-Relevant Emissions	Energy Consumption & GHGs
Employee Rights	Labour Practices & Human Rights
Equal Opportunities	Discrimination & Harassment, Employee Health and Safety, Working Conditions
Qualifications	Career Management & Training
Human Rights	Child and Forced Labour, Respect for External Human Rights Issues
Corporate Citizenship	Not covered
Political Influence	Not covered
Conduct that Complies with the Law and Policy	Fair Business Practices: Corruption & Bribery

My company uses the Sustainability Code and would like to undergo an EcoVadis assessment. What do I do?

If the company you work for is already reporting on the Sustainability Code requirements, you are better prepared for an EcoVadis assessment than companies that do not report at all, regardless of whether your company is subject to legal reporting requirements or not. When preparing your Declaration of Conformity, you may have already collected many relevant KPI data sources and policy documents, documented measures you have implemented and gathered other evidence to back it up. Companies that have published a Declaration of Conformity typically refer to their sustainability and annual reports or other formal documents that are publically available, as they often follow the GRI reporting standards and thus allow to directly enter quantified performance indicators into the Sustainability Code database. With all this evidence at hand, your company has already proven that it successfully addresses issues covered by both the Sustainability Code and EcoVadis.

Note that the EcoVadis assessment is based on all of these documents and they constitute a major source of information used to calculate the final score. This means that you should pay particular attention to the quality of information you collect and upload to your document library: completeness and truthfulness of information, whether or not documents include features such as the company name and logo, issue dates etc. are all very important factors that can lead to a better score.

Lastly, do not forget to also share your Declaration of Conformity as a supporting document in the EcoVadis assessment as it will be duly analyzed. The KPIs you have included in the documents, for example, can be directly credited in the EcoVadis assessment, as long as they are recent (not older than two years), applicable to at least 80 percent of your organization's activities and available in generally accepted units.

My company has been assessed by EcoVadis and would like to use the Sustainability Code. What do I do?

The work you have done to undergo an EcoVadis assessment will make you better prepared for reporting on the individual criteria used by the Sustainability Code. As you know, the questionnaires used by EcoVadis ask for supporting documentation to verify your answers. Meanwhile, to prepare your Declaration of Conformity, you will need to draw up your own content, which is specific to your company and based on the set of indicators you have selected. Besides the formal review by the Sustainability Code team, it is entirely up to you to manage the content you want to communicate to your stakeholders to showcase your company's CSR engagement. This means you need to adopt a user perspective: When drafting your responses to each of the criteria, you should be as concise as possible, focus on quantitative indicators and clear statements for your future actions. You may also seek support from the Sustainability Code team if you need help with your declaration.

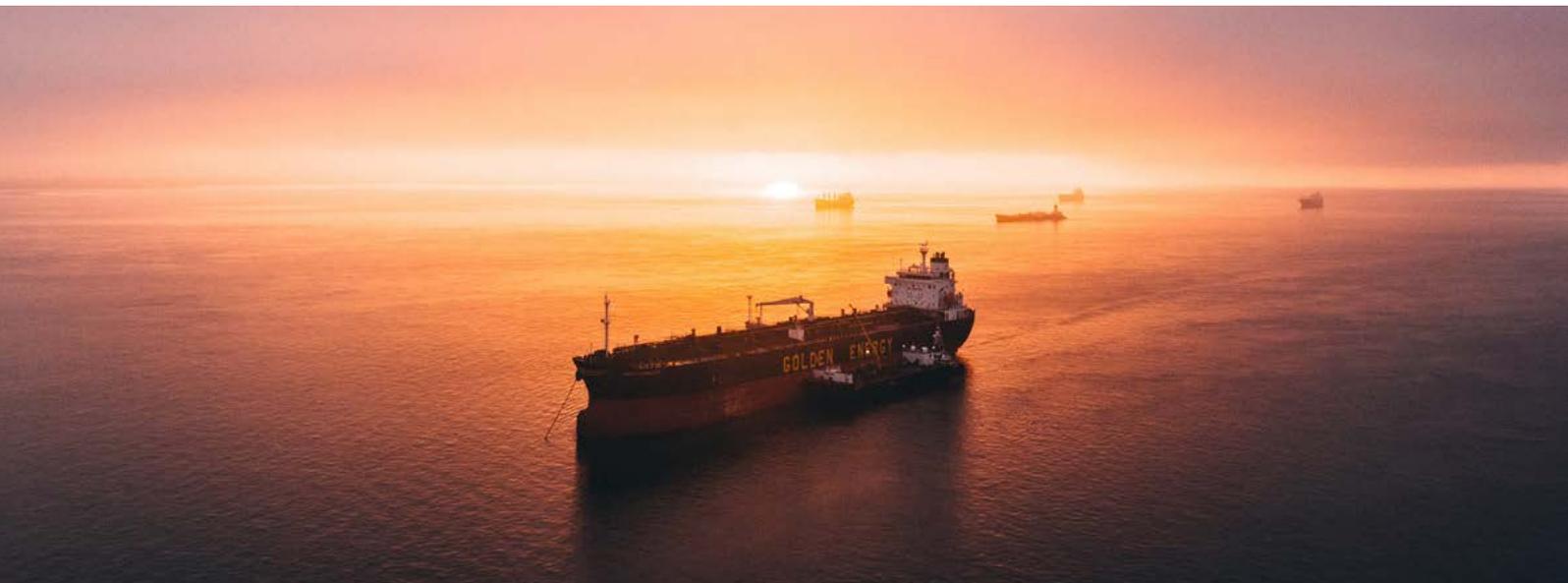
Still, you can optimize your time and effort when preparing the document. You will have likely already reviewed your internal and external documentation and communication with regard to your company's CSR practices and may have even built a team around the task. Please note that your EcoVadis scorecard includes qualitative information to highlight best practices and strengths in your company's CSR management. You can easily use your scorecard and the answers you have provided for each of the themes covered in the EcoVadis assessment as starting point for formulating stakeholder-friendly and informative content published through your Declaration of Conformity.

Best practices

A statement from Deutsche Bahn AG:

“Our company uses the EcoVadis methodology and the Sustainability Code as relevant tools. While EcoVadis helps us to manage sustainability along our supply chain, the Code is a very convenient standard with political recognition at the national and international level. At DB, we strongly believe in the Triple Bottom Line principle, on which both the Code and our strategy DB2020+ are built.

Using standardized tools such as the Code and EcoVadis lowers the effort of constant flows of questionnaires and interview requests for companies in procurement. If sustainability reporting and supply chain management systems go hand in hand, the positive impact of sustainability management rises. For the sake of companies and our society.”



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