



*ESDN Workshop*  
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The German Sustainability Code (GSC):

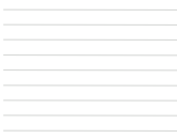
Transparency and benchmarking of a company's  
sustainability performance

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- Bringing German companies to recognize the necessity to take a stance on sustainability (by committing to a code)
- ... in anticipation of a European directive which was expected for 1<sup>st</sup> half 2012
- Promote innovative power and quality of German companies in the area of sustainability
- Create an instrument that would facilitate access to company sustainability data for investment decision-making (incl. credit) which
  - would not add to the proliferation of reporting frameworks for sustainability
  - but rather combine elements thereof in an intelligent manner
  - as a lowest common denominator (entry point for SMEs)



- Based on the UN Global Compact, OECD Guidelines for multinational enterprises, ISO 26.000
- Key Performance Indicators for Environmental, Social and Corporate Governance Issues of the Global Reporting Initiative's G3 Framework and EFFAS/DVFA's KPIs for ESG
- Valid for all organisations and enterprises (irrespective of size, industry) - sector-specific differences captured through inclusion of references
- Implementation based on "comply or explain" principle



## (1) Strategy

- Strategic analysis of opportunities and risks related to sustainable development,
- Integration into core business, strategy and goals,
- Relevance of sustainability in value creation chain

## (2) Process management

- Implementation of the sustainability strategy in rules and processes,
- Integration of KPIs on SD are along the lines of financial parameters into periodical internal planning and control,
- Relevance for incentive schemes and target agreements,
- Description of stakeholder engagement, innovation and product management.



### (3) Environment

- Efficient/ productive usage of natural resources, sustainability management system in the entire product life cycle,
- Description of qualitative and quantitative goals,
- Disclosure of Greenhouse Gas Emissions (GHG)

### (4) Society

- Employee rights, involvement and diversity, employability,
- Human rights following Ruggie Framework,
- Corporate Citizenship in regions with core business activities i.e. direct economic value generated and distributed,
- Transparency on political influence and prevention of corruption.



## Building the GSC – Due Process

2010	Expert group (including companies, investors, NGOs) under leadership of Professor Alexander Bassen, University of Hamburg, prepares first draft of framework/code
29 Nov 2010	Publication of first draft with subsequent commentary period
25 Feb 2011	End of commentary period; more than 80 individual statement received
18 Mar 2011	Workshop with expert group
09 May 2011	Workshop with expert group and additional stakeholder representatives to qualify comments received as input to deliberations
Jun-Aug 2011	Pilotphase with preparers (companies)
26 Sep 2011	Multistakeholder conference in Frankfurt
13 Oct 2011	Adoption and resolution of final GSC by German Sustainability Council, submitted to German government and recommended to German
26 Jun 2012	Chancellor Angela Merkel praises GSC as providing guidance on sustainability to enterprises and promotes adoption of GSC by wider population of enterprises in Germany

## What is special about the GSC?

- Investors are prime target group i.e. a recognition of the role of capital in promoting sustainability (to some: an inconvenient duty)
- Smart approach:
  - Seek natural and acceptable entry point based on consensus with stakeholders
  - Apply multistakeholder approach (rather than top-down directive or law)
- Smart design:
  - Endorsement of two accepted standards for sustainability reporting (GRI, EFFAS)
  - Not just principles-based, contains specific KPIs (comparability!)
  - Low but acceptable reporting requirements: no additional reporting burden for bigger companies, acceptable entry level for SMEs



- Current implementation = voluntary = weakest possible option
- Several ways of implementation discussed but none feasible: voluntary agreement, certificate, limited or reasonable assurance, listing requirements, management commentary
- Compatibility and ease of adoption did not prevent German industry associations BDI and BDA to intervene massively (call to protest – virtually no impact)
- Biggest strength – connectivity to existing standards – used by some preparers for reporting ploy:
  - company reports G3 > GSC based on G3 = G3 report serves as compliance statement - ???
- Currently 30 adopters – 12 DAX issuers
- Level of awareness of Investors low

