

WORKBOOK  
**COMPACT**  
**BALANCE**  
**SHEET 5.0**

Publisher: The Matrix Development Team

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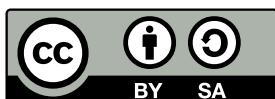
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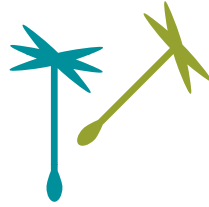
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# 1. Introduction



## 1.1. Understanding the workbook

This workbook is aimed at companies and other organisations that want to prepare a Common Good Report. It contains all the information needed to understand the themes and aspects of the Common Good Matrix, and to enable users to understand, evaluate and prepare their own Common Good Report.


The workbook is intentionally succinct. More detailed explanations can be found in a supplementary online document. This document is aimed at consultants and auditors, as well as others who wish to deepen their understanding.

In addition to an in-depth explanation of all the Common Good themes, the online information includes:

- The history, aims and purpose of the Common Good Matrix and the Common Good Balance Sheet.
- A review of Common Good Reports through peer evaluation and auditing.
- Details on the assessment methodology and the weighting of Common Good Points.
- Details on the new additions to version 5.0 of the Common Good Matrix.
- Scope of application of the Common Good Assessment, and its impact on companies and consumers.
- The work of the Matrix Development Team, and an introduction from each of the editors.
- Ways for companies to get involved in the Economy for the Common Good (ECG).

## 1.2. Common Good Matrix and Common Good Balance Sheet

The Common Good Matrix is a framework for the evaluation of business activities and an aid for organisational development. It describes 20 Common Good themes and gives guidance on how to evaluate based on Common Good principles. These are summarised in the table below:

 <b>ECONOMY FOR THE COMMON GOOD</b> <small>An economic model for the future</small>				
<b>COMMON GOOD MATRIX 5.0</b>				
VALUE	HUMAN DIGNITY	SOLIDARITY AND SOCIAL JUSTICE	ENVIRONMENTAL SUSTAINABILITY	TRANSPARENCY AND CO-DETERMINATION
STAKEHOLDER				
<b>A: SUPPLIERS</b>	<b>A1</b> Human dignity in the supply chain	<b>A2</b> Solidarity and social justice in the supply chain	<b>A3</b> Environmental sustainability in the supply chain	<b>A4</b> Transparency and co-determination in the supply chain
<b>B: OWNERS, EQUITY- AND FINANCIAL SERVICE PROVIDERS</b>	<b>B1</b> Ethical position in relation to financial resources	<b>B2</b> Social position in relation to financial resources	<b>B3</b> Use of funds in relation to social and environmental impacts	<b>B4</b> Ownership and co-determination
<b>C: EMPLOYEES, INCLUDING CO-WORKING EMPLOYERS</b>	<b>C1</b> Human dignity in the workplace and working environment	<b>C2</b> Self-determined working arrangements	<b>C3</b> Environmentally-friendly behaviour of staff	<b>C4</b> Co-determination and transparency within the organisation
<b>D: CUSTOMERS AND OTHER COMPANIES</b>	<b>D1</b> Ethical customer relations	<b>D2</b> Cooperation and solidarity with other companies	<b>D3</b> Impact on the environment of the use and disposal of products and services	<b>D4</b> Customer participation and product transparency
<b>E: SOCIAL ENVIRONMENT</b>	<b>E1</b> Purpose of products and services and their effects on society	<b>E2</b> Contribution to the community	<b>E3</b> Reduction of environmental impact	<b>E4</b> Social co-determination and transparency

A Common Good Report is a comprehensive evaluation of a company's contribution to the common good, and is prepared as part of the reporting process. It should include a description of how the company's activities relate to each of the 20 common good themes. This will show how developed each value is within the company. Each theme describes how the individual values apply to the relevant stakeholder group.

The Certificate documents an externally audited evaluation of the individual themes, gives an overall score (Common Good Points), and presents this in the layout of the Matrix (a clear and concise overview on an A4 page).

Together, the Common Good Report and Certificate represent the Common Good Balance Sheet.

Common Good Reports can be prepared using the report template, and Common Good Points can be calculated using the balance sheet calculator.



## 1.3. Types of Balance Sheet

There are two types of Common Good Balance Sheet:

- The Full Balance Sheet divides all the themes under different aspects, and is required for medium and large companies for their second and subsequent balance sheets.
- The Compact Balance Sheet provides a summary of all the themes. Small companies can use this version on a permanent basis; companies with 11 - 50 employees (or their full-time equivalents) can use it twice; large companies can use it for their first report.

## 1.4. Preparing a Report

A Common Good Report consists of relevant statements across all the themes. The descriptions should be evidence-based. The initial questions in the workbook act as an introduction to each theme, while the questions for compiling the report relate directly to the information required to make an evaluation. We highly recommend using the ECG report template as this will simplify the process of preparing the report.

In addition to the compulsory indicators, the company makes its own decision regarding what content to include and how detailed this should be. It should, however, be presented clearly and comprehensibly to facilitate the subsequent audit of the report. Auditors ensure that standards and comparability are maintained. They can also request more detailed information.

The reporting period covers two years. Companies can decide whether to report by calendar year or by financial year.

## 1.5. Evaluating the impact on the common good

The purpose of the evaluation is to show the impact of an organisation's activities on the common good. As part of the process, the company places itself along a scale from baseline to exemplary. This is not, however, intended to be a measurement, but rather a means of using common good values to assess a company's activities and the impact they have on each of the stakeholders.

An organisation's activities and their possible impact are described comprehensively in the Matrix under levels of evaluation. In addition, a baseline is given for all aspects, which describes the minimum level required for an ECG-driven company. In many cases, this is defined according to existing legal standards, but in some cases, it exceeds these. Assessment resources and interpretation guidelines are available to help with the evaluation process. This includes a list of indicators and criteria that can be used to allocate and justify levels awarded. These can be found under further information. Some of these indicators are compulsory, so they represent a required minimum standard. Compulsory indicators can be found in the current workbook.

In an evaluation, levels are allocated in accordance with an assessment scale (getting started, advanced, experienced and exemplary). This involves including all relevant information and indicators, and viewing them as a whole. Each level builds on the previous one, so to be awarded the level of experienced, for example, all criteria under advanced need to be met. This rule,

however, is to be interpreted pragmatically. Minor discrepancies do not necessarily lead to a downgrading. Each evaluation level is given a score depending on how ECG-driven the theme is within the company, and the extent to which the criteria for each level have been met.

Evaluation level	Score
Exemplary	7 – 10
Experienced	4 – 6
Advanced	2 – 3
Getting started	1
Baseline	0

The total score is the sum of each theme’s individual score. The details for evaluation vary according to the type of Balance Sheet:

#### Full Balance Sheet

- Every aspect is rated on a scale from 0 to 10, and is weighted according to its relevant importance within each theme (low/medium/high/very high).
- Each theme is evaluated using the Balance Sheet calculator. This is a simple, automated aggregation of all the scores of each aspect according to their relative weighting. The more important an aspect is for the common good, the greater its overall value within the theme. The overall value of a theme is rated on a scale from 0 to 10.

#### Compact Balance Sheet

- Evaluation is based on the overall theme only, but similar to the evaluation of each aspect in the full balance sheet, the overall score is also on a scale from 0 to 10.

The Common Good Matrix allows for a degree of flexibility, so that companies can make their own contribution to its ongoing development. They are encouraged to identify their own ways and means of implementing common good values. To do this, every theme begins with a ‘global question’: “How can I or my company best meet and promote value X in relation to stakeholder Y?” The Matrix provides specific guidance for all themes and aspects. These include clear aims (e.g. ‘consensual decision-making within the company’) and offers examples of how to implement these (e.g. ‘systemic consensus’). It is possible, however, for companies to develop their own comparable implementation steps. In this way, companies are given scope for creativity, and common good auditors are given leeway in the evaluation process.

## 1.6. Allocating Common Good Points

In addition to evaluating each theme, an overall evaluation is made by allocating Common Good Points. These Common Good Points may be important going forwards in terms of legal consequences and benefits arising from publishing an audited Common Good Balance Sheet.

The maximum number of Common Good Points which can be scored is 1,000; the minimum is a negative score of -3,600. The Common Good Balance Sheet was developed for use by companies in any industry, and of any size and legal structure - from non-profit organisations and small and medium-sized family businesses, right up to listed companies and universities. These organisations have very different effects on society, so the risks associated with their respective activities are also very different. A variable weighting of themes was developed to reflect the different sectors and sizes of companies.

As a starting point, each of the 20 themes is allocated an equal score of 50 points.

To determine the overall score, the balance sheet calculator adjusts the weighting for each theme according to the following factors:

- The size of the company
- Financial flow to and from suppliers, investors and employees
- The social impact of the main primary products in their country of origin.
- The industry sector and its associated environmental and social impact

The total score that can be allocated remains the same, but the weighting of each theme is adjusted according to its relevance to the company.

## 1.7. New features of Matrix 5.0

Companies that have already prepared a Common Good Report based on a previous version of the Matrix, should note that some aspects have been moved to other themes, and new aspects have been added. This is in response to frequent feedback for greater clarity and logical consistency, as well as ensuring compliance with the EU Non-Financial Reporting Directive.

It is important to note that no theme or aspect has been removed. However, reports and evaluations prepared using earlier versions of the Matrix, the themes affected and the Common Good Score, are not directly comparable.

Details of the changes are described in detail under further information. The most important ones are outlined below:

- Solidarity and social justice have been included under the same heading because they are very closely related values, and it has been difficult in the past to make a clear distinction between them.
- The old indicators A1 and B1 have been divided into the same four themes as the remaining stakeholders.
- Indicators and sub-indicators have been adapted to new standards, and have been re-named themes and aspects.

- Owners and investors have been included under the same stakeholder group because there is a greater overlap between these two than there is between owners and employees.
- Themes have been standardised, and terms have been changed to reflect the new content.
- The description of each value and stakeholder has been amended to clarify how these terms are used in the manual.
- Negative aspects have been assigned to each theme.

The following have been moved:

- Pay and working hours from C1 to C2.
- Minimum / maximum pay and wage distribution from C4 to C2.
- Customer participation from D1 to D4.
- Product transparency from D2 to D4.
- Barrier-free access from D4 to D1.
- Raising industry standards from D5 to D2.
- ECG-driven profit distribution from E4 to B2.

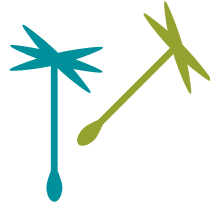
New positive aspects:

- Taxes and social security contributions (E2)

New negative aspects:

- Abuse of market power against suppliers (A2)
- Disproportionate environmental impact within the supply chain (A3)
- Dependence on environmentally questionable resources (B3)
- Unfair contracts of employment (C2)
- Wasteful behaviour or acceptance of environmentally unfriendly practices (C3)
- Unethical advertising (D1)
- Abuse of market power against businesses in the same field (D2)
- No declaration of environmental contaminants (D4)
- No Corruption Prevention Policy (E2)
- Lack of transparency and wilful misinformation (E4)

# 2. Stakeholders



## A. Suppliers

This group includes those supplying directly to the company as well as secondary suppliers, ie, the entire supply chain. All products and services purchased from others are evaluated. Every company can take co-responsibility for its suppliers when making purchasing decisions, when laying out contractual terms, and when exercising influence.

How this shared responsibility is put into practice depends on their balance of power within the market, and their distance from the supply chain. It is important to be especially alert to procurement procedures in the supply chain when buying products and services that are of significant commercial value to the company, or are important or high-risk components for their products.

A list of a company's most important suppliers (up to a total value of approx. 80% of its purchase volume/ or 80% of purchase costs if volume is not available) and the products and services they provide, can act as a guide for this. Products and industries that carry a social or environmental risk should be closely examined even if this risk is small.

## B. Owners and financial partners

The owners of a company hold property and decision-making rights, so they also have to take responsibility and ownership of these. Their duties are dependent on the legal system they operate under.

Investors provide their own or borrowed capital.

Financial service providers are those companies that offer payment transactions, insurance, and investment or financial advice.

## C. Employees, including co-working employers

Stakeholder group C includes all persons, who perform essential tasks for the company; are included in its regional, organisational or social structures, and for whom at least one of the following criteria apply:

- An employment relationship
- People who have been employed for a period of at least 6 months
- People who are employed for at least four hours per week
- Tasks that are performed regularly and are recurrent (eg, every summer)

## D. Customers and other companies

Customers are the target group for a company's products and services; for example, users of products and services, distributors, end customers and contractors.

Other companies are those companies who have the same (regional) target group. How a company behaves towards, and interacts with, companies in other sectors or regions is also taken into account.

## E. Social environment

Stakeholder group E includes all groups who are affected indirectly by a company's activities. The group is seen in the widest sense possible, although there are differences within each value:

- E1: Humanity as a whole, including future generations.
- E2: Communities or social groups who share a defined living space. This can be either physical or virtual (e.g. all people living in a certain area or all internet users). The group has common rules and institutions that are based on a collective understanding. A company can belong to several communities (municipality, state, scientific, etc.).
- E3: The global ecological environment, including the natural resources future generations will require.
- E4: Stakeholders that are relevant to the company, which are not covered by sections A to D (e.g., neighbours, NGOs acting as 'representatives' of society).

# 3. What we mean by the term 'values'

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In the following section, we explain the four values on which the development of Matrix 5.0 is based:

## Human dignity

For us, human dignity means that every human being is valuable, unique and worthy of protection, irrespective of origin, age, gender or any other characteristics. Humans and all living things have the right to exist, and are entitled to respect, appreciation and attention. They are more important than property and assets. People are at the centre of all things. Human dignity is inviolable and independent of the value of human labour.

## Solidarity and social justice

Solidarity and social justice are closely related values, based on a common foundation of empathy, appreciation, compassion and equality of opportunities. The aim of both values is to reduce unfairness, to share responsibility and to strike a more equal balance between the strong and the weak.

### Solidarity...

- aims to ensure that everyone has the same basic equality of opportunities, and that no-one is left behind.
- manifests itself as a mutual and unselfish willingness to help in times of need, to overcome difficult situations, and to voluntarily co-operate with one another.
- may also entail specific community-based obligations and liabilities, where the collective assumes responsibility for the weak.
- is based on a feeling of togetherness, which, from the ECG point of view, means an attachment to people as a whole, rather than to a defined group, which is how the term has been interpreted historically.

### Social Justice ...

- aims to achieve a fair distribution of goods, resources, power, opportunities and obligations.
- is accomplished through social mechanisms, such as a just organisation of society, economy and the state. Ideally, these should be regulated, ie brought under the control of law. This means that many courses of action that aim to establish justice are not entirely voluntary.

## Environmental sustainability

Ecology deals with the interactions between organisms and their environment, which at the same time represents the basis of their existence. Human activity poses a significant threat to this. Companies are, therefore, strongly encouraged to contribute to sustainable development. This means meeting the needs of the present, without compromising the ability of future generations to meet their own needs and to choose their own way of life.

The sustainability of products and services can only be assessed by evaluating the whole life cycle of the product or service in question. This describes the stages a product goes through from acquiring or producing raw materials (A3), and includes its development, manufacture or processing by the company, its delivery (E3), its use by the customer and finally, the disposal of the product (D3). The life cycle of a service can be described in a similar way.

Environmental sustainability can be improved through targeted investments, and is often associated with social change. B3 therefore evaluates the environmental as well as the social impact of investments (which other themes under environmental sustainability do not).

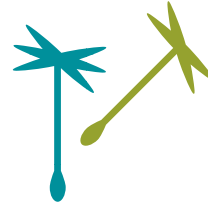
## Transparency and co-determination

Transparency is a prerequisite for stakeholders to be able to participate in decision-making. Transparency means the disclosure of all information relevant to the common good, in particular critical data such as the minutes of executive committee meetings, salaries, internal cost accounting, and recruitment and dismissal procedures.

Co-determination involves the participation of each stakeholder in the decision-making process, especially if the outcomes affect them directly. They should have the status of active participants and be as closely involved as possible. There are different levels of engagement and consultation, ranging from the power of veto to collective and consensual decision-making.



# A1 Human dignity in the supply chain



All goods and services purchased by a company have an associated impact on society, which can be either positive or negative. Of these, one of the most important is the working conditions of all employees in the supply chain. A company is responsible for the well-being of all people - including its suppliers and subcontractors.



## Initial question

- What do we know about our suppliers' commitment to respecting human dignity (eg the quality of the workplace), especially that of our larger suppliers?



## An ECG company...

- purchases goods and services that are provided under ethical and fair conditions.
- is alert to risks in the supply chain where the violation of human dignity is a common occurrence.
- actively promotes behaviour in the supply chain that respects human dignity.



## Questions for compiling the report

- What goods and services are purchased? What are the criteria for selecting suppliers?
- How are social risks in the supply chain monitored or assessed?
- What certification do purchased products have?



## Compulsory indicators

- Percentage of the total purchasing volume represented by goods and services, expressed in tabular form.
- Percentage of purchased goods and services provided under fair working conditions.

## Levels of evaluation



### Exemplary

Ethical supply management is part of the company's corporate identity and positioning. Innovative procedures for ethical sourcing are implemented in all areas of business.

### Experienced

Comprehensive procurement guidelines have been established outlining how suppliers are assessed, selected, and supported in implementing required values based on social criteria.

Almost all suppliers have above average working conditions.

### Advanced

Initial measures have been put into place to use suppliers with fair and ethical working practices.

In addition, the whole supply chain is evaluated with ethical working conditions in mind.

### Getting started

Some essential suppliers have been assessed according to their working conditions, and strategies for improvement have been put into place.

Initial exclusion criteria exists when making purchases.

### Baseline

Suppliers respect the laws pertaining to labour standards. There is no further expectation of greater social responsibility on the part of suppliers.



## Evaluation tools

Buying behaviour should be evaluated according to exclusion criteria or processes: how are social risks in the supply chain identified, how are suppliers assessed and selected, and how are they encouraged to act in accordance with social values?

The following criteria will be evaluated:

- The extent to which suppliers have working practices that promote human dignity (see C1).
- The extent to which suppliers purchase from sources that respect human dignity (see A1).
- How ethical the approach of suppliers is when handling funds, and interacting with clients (see B1 and D1) and whether the social impact of its goods and services contributes to the common good (see E1).

The following guidance may help when preparing a self-evaluation:

- Great importance should be attached to any process in the supply chain that is associated with a high social risk. If companies in critical supply chains operate significantly above current standards, this scores positively when determining the level of evaluation.
- Any significant impact on society may not lie directly with the supplier, but much earlier in the supply chain. For example, the working conditions in an IT service company are likely to be less consequential than those in the upstream hardware production. Attention should, therefore, be focussed where the impact of value added is greatest.

- As a company grows, its procurement management policies become increasingly important. The longer the supply chain, and the greater the risks associated with it, the higher standards must be.
- How many of a company's key suppliers are assessed and selected based on their compliance with human dignity should also be evaluated.

## A1 Negative aspect: violation of human dignity in the supply chain

Significant social problems can be associated with the production of many goods that are used on a daily basis. However, if one takes into consideration global, complex production processes, it is almost impossible for companies and private individuals to completely exclude all violations of human dignity.

Attention should be focussed on those products and services that significantly risk violating human dignity. Risks can stem from their point of origin (e.g, they are sourced from countries with low standards), or from the industry sector itself.



### Question for compiling the report

- Can the company confirm that human dignity in the supply chain of key suppliers has not been violated?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# A2 Solidarity and social justice in the supply chain



Companies have the responsibility to demand a fair and just treatment of all stakeholders in the supply chain, and to actively promote this.

Every company can learn about the social risks and potential irregularities in the supply chain, communicate its requirements and make appropriate purchasing decisions.



## Initial question

- How great is our direct and indirect influence on the supply chain to ensure that those involved are treated with fairness and respect?



## An ECG company...

- Recognises its co-responsibility for solidarity and social justice throughout the supply chain, and develops its business practices accordingly.



## Questions for compiling the report

- What measures has the company implemented to demand and promote fair and just treatment of all stakeholders in the supply chain?
- How does the company identify and sanction any risks and shortcomings?



## Compulsory indicators

- The share of purchased products and raw materials that have an accredited label which takes into account solidarity and social justice
- Proportion of suppliers with whom a fair and just treatment of stakeholders has been addressed, or who were selected on this basis

## Levels of evaluation



### Exemplary

Within its scope of influence, the company has taken an innovative approach to guarantee fair and just treatment for all stakeholders. All purchased goods and raw materials have an accredited label which takes into account solidarity and social justice, and all suppliers have been selected on this basis.

### Experienced

The supply chain is monitored regularly for risks and shortcomings and, where appropriate, measures and/or sanctions are implemented immediately. At least half of all purchased goods and raw materials have a label from an accredited scheme.

Extensive measures have been put into place to support those involved in the supply chain to ensure a fair and just treatment of their stakeholders.

### Advanced

At least one third of all purchased goods and raw materials have a label from an accredited scheme, and the supply chain is monitored actively and systematically for risks and shortcomings.

Initial measures have been put into place to support those involved in the supply chain to ensure a fair and just treatment of their stakeholders.

### Getting started

The company has acquired information about risks and shortcomings with regard to solidarity and social justice in the supply chain. Some purchased goods and raw materials have a label from an accredited scheme that takes into account solidarity and social justice.

### Baseline

Legal requirements are met. The company does not explicitly concern itself with solidarity and social justice in the supply chain, but does not abuse its market power either.



## Evaluation tools

'Stakeholders' refers to suppliers, secondary suppliers and anyone else in the supply chain. It should be noted that the scope that each company has to influence conditions in their supply chain will differ according to its size and other factors.

Risks or shortcomings in the supply chain with regard to solidarity and social justice include: Non-compliance with living wage requirements, inappropriate non-payment of tax, no corruption prevention policy, and abuse of market power. With regard to the living wage, which is a fundamental human right, it is especially important to have a label from an accredited scheme.

Ways of exerting a positive influence include: Feedback and discussions with suppliers with regard to expectations (e.g. by email or by developing a code of conduct for suppliers).

Sanctions can include: from delisting certain goods to the termination of the business relationship.

## A2 Negative aspect: abuse of market power against suppliers

A power imbalance between companies and suppliers can lead to unfair advantage and can create dependency. Concrete examples of this are price dumping and contracts of adhesion.

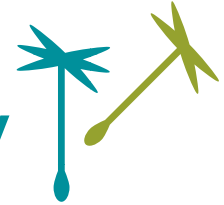


### Question for compiling the report

- Can the company confirm that solidarity and social justice in the supply chain have not been violated, and that there is no abuse of market power against its main suppliers?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# A3 Environmental sustainability in the supply chain



Every company is faced with environmental impacts in the supply chain, and contributes to these when purchasing raw materials, goods and services. Companies are therefore responsible for environmental sustainability in their supply chain and should aim to reduce any negative environmental impact wherever possible.



## Initial question

- What do we know about the environmental impact of our supply chain, especially with regard to our main suppliers or those goods and services that are associated with a high environmental risk?



## An ECG company...

- evaluates the life cycle and supply chain of goods and services according to any negative environmental impact they may have.
- chooses the most environmentally friendly options when making purchases.
- avoids as far as is feasible any goods and services with a significant impact on the environment.



## Questions for compiling the report

- What is the criteria for selecting raw materials, goods and services?
- How are environmental risks in the supply chain monitored or assessed?
- What environmental criteria are taken into account when selecting suppliers and their products?
- How do we compare to competitors with regard to environmentally friendly purchases?



## Compulsory indicators

- Proportion of purchased goods and services that are environmentally preferable alternatives

## Levels of evaluation



### Exemplary

Ecological purchasing management is part of the company's corporate identity and positioning. Policies for environmentally friendly purchasing and for reducing the environmental risks of purchased goods have been put into place.

### Experienced

Comprehensive purchasing guidelines have been established outlining how purchased goods are assessed and selected according to environmental criteria. Almost all main suppliers fulfil above average environmental standards.

### Advanced

First measures have been put into place to reduce the environmental risk or impact associated with the purchase of goods and services. There is a commitment to reduce the use of environmentally damaging products.

### Getting started

Purchased goods and services are checked for environmental risks and impact, and environmentally preferable alternatives are sought. Initial exclusion criteria are met when making purchases.

### Baseline

Legal requirements are met. There is no further assessment of suppliers according to the environmental impact of their activities.



## Evaluation tools

Existing measures, environmental labels and best practice standards can be used to assess a reduction in the environmental impact along the supply chain.

Some sectors have a very high impact compared to their monetary value (e.g. energy, transport, raw material production and agriculture). Given their high impact, it is important to pay particular attention to these sectors.

If companies in critical supply chains operate significantly above current standards, this scores positively when determining the level of evaluation.

As a company grows, its procurement management policies become increasingly important. The longer the supply chain, and the greater the risks associated with it, the higher standards must be.

Companies with very little supply chain awareness are given a low score. The same applies if the measures listed in the Common Good Report only relate to single aspects or a small number of suppliers.

A comparison with other companies in the same industry may act as a gauge to assess measures taken. Those that are common to the industry are classified as 'getting started'.

Examples of passive behaviour:

- No assessment of environmentally preferable alternatives
- Suppliers are not assessed and selected based on environmental criteria
- Suppliers are unable to demonstrate compliance with legal requirements regulating processes with a high environmental impact.
- Production processes in the supply chain do not meet best practice standards.



## A3 Negative aspect: disproportionate environmental impact within the supply chain

Some industries, goods and services are seen to have an especially disproportionate damaging effect on the environment. Attention should, therefore, be focussed on those goods and services that are regarded as being high risk.

Risks can stem from their point of origin (e.g, they are sourced from countries with low standards), but above all from the industry sector itself: burning of fossil fuels, agriculture and forestry (land use changes), nuclear power, genetic engineering, fishing (endangered species), etc.



### Question for compiling the report

- Can the company confirm that no goods or services have been purchased that are associated with especially high environmental damage?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.



# A4 Transparency and co-determination in the supply chain

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Companies have the responsibility to demand transparency and participation for all stakeholders in the supply chain, and to actively support and promote this. Every company can learn about the social risks and potential irregularities in the supply chain, communicate its requirements and make appropriate purchasing decisions.



## Initial question

- How great is our direct and indirect influence on the supply chain to ensure transparency and participation with regard to all stakeholders?



## An ECG company...

- recognises its co-responsibility for transparency and co-decision making throughout the supply chain, and develops its business practices accordingly.



## Questions for compiling the report

- What measures has the company implemented to demand and promote transparency and participation for all stakeholders in the supply chain?
- How does the company identify and sanction any risks and shortcomings?



## Compulsory indicators

- The share of purchased products and raw materials that have an accredited label which takes into account transparency and co-determination
- Proportion of suppliers with whom transparency and participation for stakeholders has been addressed, or who were selected on this basis

## Levels of evaluation



### Exemplary

Within its scope of influence, the company has taken an innovative approach to guarantee transparency and participation for all stakeholders.

All essential purchased goods and raw materials have an accredited label which takes into account transparency and participation for all stakeholders, and all suppliers have been selected on this basis.

### Experienced

The supply chain is monitored regularly for risks and shortcomings and, where appropriate, measures and/or sanctions are implemented immediately. At least half of all purchased goods and raw materials have a label from an accredited scheme.

Comprehensive measures to positively influence transparency and participation for all stakeholders in the supply chain have been put into place.

### Advanced

The supply chain is monitored actively and systematically for risks and shortcomings, and at least one third of all purchased goods and raw materials have a label from an accredited scheme.

First measures to positively influence transparency and participation for all stakeholders in the supply chain have been put into place.

### Getting started

The company has acquired information about risks and shortcomings with regard to transparency and co-determination in the supply chain. Some purchased goods and raw materials have a label which takes into account transparency and co-determination.

### Baseline

Legal requirements are met. The company does not explicitly concern itself with transparency and co-determination in the supply chain, and nor does it abuse its market power.



## Evaluation tools

'Stakeholders' refers to suppliers, secondary suppliers and anyone else in the supply chain. It should be noted that the scope that each company has to influence conditions in their supply chain will differ according to its size and other factors.

Risks or shortcomings in the supply chain with regard to transparency and co-determination include: prevention or suppression of works councils or trade unions; hostile takeovers. There are different labels that indicate, for example, whether workers in the supply chain have the right to join a trade union.

Ways of exerting a positive influence include: feedback and discussions with suppliers with regard to expectations (e.g. by email or by developing a code of conduct for suppliers).

Sanctions can include: from delisting certain goods to the termination of the business relationship.

# B1 Ethical position in relation to financial resources



With a Common Good-orientated approach, money is not the main objective, but serves only as a means of payment. When dealing with money, respect for human dignity is more important than financial interest.

If a company is able to finance its operations primarily from its retained earnings and from equity capital provided by its owners and third parties who share its commitment to ECG values, it will minimise the risk of being thrown off course by having to meet the expectations of the wider capital markets which focus primarily on the financial returns it is making.

Any borrowing is a commitment to add value, and thus to be able to pay interest and make repayments. Loans should come from social and solidarity-based sources or ethical banks.



## Initial question

- How do we secure an adequate equity-to-assets ratio? (What sources of capital funding do we currently use and how adequate are they for our needs?)



## An ECG company...

- runs its financial management according to critical ethical principles.
- works on its financing structure to safeguard this ethical focus.
- works towards a steady increase in its equity ratio and supplements its capital with funding from partners who are similarly interested in the company's independence and autonomy.



## Questions for compiling the report

- What possible sources of equity funding have been explored for the business?
- What is the scope for additional equity funding to be provided by stakeholders and/ or by ethical banks?
- How can conventional loans be replaced and financial risks decreased?
- How are these financial partners rated in relation to an ethical and sustainable position?



## Compulsory indicators

- Equity-to-assets ratio in percent
- Industry-average equity ratio
- Debt financing, broken down by type of financing (figures in thousand EUR and in percent of total debt)

## Levels of evaluation



### Exemplary

The company's equity ratio is exemplary within the industry. Predominantly solidarity financing by stakeholders and/or loans from an ethical bank and full repayment of conventional loans. Financial partners are providers of only ethically sustainable financial services.

### Experienced

The company's equity ratio significantly exceeds the industry average. Solidarity financing by stakeholders and/or loans from an ethical bank form a material part of the company's funding and advanced repayment of conventional loans in place. Financial partners specialise mainly in ethically sustainable financial services.

### Advanced

The company's equity ratio matches industry levels. Ongoing implementation of solidarity financing from stakeholders and/or loans from an ethical bank and repayment of conventional loans in place. Financial partners have been involved in a wide range of sustainable and ethical financial projects, are regionally engaged and not involved in unethical projects.

### Getting started

Targets to achieve sufficient levels of equity to cover risks are in place. Arranging solidarity financing from stakeholders and/or loans from an ethical bank. Financial partners have their own sustainable and ethical financial products, are regionally engaged and not involved in unethical projects.

### Baseline

Founding share capital has been secured, and the company's equity ratio meets minimum legal requirements. The period of debt repayment is aligned to the depreciation period of the financed assets. Financial partners clearly outline the risks in their products and services.

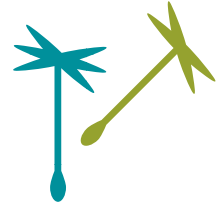


## Evaluation tools

A high equity ratio is important for investment in fixed assets and to safeguard against business risks, such as a drop in sales, seasonal fluctuations, adverse weather conditions, reliance on specific resources and skills etc. For business models with secure regular income, no assets and no pre-financing requirements, this aspect may be less important.

The need for more borrowing makes solidarity financing all the more important. Conventional loans often have additional financial risks, e.g. high interest rates, short repayment or maturity periods, currency risks (foreign currency loans), repayment vehicles with their own risky amortisation value, interest rate swaps and similar. Indeterminate effects include speculative factors and are therefore risks to be avoided.

# B2 Social position in relation to financial resources



Achieving fairness towards all stakeholders is a major objective. The company's spending becomes the "income" of the suppliers, employees and society. Surplus funds are first allocated to the continuity and further development of the company and the creation of necessary contingency reserves. The distribution of profits as dividends to equity holders should only follow after sufficient provisions for the future have been made.



## Initial question

- How importantly do we regard our spending as income for our stakeholders?



## An ECG company...

- has owners, who prioritise the further development of the company over a return on their investment.
- has owners with moderate claims on a return on investment, and in any event forgo a payout at the expense of a new debt.



## Questions for compiling the report

- What investment expenditures are necessary to secure the company's future, and how much coverage and additional risk provision are available?
- What expectations do the shareholders have for dividend payments and why?



## Compulsory indicators

- annual net operating income (after expenditure) | thousand EUR
  - total necessary expenditure to secure the company's future (on fixed assets and overheads) | thousand EUR
  - total expenditure on strategic items | thousand EUR
  - total expenditure on fixed assets | thousand EUR
  - allocation to reserves (retained earnings) | thousand EUR
  - dividends paid on ordinary share capital | thousand EUR
- ...as a percentage of the share capital .....

## Levels of evaluation



### Exemplary

Limited dividend distribution and without incurring new borrowing, only after allocating at least 90% to the total necessary investment expenditure, securing the company's future.

### Experienced

Limited dividend distribution without incurring new borrowing, only after allocating at least 80% to the total necessary investment expenditure, securing the company's future.

### Advanced

Limited dividend distribution without incurring new borrowing, only after allocating at least 70% to the total necessary investment expenditure, securing the company's future.

### Getting started

Creating a schedule of spending required to safeguard the company's future existence. A limited dividend distribution without incurring new borrowing, only after allocating at least 60% to the total necessary investment expenditure, securing the company's future.

### Baseline

A dividend distribution exclusively from realised profits and without incurring any new borrowing.



## Evaluation tools

A schedule of spending required for securing the company's future existence is best maintained through regular updates (actual or estimated costs). This applies to one-person companies as well and includes (estimated) required spending, for example, for:

- the improvement of products and services
- the development of new products or services
- client relationships
- winning new clients
- the development of new markets
- setting up an online distribution facility
- staff training
- organisational development
- digitalisation of business processes
- technology mastery
- maintenance of facilities
- redevelopment investment
- expansion investment

Spending items in the current period from this list are either termed strategic spending or they constitute investment in assets.

The percentages indicated in the evaluation table for "allocating ongoing investment expenditure, securing the company's future" refer to the sum of total expenditure on strategic items, total expenditure on fixed assets and the allocation to reserves (retained earnings) in relation to the total allocation.

Simplified calculation of annual net operating income (according to accounting rules):  
Cash flow from operating activities (= operating revenues minus operating expenses)  
plus expenditure on strategic items minus payout of employer's salary.

Simplified calculation of annual operating income for cash-based accounting (according to accounting rules):

Operating revenue minus operating expenses minus payment of employer's salary  
plus depreciation (if they are included in the sum of operating expenses) plus expenditure on strategic items.

## B2 Negative aspect: unfair distribution of funds

Significant examples of an unfair distribution would be redundancies or the relocation of an entire workplace despite the company's stable profit position. The distribution of double-digit dividends for shares of non-active shareholders is also considered an unfair distribution.

If in doubt, the burden of proof must be reversed, i.e. the company must prove that the redundancies are justified and the company is involved in the creation of additional employment in the region.



### Question for compiling the report

- Can the company confirm that the distribution of funds is fair despite the stable profit situation?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.



# B3 Use of funds in relation to social and environmental impacts



The move towards an environmentally sustainable society requires a review of environmental issues in all investments, in particular the targeted allocation of revenue to environmentally highly effective investments.

Investments can also be made directly in socio-environmental projects or financial services. Their impact often applies in both areas, social as well as environmental, and can be considered together.



## Initial question

- What social and environmental consequences are we anticipating in investment projects?



## An ECG company...

- Carries out a regular assessment of ways to reduce its environmental footprint when deciding on its investments.
- Also considers potential socio-environmental effects when investing in intangible assets and financial instruments.
- Invests excess funds in socio-environmental projects once the need for building up its own financial reserves to ensure its future sustainable development has been met.



## Questions for compiling the report

- Which investments already owned by the company have the potential for environmental improvement?
- What resources are needed for implementation, and which funding programmes can be used?
- What redevelopments have been/ will be made specifically?
- To what extent does the company participate in solidarity financing of social and environmental projects?



## Compulsory indicators

- Investment plan including environmental redevelopment requirements  
Thousand EUR
- Implementation of environmental investments  
Thousand EUR and % of requirements
- Financed projects | Thousand EUR % of investment
- Investment funds | Thousand EUR % of investment

## Levels of evaluation



### Exemplary

Up to 100% of the current redevelopment needs have been met. 100% of new investment leads to a significant improvement in the company's socio-environmental impact. Investment only in ethically sustainable or socio-environmental projects or sustainable funds with clear exclusion criteria as well as specific positive criteria, reduced yield claims and maintaining Common Good-orientated principles

### Experienced

Up to 60% of the current redevelopment needs have been met. A minimum of 80% of new investment leads to a significant improvement in the company's socio-environmental impact and investment only in ethically sustainable/ socio-environmental projects.

### Advanced

Up to 30% of the current redevelopment needs have been met. A minimum of 60% of new investment leads to a significant improvement in the company's socio-environmental impact and investment mainly in ethically sustainable/ socio-environmental projects.

### Getting started

The renovation and potential improvement costs of existing assets have been calculated and an investment in ethically sustainable/ socio-environmental projects has been partly made.

### Baseline

The company fully complies with all industry, location or commercial licensing of environmental regulations. Conventional investment without speculative financial products.



## Evaluation tools

This aspect may be of little importance or not at all appropriate for companies/organisations that require little or no fixed or capital assets. If only one element applies, fixed or capital assets, the valuation can be limited to just one. In the case of companies with large plant and equipment assets, there may be considerable potential for environmental improvement. They will be transformed through implementation, new investment with room for improvement and new environmental solutions. If the company has controlled holdings, the investment plan must be considered as consolidated across the group.

Often, facilities are leased. The influence on the landlord about corresponding demands would be the subject of A3.

If the option of sustainable funds is selected, instead of direct investment in projects, the defined exclusion criteria, the specific positive criteria and the forms of possible involvement in investment decisions should be considered.

## B3 Negative aspect: reliance on environmentally unsafe resources

The use of unsafe resources, and their environmental impact, leads to campaigns for the substitution of these resources and consequently to the withdrawal from industry sectors or whole industries.

The Paris agreement to reduce CO2 emissions includes drastic reduction targets for industrialised countries and the complete divestment of fossil fuels (decarbonisation) by 2050. If such resources are essential to the company's business, negating the required exit (divestment) leads to a negative evaluation.

Environmentally unsafe resources may include fossil fuels, nuclear power, genetically modified crops, pesticides, antibiotics in animal feed, asbestos and other substances listed in the Chemical Prohibition Ordinance (Germany).

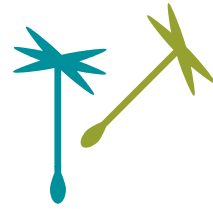


### Question for compiling the report

- Can the company confirm that its business model is not based on environmentally unsafe resources, or that at least a medium-term exit strategy is in place?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# B4 Ownership and co-determination



A company lives by its shared sense of entrepreneurial activity, common vision and strong co-operation.

This is achieved especially through joint decision-making, co-design and co-responsibility - ideally through co-entrepreneurship. This objective can be supported by a suitable legal structure which facilitates the transfer of ownership shares in the sense of genuine co-ownership.



## Initial question

- How do we view community in our company?



## An ECG company...

- enables participation in decisions through the best possible transparency about its business activity and planned objectives.
- prepares relevant stakeholders specifically for the acquisition of co-ownership.
- continually develops joint decision-making processes as a learning organisation.



## Questions for compiling the report

- Who are the owners, what shares do they have, what rights, obligations and liabilities?
- What forms of joint decision- and ownership involvement are available?
- How are transparent decision-making practices safeguarded for all owners and how will the new co-ownership be inducted in these joint decision-making approaches?
- How has the ownership structure developed in recent years, and how is this change safeguarded?



## Compulsory indicators

How is equity capital distributed (capital structure in percent, each from 0 to 100%):

- employers
- executives
- employees
- clients
- suppliers
- wider population
- non-active capital investors

## Levels of evaluation



### Exemplary

All owners are part of an active group of stakeholders, with the majority of shares and voting rights being held by co-working employers and employees. At the same time, the voting rights of individual persons and defined groups are contractually limited in such a way that they alone are not capable of controlling the company.

The existing ownership structure is protected with simultaneous momentum and flexibility.

### Experienced

There is at least three years of practice with the chosen legal structure. The expansion and broadening of the ownership through more people, more shares, more stakeholders is actively encouraged. Growing ownership is recognisable as a trend.

All owners are fully trained for the role.

### Advanced

An initial expansion of the ownership to (at least three) employees on a legal basis, which enables stakeholders to enjoy a straightforward participation.

All stakeholders have a clear basis for their decisions. Joint training on management and ownership roles are being carried out.

### Getting started

Specific concepts are being developed for joint decisions and potential appropriate legal structures put in place for the transfer of ownership rights and liabilities.

### Baseline

Existing ownership structure made up of founders and/ or their successors.



## Evaluation tools

Those involved are the active entrepreneurs, executives and all other employees.

## B4 Negative aspect: hostile takeover

Growth constraints in the existing economic system together with insufficient growth within the company can lead to its acquisition by competitors seeking additional market reach or access to the company's technologies. Hostile takeovers are acquisitions made against the wish of the executive board, the majority of the employees and other stakeholders. On the other hand, an amicable alliance does not pose a problem if both the management as well as the employees and the majority of stakeholders of both companies agree.

An evaluation must take into account what financial incentives have been offered to key decision-makers and consequently, where personal gain may have influenced agreement.



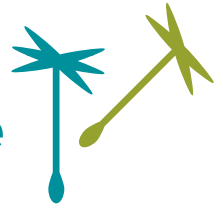
### Question for compiling the report

- Can the company confirm that no hostile takeovers have been made?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# C1

## Human dignity in the workplace and working environment



Human dignity in a company is manifested in an employee-focused organisational culture that is built on respect, appreciation and trust. Diversity in the workforce is seen and used as an opportunity, and makes for a healthy working environment. People are considered to be the focus, and not a factor of production.



### Initial question

- What does human dignity in the workplace mean for our companies, and how can we bring more humanity to our company?



### An ECG company...

- has an organisational culture and communication based on respect and openness.
- ensures the engagement of its employees according to their personal strengths, creates scope for self-management, and promotes the personal and professional development of all employees.
- sees diversity as a strength.



### Questions for compiling the report

- How would you describe your company's organisational culture?
- What measures have you implemented towards health promotion in the workplace and occupational health and safety? How are they evaluated?
- What role does diversity play in the recruitment and treatment of employees? What company agreements or procedures already exist in this respect?



### Compulsory indicators

- Average length of service
- Development opportunities (professional and personal) offered to, and used by employees, in hours per employee or according to management level
- Health/sickness rate (in relation to demographic distribution), number of days where employees come to work despite illness
- Number and severity of occupational accidents
- Take-up of employee benefits associated with health/diversity: benefit details and hours per employee
- Demographic distribution of employees throughout the company in terms of diversity (e.g. age, gender, ethnicity, physical/mental disabilities, sexual orientation, religion - if disclosed and relevant)
- Average duration of maternity/paternity leave in months

## Levels of evaluation



### Exemplary

There are innovative and/or comprehensive solutions for an employee-focused organisational culture, for improving health in the workplace or for promoting diversity. These solutions are sustainable and in evidence, and their effect is felt by the employees.

### Experienced

The effect or successes of the measures to promote or improve employee-focused organisational culture, health and/or diversity in the workplace are apparent and are being analysed. Measures have been widely implemented.

### Advanced

Initial measures to improve or promote an employee-focused organisational culture, health or diversity in the workplace have been implemented.

### Getting started

The company is examining its organisational culture for the first time. Concrete measures to improve or promote an employee-focused organisational culture, health or diversity in the workplace are in the planning stages.

### Baseline

A conventional organisational culture prevails. No special benefits are offered in terms of improving health or promoting diversity in the workplace.



## Evaluation tools

An employee-focused organisational culture manifests itself, for example, in the following areas:

- Respect, appreciation, tolerance of mistakes, constructive handling of conflicts: non-material appreciation (e.g. appreciation circles), celebration of successes, attitude to mistakes as learning opportunities (neutral or positive), seeing conflicts as a positive opportunity for finding a better solution, a high degree of competence in conflict resolution among employees.
- Personal development, utilising strengths and creating meaning in jobs: employees are given a wide range of possibilities for professional and personal development. They are assigned tasks on the basis of their talents and strengths, and find their work meaningful.
- Clear distribution of tasks, structures and self-management: employees have a clear understanding of their roles and responsibilities. Employees have a high degree of personal responsibility, i.e. they can make independent decisions and be involved as much as possible.

A healthy workplace can be achieved through:

- occupational health and safety measures, i.e. an ergonomic and healthy work environment (lighting, ergonomic furniture, electromagnetic fields, air quality and pollutants, accident prevention, noise) and measures to prevent occupational accidents,
- safeguarding and protecting the health of employees, raising awareness and running courses on health issues: prevention of addictions, dietary guidance, sport and exercise schemes, measures to prevent burnout, stress and depression, rehabilitation,

- coaching, monitoring, mediating, conflict and crisis management,
- leadership and health: raising management's awareness of the issues around physical and mental health in the workplace and occupational health and safety,
- measures to support employee(s) unable to pursue their work in a regular manner due to an accident, disease, care requirements, etc.,
- identifying high-risk groups and measures to minimise those risks.

## C1 Negative aspect: inadequate working conditions

Inadequate working conditions stand in the way of an employee-focused culture within the company. Companies should be raising awareness of issues around inadequate work environments.



### Questions for compiling the report

- Can the company confirm that there are no structures, practices or features of the business that support inadequate working conditions?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.



# C2 Self-determined working arrangements



Employment contracts control the way in which a company and its employees cooperate. How resources are structured and allocated (such as income, time, security, or work-life balance) has a significant impact on the motivation, sense of security and wellbeing of the employees. Individual structuring of employment contracts alongside extensive self-determination on the part of the employees is the stated objective.



## Initial question

- How can our employment contracts be tailored to individual needs and at the same time incorporate solidarity and fairness?



## An ECG company...

- is continually and contractually committed to improving working conditions.
- allows for a high degree of individualisation in employment contracts.
- discusses the basics of working conditions openly with all employees.
- empowers employees to make far-reaching decisions.



## Questions for compiling the report

- How does the organisation ensure that all employees are paid a 'living wage' relative to the local cost of living?
- What possibilities exist in the organisation for salaries to be self-determined?
- How will the organisation record working hours and distribute workloads?
- What role does overtime play in the organisation's success?
- How can you extend the possibilities for social participation among employees?
- What possibilities exist in the organisation for self-determining work hours?
- What working arrangements are offered in your organisation?
- What measures are in place for maintaining the work-life balance of employees?



## Compulsory indicators

- Maximum and minimum earnings (spread within the company)
- Median earnings
- Location-dependent 'living wage' (for all operational sites)
- Company-wide working week (e.g. 38 hours)
- Overtime paid

## Levels of evaluation



### Exemplary

A system for self-determining the basic components of an employment relationship has been developed. These components are tailored to individual needs, and set by employees themselves.

### Experienced

The maximum earnings spread of 1:5, and the maximum working week of 30 hours can be adjusted to the needs of the organisation with appropriate approval by all employees. A mandate is sought when required.

### Advanced

Measures have been taken to ensure a 'living wage' that is in keeping with the cost of living in the local area. Support is given to measures and further training to establish a sensible treatment of employees in terms of work hours and overtime practices. Employees have the option to choose from various flexible working arrangements.

### Getting started

The distribution of workload, work performance, work hours, types of working arrangements, and pay are regularly examined and discussed.

### Baseline

The legal minimum requirements for a contractually regulated employment relationship are met.



## Evaluation tools

Unless otherwise stated, all wages are given as gross monthly income. In countries or companies where more than 12 months worth of salary can be paid, the additional months' earnings must be added to the monthly salary on a pro-rata basis.

Earnings should be understood as a flow of monetary and material assets from the organisation as an outflow before tax deductions, to employees' right of disposal as an inflow. All earnings components are taken into account:

- fixed and variable payments
- allowances
- bonuses
- profit shares
- fringe benefits

The earnings spread includes all employees (see definition).

A 'living wage' is not to be equated with the minimum wage. It must be determined independently based on the location of the organisation, so that the local cost of living can be taken into account.

The defined working week (also normal working time) refers to full-time employment and serves as a benchmark for part-time working conditions.

Overtime hours are generally compensated for as time off in lieu. Overtime can be

used to optimise operations if it does not exceed 10% of the working week. If there are no records of overtime or a realistic estimate is not possible, a blanket 4 hours will apply.

The examples set by executives and management should be given particular consideration.

It is possible to limit the extent of self-determination if operational concerns exist (in consultation with staff representatives or a corresponding legitimate body).

‘Appropriate approval’ means that other conditions can be placed on the working week consensually or democratically by all employees.

## C2 Negative aspect: unfair employment contracts

An employment contract that jeopardises the livelihood of an employee or which is negatively biased against the employee in terms of risk, as it is with verbal contracts, is deemed to be taking advantage of their circumstances. As such, it is exploitation by the organisation and self-exploitation by the employees.



### Questions for compiling the report

- Can the company confirm that its employees are not burdened or exploited due to unfair employment contracts?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# C3 Environmentally-friendly behaviour of staff



Pioneer companies play a significant role in raising environmental awareness of their employees. The company plays a key role in setting a good example and providing incentive policies to promote environmental awareness and practice of its employees in their daily routines at work.



## Initial question

- What measures do we use to promote environmentally sustainable practices among employees?



## An ECG company...

- develops environmental awareness, and promotes environmentally friendly behaviour of its staff.
- creates a framework for the implementation of projects that foster sustainable practices.
- contributes to the implementation of key environmental measures through its organisational culture and internal processes.



## Questions for compiling the report

- How much importance does the company place on the origin of the food offered in its workplace?
- What means of transport do employees use to come to work?
- What strategy does the company follow in regard to the attitude of their staff to the environment? Does it offer training in this respect?



## Compulsory indicators

- Proportion of meals from organic sources
- Proportion of staff arriving by car, on public transport, on a bicycle, or on foot
- Take-up of environmentally friendly employee benefits in %

## Levels of evaluation



### Exemplary

Food is predominantly non-meat, groceries are mainly local and seasonal, the proportion of people arriving by car is small in terms of distance, the most environmentally friendly option is used for business travel, environmental awareness is taken into account when recruiting staff.

### Experienced

The majority of food is non-meat, groceries are mainly local and seasonal, the proportion of people arriving by car is reduced in terms of distance, more environmentally friendly options are considered for business travel, environmental issues are incorporated into training programmes and there are environmental projects within the company.

### Advanced

There is a clear commitment to sustainable eating habits, there is a consistent and sustainable company transport policy, and environmental issues are selectively incorporated into training programmes.

### Getting started

The company backs specific environmental practices, e.g. a fruit basket is provided, and the management exemplifies environmental awareness.

### Baseline

The company shows no apparent contradictions to environmentally sustainable practices.



## Evaluation tools

Implementation can happen on many different levels and allows a lot of freedom for creativity and innovation:

- Some form of catering for the staff, such as a fruit basket (especially for small businesses, as they cannot be expected to provide a canteen).
- A vegetarian option in the staff canteen or staff discount vouchers for use in organic restaurants
- Regular environmental footprint workshops and innovative schemes such as 'green benefits', workshops for creating an ECG Family Balance Sheet
- Financial incentives to use public transport
- An official company car policy: <130 g CO<sub>2</sub> / km, training drivers for fuel-efficiency
- Using information technology and working from home
- Preferential treatment for car-pooling
- Provision of service bicycles and secure, covered bicycle parking
- Choosing transport options for business, based on environmental considerations

## C3 Negative aspect: guidance on waste/ environmentally damaging practices

Where environmentally harmful practices or a waste of resources have been identified in a company, its failure to address these issues ultimately harms society.

For example...

- luxury business vehicles
- rules such as “fly to save time” for business travel
- consumables offered in the workplace which use excessive packaging (coffee capsules, food packaging made of PET, drinks packed for single servings, etc.) despite possible alternatives
- bans on the use of environmentally sustainable products (e.g. recycled paper)



### Questions for compiling the report

- Can the company confirm that it neither promotes any waste of resources nor tolerates environmentally damaging practices?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.



# C4 Co-determination and transparency within the organisation

The company or the organisation is a place for active participation and involvement of all employees. All employees can contribute their ideas, suggestions or inspirations, thereby assuming shared responsibility, and contributing to the good of the company. They increasingly identify with the company or organisation, and the combined wisdom of the many is put to work.



## Initial question

- How is the value of transparency and participation lived in our organisation?



## An ECG company...

- makes all significant and critical information transparent, easily accessible and understandable for its employees.
- allows for the legitimisation and evaluation of the management by its employees.
- enables individual teams and each individual employee to play a large part in the decision-making process.



## Questions for compiling the report

- What essential/ critical data are easily accessible to employees?
- How are managers selected, evaluated and de-selected? By whom?
- Which essential decisions can employees make by democratic or consensual means?
- What experiences has the company gained so far from having more transparency and co-determination?



## Compulsory indicators

- Degree of transparency of critical and essential data (estimate in %)
- The proportion of managers who are legitimised by their own staff through consultation, participation (= having a voice), and co-determination
- The proportion of decisions made through consultation/ participation/co-determination (in %)

## Levels of evaluation



### Exemplary

All essential decisions are made, where possible, by employee consensus or democratic decision-making, including the selection and de-selection of managers.

All essential and critical data are easily accessible and understandable for all employees.

There is a culture of transparency and employee participation.

### Experienced

Some decisions are made, where possible, by employee consensus or democratic decision making, including the selection and de-selection of managers. Most of the critical data are prepared in a transparent, easily accessible, and understandable manner. This has been in practice for several years.

### Advanced

Employees are consulted on, and participate (= have a voice) in essential topics and decisions, including the appointment of managers.

Some critical data are prepared in a transparent, easily accessible, and understandable manner.

### Getting started

There are discussions around transparency and employee participation. There are concrete plans for a greater degree of co-determination.

### Baseline

The scope of transparency and the rights of employee co-determination meet the legal requirements.



## Evaluation tools

Essential decisions include setting the budget, recruitment/dismissals and fundamental long-term policies. This also applies to decisions that significantly affect the majority of employees or their daily routines.

'Consensual' applies to various methods of decision-making, that seek the highest possible consensus among all parties involved, e.g. 'consent moderation' in sociocracy or 'systemic consensus' (Systemic Consensus Principle).

Companies with ten or fewer employees can forego the legitimation process for managers, but not their evaluation.

## C4 Negative aspect: obstruction of works councils

This aspect includes any measures which prevent the lawful formation of a works council. Where there is no works council, the company should check if its employees are able to exercise equivalent rights of co-determination without one. Anything less can be interpreted as obstructing a works council from forming, even when there are less than five candidates (the minimum necessary for establishing a works council in Germany and Austria).



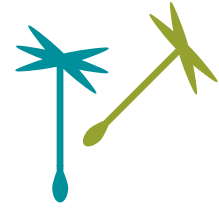


### **Questions for compiling the report**

- Can the company confirm that there is no obstruction of the works council?  
If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# D1

## Ethical customer relations



Customers are respected as human beings with needs and desires, rather than being seen simply as potential sources of revenue. The aim is to fulfil customers' genuine needs in the best possible way. Among other things, this approach requires customer-oriented product development, honest communication on an equal footing and barrier-free access at all points of contact with customers. The concept of ethical customer relations may entail forgoing revenues or profit, where this is in the customers' interest.



### Initial question

- What are our values and principles regarding customer relations, and how do we uphold these values within the company – from the product development phase to customer care?



### An ECG company...

- takes care to respect customers as equals and places emphasis on transparency and honesty with the aim of promoting its customers' welfare and fulfilling their needs in a spirit of partnership;
- designs products and services which are easy to access and to use, ensuring the utility and user-friendliness of the product or service, access to information and ease of access at the point of sale;
- refrains from using deceptive advertising techniques that seek to gain an illegitimate market advantage, including exaggerating a product's positive features, withholding information and applying sales pressure.



### Questions for compiling the report

- How are new customers acquired and what customer care services are provided to regular customers?
- How does the company guarantee that the benefit to the customer takes precedence over the pursuit of revenue?
- Which customer groups have difficulty accessing the products and services? What is being done to enable them to benefit from access to the products and services?



### Compulsory indicators

- Overview of the marketing, sales and advertising budgets: expenditure for activities or campaigns
- Method of payment for sales staff: percentage share of fixed and sales-based earnings
- Does the company set sales targets for its staff? Yes/no
- Revenue share generated by disadvantaged groups, as a percentage of the product portfolio

## Levels of evaluation



### Exemplary

A customer relations approach that respects customers as equals forms an integral part of the company's market positioning strategy. Innovative solutions to ensuring respectful communication and accessibility are implemented throughout the company.

### Experienced

In addition to ethical guidelines on sales, all points of contact with customers are regularly reviewed and improved with the aim of better fulfilling customer needs and cultivating a spirit of partnership. Accessibility is broadly implemented throughout the company's activities.

### Advanced

Clear and precise ethical guidelines on customer acquisition and customer care and solutions for disadvantaged customer groups are implemented on a mandatory basis.

### Getting started

Active efforts are made to address genuine customer needs. This applies to the range of products and services offered as well as to customer acquisition, customer care and the identification of disadvantaged customer groups.

### Baseline

The company adheres to the rules of fair competition, communicates honestly with customers and refrains from comparative advertising.



## Evaluation tools

The levels are evaluated on the basis of the three areas:

- Advertising measures: informative website, word-of-mouth marketing resulting from positive customer experiences. Exemplary advertising is informative, enlightening, authentic and respectful. The initiative lies with the customers, meaning they receive no unsolicited advertising (permission marketing).
- Sales Process: The benefit to the customer takes precedence over the benefit to the company. The company therefore only sells products and services that benefit the customer. Products and services offered by competing companies may also be recommended if the company's own products and services do not meet the needs of the customer. The remuneration of employees is independent of sales. Employees are not bound by internal targets or subjected to sales pressure. Care is taken to ensure that customer data is protected, meaning it is only used internally and is not passed on to other organisations unless this is necessary for service provision.
- Customer service: easy access to customer service, pragmatic solutions, such as the straightforward exchange of products and reimbursement of the purchase price, fundamental customer freedom, meaning customers are not bound to the company. Existing customers benefit from the same advantages as new customers.

Start-ups as a special case:

In the case of start-ups, more active forms of advertising are considered to be neutral from an evaluation perspective if they are appropriate, informative and factual.

Disadvantaged customer groups include people experiencing socio-economic deprivation, people with special needs, people with mental, sensory or physical impairment, people from ethnic minority or faith backgrounds, or because of gender or sexuality.

B2B: The conditions and services available to small and medium-sized enterprises, local companies and companies that are especially committed to the common good are equal to those available to large companies.

## D1 Negative aspect: unethical advertising

Unethical advertising practices include: making false statements, exaggerating a product's positive features, withholding information, misleading customers, greenwashing, presenting products as status symbols, mass advertising, sexist/stereotyping advertising, encouragement of overconsumption, intrusive advertising.



### **Question for compiling the report**

- Can the company confirm that no unethical advertising practices are being carried out? If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# D2 Cooperation and solidarity with other companies



Cooperation and solidarity with other companies means working together as equals in a spirit of respect and partnership. Competition is regarded as a healthy and honourable challenge with the emphasis on transparency and respect rather than hostile displacement. This attitude permeates company culture.



## Initial question

- What is our understanding of a cooperative and caring attitude towards other companies?



## An ECG company...

- sees other companies operating in the same sector as a complement to the market;
- works together with other companies on solutions, products and services that recognise and meet the needs of customers;
- offers other companies support in emergency situations without expecting anything in return.



## Questions for compiling the report

- With which companies is cooperation already taking place and what are the objectives of this cooperation?
- In which areas does the company demonstrate solidarity towards other companies and provide assistance without expecting anything in return?



## Compulsory indicators

- How much time and/or resources are spent on developing products and services in cooperation with other companies in proportion to the total time spent on developing the company's products and services (in hours per year or as a percentage share)?
- What percentage of time spent/revenue generated can be attributed to partnerships with the following companies?
  - Companies that share the same target group (potentially also in the same region)
  - Companies that operate in the same industry, but whose target group is in a different region
  - Companies operating in the same industry and in the same region, but with a different target group
- In which of the following areas is the company active? (total: x/3)
  - Cooperation with civil society initiatives to improve environmental/social/quality standards within the industry
  - Active contribution to improving legal standards within the industry (responsible lobbying)
  - Cooperation with initiatives aiming to improve environmental/social/quality standards within the industry

- How many workers or staff hours have been made available to companies
  - operating in other industries to support them in the short term?
  - operating in the same industry to support them in the short term?
- How many orders or contracts have been passed on to companies
  - operating in other industries to support them in the short term?
  - operating in the same industry to support them in the short term? (percentage share in relation to the total number of orders)
- What is the total amount of funds made available to companies
  - operating in other industries to support them in the short term?
  - operating in the same industry to support them in the short term? (total, percentage share of revenue/profit)

## Levels of evaluation



### Exemplary

As a matter of principle, products and services are offered in cooperation wherever possible; cooperative alliances with other companies are practised as part of the business model.

### Experienced

Initial cooperation with companies operating within the same industry; cooperation with the aim of raising industry standards; extensive experience gained in making staff members, job orders, funding and/or technology available to other companies to support them in their activities or help them through emergency situations.

### Advanced

Initial cooperation with companies operating in other industries or with companies operating in the same industry but based in another region; initial experience gained in making staff members, job orders, funding and/or technology available to other companies to support them in their activities or help them through emergency situations.

### Getting started

Basic attitude of openness towards other companies; cooperation on request; willingness to demonstrate solidarity through concrete actions; company responds to requests for assistance.

### Baseline

The company neither acts against the interests of other companies nor unduly in their favour and it does not take advantage of others.



## Evaluation tools

The evaluation considers whether there is cooperation with companies whose products and services are aimed at the same (regional) target group or with companies operating in a different sector and region and thus serving a different target group. Cooperation can take place at various stages of the value chain, including R&D, cooperative marketing, production resources and facilities, joint product and service offers, etc.

The focus of the evaluation should be on the ultimate goal of cooperation: improving the quality of products and services with sustainability in mind.

Cooperation on raising industry standards through: external audits; certification (labels); independent monitoring; participation in initiatives within the industry and/or region (regular sectoral get-togethers) to improve the range of sustainability-oriented products and services on offer; participation in collective action initiatives to minimise the risk of corruption. The term collective action is used to describe cooperative activities carried out by companies to prevent corruption.

Assistance can take many different forms, depending on the company purpose and the situation. These might include providing access to a network, facilitating contact, offering individual solutions or passing on job orders if this helps the other company.

## **D2 Negative aspect: abuse of market power to the detriment of other companies**

A basic attitude is prevalent that condones predatory behaviour towards other companies. This primarily manifests itself in the company's desire to present itself as superior and in the attempt to disadvantage or hinder the other company or cause it to make losses. Objectives and successes are mutually exclusive. Success is achieved at the expense of other companies or customers (win-lose situations).

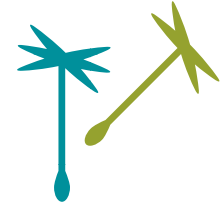


### **Question for compiling the report**

- Can the company confirm that it refrains from engaging in any activities aiming to harm or discredit other companies?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# D3 Impact on the environment of the use and disposal of products and services



The use, recycling and ultimate disposal of products and services often result in negative environmental impacts. In order to reduce these impacts to a minimum, products and services should be designed in such a way that they can be integrated into natural cycles to the greatest possible extent (consistency) and achieve the best possible ratio of utility and/or satisfaction of needs to negative environmental impact (efficiency). If we are to reduce the environmental impact of human society as a whole, however, moderate consumption levels are also essential (sufficiency).



## Initial question

- What environmental impacts result from the use and disposal of our products and services by our customers?



## An ECG company...

- aims to fully understand the environmental impacts of use and disposal and to minimise these to the greatest extent possible;
- offers products and services which have a less significant negative impact on the environment through their use and disposal than existing alternatives;
- investigates the way in which customers use and dispose of its products and seeks to exert a moderating influence (promoting sufficiency).



## Questions for compiling the report

- What are the environmental impacts of the products and services, in absolute terms and in comparison to existing alternatives with similar benefits?
- What strategies and measures are being employed to reduce the environmental impacts resulting from the use and disposal of products and services?
- In what ways does the business model take account of the issues of consistency, efficiency and sufficiency?
- What strategies and measures are in place to promote moderate consumption or the sufficiency-oriented use of products and services?
- In what ways does the company foster moderate use through its communication with customers?



## Levels of evaluation



### Exemplary

The business model and product portfolio are optimised in terms of environmental impact.

The promotion of moderate consumption is a key component of the business model and the company's approach to customer relations.

### Experienced

There is a clear, comprehensible strategy for the optimisation of the product portfolio and business model with regard to environmental impacts and the promotion of moderate use.

Comprehensive measures are in place to promote the reduction of environmental impacts.

Products and services have a consistently lower environmental impact than comparable alternatives. Through its communications, the company seeks to actively promote moderate use and provides consumers with comprehensive information regarding the environmental impacts of its products and services.

### Advanced

The company possesses data on the environmental impact of its products and services.

A strategy and discernible measures are in place to reduce the impact of the overall portfolio. Products and services largely have a less significant environmental impact than comparable alternatives. As standard procedure, the company provides customers with background information on environmental impacts and raises awareness on the issue of moderate use.

### Getting started

The company possesses initial data on environmental impacts and is planning measures to reduce these impacts and promote moderate use. The company provides customers and consumers with basic information on the environmental impacts of its products and services with the aim of raising awareness on the issue of moderate use.

### Baseline

The company undertakes no action to reduce negative environmental impacts or promote moderate use, but it also does not knowingly allow disproportionate environmental impacts to be incurred. The company complies with legal requirements and is not misleading in its communications.



## Evaluation tools

Appropriate measures include the use of eco-design criteria or similar standards when designing and developing products and services.

The data provided can take the form of absolute values or relative comparisons with similar products and services, e.g. based on estimates or conclusions from scientific studies.

Note for service providers: services do not have a life cycle in the conventional sense. The categorisation of environmental impacts as either fixed or variable impacts can be

a useful guide as to which should be reported and evaluated under D3 and which under E3. Variable impacts – which are only incurred when customers use the service – are to be reported under D3. Fixed impacts – which are incurred even if nobody uses the service – are to be reported under E3. Here are a few examples:

- In the case of a taxi company, the impacts incurred as a result of dead mileage, running an office, etc. would be reported under E3 and the impacts incurred as a result of trips carrying passengers under D3.
- A massage therapist would report impacts resulting from the use of a room, heating, etc. under E3, and massage oil and journeys made by customers to the place of business under D3.
- A business consultant would report impacts resulting from office maintenance under E3 and impacts resulting from travel to consultancy appointments under D3.

For providers of less materially oriented services, impacts relating to the content of their services and the actions resulting from them play an indirect role in addition to the environmental impacts directly associated with their activities. For instance, an architect might recommend using organic insulation materials or a business consultant might advise a company on switching to renewable energy. Impacts of this kind are to be reported under E1.

Moderate consumption (sufficiency): in theory, each individual has a certain “budget” of environmental impacts that can be incurred over a lifetime without the overall human burden exceeding planetary boundaries. Consumption or overall use can be considered moderate if these limits are adhered to.

Among other things, sufficiency-oriented business models, strategies and activities take into account the principles of exchange, sharing and repair (in the field of use) and recycling, reuse and reprocessing (in the field of disposal). They actively promote moderate use by offering price advantages, incentive schemes, longer warranties, cost-effective repairs, etc. In this context, it is helpful to consider the four D’s of sufficiency: decluttering, deceleration, disentanglement and de-commercialisation. Products can be considered to promote sufficiency if they are durable, easy to repair, timeless in design, capable of being integrated into natural cycles (e.g. cradle to cradle), reusable or recyclable (e.g. made using easily separable materials).

A sufficiency-oriented approach to customer communications is one that seeks to raise awareness among customers and consumers on the issue of moderate use and to motivate them to limit their consumption, e.g. through information on more environmentally friendly alternatives (including competitors’ products and services) and incentives to buy these products, recommendations not to buy certain products, measures to raise awareness of moderate use among customers, communication via telephone or electronic means rather than travelling to meetings.

Notes on communication:

- Misleading forms of communication such as greenwashing are examined more closely under the negative aspect “Negative advertising” in section D1.
- Basic background information on environmental impacts might include short briefings on individual topics (CO<sub>2</sub> emissions, water consumption, etc.) with the primary

aim of raising awareness and educating customers.

- Informing customers as a matter of standard procedure means that each item of customer communication always includes relevant information on environmental impacts.
- Clear and comprehensive information includes background information on interrelated environmental impacts, ideas and tips on moderate use and sufficiency, etc.
- For information on environmental impacts to be considered a key component of a customer relations strategy, the company must, for example, actively inform customers of more environmentally friendly alternatives (including those provided by competitors) or recommend that customers do not buy certain products where appropriate.
- If information on environmental impacts is used only as a means of boosting overall consumption and use, this is seen as negative as the result is a net increase in environmental impacts. For this reason, communication regarding environmental impacts should always also promote the concept of sufficiency.

### **D3 Negative aspect: wilful disregard of disproportionate environmental impacts**

Products and services are considered to have disproportionate impacts when the combination of environmental impacts per use and the current usage patterns or rate of use, extrapolated to the entire human population, contributes to a planetary boundary being exceeded (electricity generated from coal, air travel, etc.). With regard to sufficiency, wilful disregard can take the form of a company seeking to continually increase the overall use of highly environmentally damaging products and services, e.g. by means of:

- planned obsolescence (technical, psychological obsolescence, etc.)
  - rapidly changing fashion trends
  - very rapid development of new product models in combination with planned psychological obsolescence, e.g. in the case of smartphones
- active cultivation of needs, e.g. long-haul flights in the case of travel agencies
- misleading communications



#### **Question for compiling the report**

- Can the company confirm that it does not wilfully disregard disproportionate environmental impacts?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# D4 Customer participation and product transparency



Customer participation can provide useful input on potential socio-environmental and sustainable product improvements, product and service innovations and the future development of the market. Customers can share their experiences directly with the company or communicate among themselves, thus increasing their influence.

The provision of transparent information on the material composition of products and on how prices are set clearly demonstrates the (higher) quality of products and services, allowing consumers to make informed decisions and positively influencing public opinion.



## Initial question

- How much transparency do we offer our customers and what opportunities for co-determination or decision-making rights do we afford them?



## An ECG company...

- encourages direct contact with its customers and involves them in product development;
- uses dialogue with customers to make products and services more sustainable and to promote a sufficiency-based approach to consumption;
- ensures comprehensive product transparency and traceability in the supply chain.



## Questions for compiling the report

- What specific opportunities for co-determination and decision-making rights are customers afforded and how are these communicated?
- Are customers' ideas and suggestions regarding potential socio-environmental improvements taken on board?
- What product information is accessible to the public (e.g. material composition, value chain, environmentally relevant information, pricing)?



## Compulsory indicators

- Number of product and service innovations contributing to greater social and environmental sustainability that have arisen with the participation of customers
- Proportion of products with fully disclosed material composition (as a percentage of revenue)
- Proportion of products and services for which price calculation breakdowns are made available to the public (as a percentage of revenue)

## Levels of evaluation



### Exemplary

A customer advisory council or similar institutionalised platform for dialogue and co-determination has been set up. Constructive feedback is almost always acted upon. Customers are involved in the participatory development of sustainable products and services. All available information on products is fully disclosed and a percentage breakdown of all price components is provided.

### Experienced

The company practices an institutionalised, open and transparent form of customer participation. Constructive feedback is largely acted upon. Customers are extensively informed about the material composition of products and the risks they may be exposed to as consumers. The origin of products and processes and breakdowns of price components are generally disclosed to the public.

### Advanced

Customer feedback and requests are systematically documented and frequently acted upon. Information on the stages of the value chain is partly made available to the public. Breakdowns of price components are published to some extent.

### Getting started

Customer feedback is occasionally sought. To an extent, it is possible for staff within the company to gain an overview of the value chain. A concept for the publication of price components has been developed.

### Baseline

No opportunities for participation; reactive approach to customer feedback; compliance with statutory declaration requirements.



## Evaluation tools

Facilitating customer participation involves establishing clearly defined lines of communication and providing the opportunity to communicate with management and senior staff.

A participatory approach to product development is one that takes customers' ideas and suggestions into account. Sustainability-oriented customer groups can be brought on board to assist with the development and dissemination of highly sustainable product innovations.

An exemplary procedure will ensure the disclosure of quantified information on suppliers, material composition and socio-environmental risks, covering the full life cycle of all products.

## D4 Negative aspect: non disclosure of hazardous substances

Products may contain substances that damage the health of consumers or harm the environment. Products may have harmful effects even when used as intended. These substances and side effects of use carry risks that consumers need to be informed of.

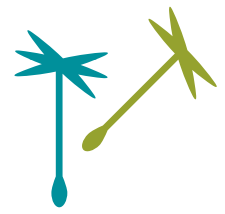


### Question for compiling the report

- Can the company confirm that its products contain no substances that are harmful to consumers or the environment and that no harmful side effects occur when the products are used as intended?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# E1 The purpose of products and services and their effect on society



The ultimate purpose of an ECG company is to produce or offer only those products and services that actively contribute to the common good. This means that they are necessary for a simple (satisfactory) way of life that is physically and mentally healthy, and that they have been produced in a socially responsible manner that is also as environmentally sustainable as possible. In addition, ECG companies offer solutions to some of the greatest challenges facing humanity; for example, overcoming poverty, providing high-quality nutrition, education and health for all people, and addressing social inequality.



## Initial question

- How do our products and services satisfy basic needs, provide for the personal growth of individuals, strengthen our communities, or contribute to the regeneration of our planet?



## An ECG company ...

- offers products and services that contribute to a good life for all and
- satisfy the basic needs of as many people as possible, including disadvantaged and lower socio-economic groups.
- promotes the health and development of individuals and communities with its products and services.
- avoids products and services that carry a social, environmental or health risk.



## Questions for compiling the report

- Which of the nine fundamental human needs (see below) are served by the company's products and services?
- Which products and services are luxury items that only serve to promote an individual's status, and which could be replaced by less expensive, less resource-intensive products that promote a simple or good life?
- How do our products and services promote the personal growth and health of individuals?
- What social and environmental problems (regional or global) are solved or reduced with our products and services (in accordance with UN Sustainable Development Goals: see under further online-information)?



## Compulsory indicators

Type of benefit provided expressed as a percentage of overall turnover:

1. Needs fulfilled
  - Basic needs (... %)
  - Status symbols and/or luxury items (... %)
2. Promotes the development of:
  - people (...%)
  - our planet/the biosphere (... %)
  - Addresses social and environmental problems in accordance with UN Sustainable Development Goals (... %)

3. Benefits of products and services:
  - Multiple or singular benefit (... %)
  - Inhibiting or pseudo benefit (... %)
  - Negative benefit (... %)

### Levels of evaluation



#### Exemplary

The majority of products and services solve important social problems in accordance with UN Sustainable Development Goals. Innovative, visionary approaches to the biggest challenges facing humanity have been implemented.

#### Experienced

The majority of products and services promote the development of communities or the diversity of the biosphere. People's knowledge and attitudes (including those of non-customers) have been changed by the company's activities; there is an awareness of how to meet social challenges, e.g. repairing rather than buying new.

#### Advanced

The majority of products and services promote the healthy development of people. Information about social opportunities (and solutions) reach people other than one's own customers.

#### Getting started

Products and services fulfil most basic needs for a satisfactory or good life. There is a clear understanding of the serious social and environmental problems within the industry

#### Baseline

All products and services promote status over meeting basic needs. There is no clear understanding of the social impact of products and services.



### Evaluation tools

When evaluating the company's products and services, they should be classified according to whether they satisfy the basic needs for a simple or good life, or whether they are a dispensable luxury.

According to M. Max-Neef and M. Rosenberg, the following represent the nine fundamental human needs:

- Subsistence/health/well-being
- Protection/safety
- Affection/love
- Understanding/empathy
- Participation/comfort
- Leisure/recreation
- Creation
- Identity
- Freedom/autonomy



In addition, the type of benefit provided to the customer should also be classified (according to Max-Neef). Products and services with multiple benefits are rated highest, followed by those that provide a singular benefit, those that provide an inhibiting benefit, and lastly, those that provide a pseudo benefit. For negative benefits, see under Negative aspect below.

- a) Multiple benefits: the good or service fulfils multiple positive benefits.
- b) Singular benefits: the good or service fulfils a single benefit only, e.g. a sports event may only have the benefit of being a leisure activity.
- c) Inhibiting benefits: TV shows, for example, satisfy the need for recreation, but can inhibit creativity and inventiveness.
- d) Pseudo benefits: in mechanistic medicine, for eg ('A pill for every disease'), it is often not the cause of the problem that is addressed; instead, only the symptoms are relieved, which at worst can lead to symptom shifting.
- e) Negative benefits: these are products and services that can make it more difficult to satisfy fundamental needs; for example, nuclear power stations, weapons, slot machines or violent video games.

Social challenges: see UN Sustainable Development Goals under further online information.

## E1 Negative aspect: unethical and unfit products and services

We describe products and services as unethical or unfit if they have a negative impact on:

- Life
- The physical and mental health of all life forms
- People's freedom
- Nature

A list of 'unethical and inhumane products and services' can be found in further online information under E1.

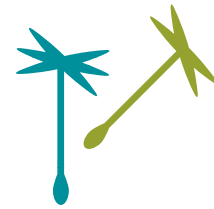


### Question for compiling the report

- Can the company confirm that none of the mentioned unethical and inhumane products and services are manufactured or sold?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# E2 Contribution to society



Every company operates in a social environment and within a community. Society and its institutions (both governmental and non-governmental) provide important foundations for entrepreneurial activities. In turn, society expects everyone to make an appropriate contribution to the maintenance and development of these structures. In addition to taxes and statutory contributions, there is a wide range of tangible or intangible benefits that organisations can provide which can either promote or harm society and its structures.



## Initial question

- How do we strike a fair balance between what we do for society and its institutions, and what we gain by doing so?



## An ECG company ...

- contributes to society and its institutions by paying its taxes and making social contributions in accordance with its wealth.
- only uses government subsidies to develop the company in such a way as to increase the wealth of the region in the medium term.
- uses its skills and resources to strengthen civil society initiatives within society as a whole without serving its own interests.
- uses its contacts with administrative and political decision-makers to serve the common good rather than its own interests. It also publishes its contacts and financial flows.
- puts measures into place to prevent corruption and inappropriate non-payment of tax both internally and in its operations with direct business partners.



## Questions for compiling the report

- What direct financial contribution does the company make to society and its institutions (e.g. through tax on profits, payroll tax or social security contributions)? What direct financial support does the company receive (e.g. through grants and subsidies)?
- How much money, resources and specific activities does the company put into charitable works? To what extent is this motivated by self-interest?
- What lasting changes do the charitable works of the company make?
- How does the company discourage or prevent inappropriate non-payment of tax, corruption or negative lobbying?



## Compulsory indicators

Turnover

Net tax ratio: This should include the following:

- tax paid on profits (income tax, corporation tax)
- payroll tax and social security contributions paid by employers
- income tax and social security contributions paid by employees
- less any grants and subsidies received by the company

these net taxes are to be seen in relation to the declared value (profit before tax plus

interest on borrowed capital plus income from rents and leases) and thus give the net tax ratio.

Voluntary payment in kind to the community minus the benefit this provides to the company (as a % of turnover or annual working time)

## Levels of evaluation



### Exemplary

The company makes an above-average contribution.

It has found innovative approaches, beyond its own core activities, to increase the contribution it makes to society.

The scope of charitable works is very broad, and there are proven and lasting positive effects in many areas.

### Experienced

The contribution the company makes through its taxes and social contributions, is comparable to that of its employees.

The company has been involved in extensive charitable works in several areas over many years. There is evidence of effect.

### Advanced

The company has put clear measures into place to make an appropriate contribution through taxes and social contributions.

The scope of charitable works is reasonably broad, but only where there is a probable cause and effect.

Early evaluations of the impact of charitable works are available.

### Getting started

The company is aware of the contributions it makes to society, and discloses these openly. Individual voluntary contributions are made, but to a lesser extent and without evaluating their impact.

### Baseline

A correct payment of taxes and duties is made. Tax optimisation only occurs within a legitimate framework. Grants are only accepted with a view to later repayment (e.g. through future tax payments), and do not serve to increase the company's profit. No voluntary contributions are made to society.



## Evaluation tools

The relative net tax ratio can be used as a gauge for appropriate contribution payments. This means the average tax ratio of employees (income tax and social security contributions in relation to gross income = reference figure). As corporate citizens, companies should achieve a comparable or higher tax ratio.

How highly a company's charitable works are evaluated depends on the extent to which its core competencies are deployed, how great the proven positive effect is, and how little the company itself gains from them.

Positive effects include greater knowledge, increased skills and positive changes in behaviour within the target group, as well as lasting structural changes within society as a whole.

## E2 Negative aspect: inappropriate non-payment of tax

Inappropriate non-payment of tax refers to all legal and illegal practices whereby a company makes no contribution, or an inadequate one (through tax and social contributions paid), to the countries and societies in which it operates.



### Question for compiling the report

- Can the company confirm that it does not engage in any practices that entail inappropriate non-payment of tax, or where it consciously pays less tax on net profit, and thereby takes away from the common good?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

## E2 Negative aspect: no anti-corruption policy

Corruption covers all practices in which the pursuit of individual gain causes harm to society and its institutions. It is often associated with an unfair advantage for officials and elected representatives. These can be tangible or intangible.

Companies are required to put measures into place, within their scope of influence, that prevent, detect and address corruption.



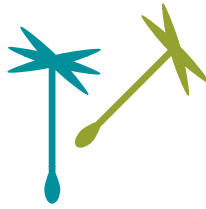
### Question for compiling the report

- Can the company confirm that it is not involved in any corrupt practices, and that all lobbying activities are disclosed?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# E3

## Reduction of environmental impact



Companies can make a substantial contribution to curb excesses against our planet by changing their internal production, manufacturing and operation processes, and thereby reducing their environmental impact. The focus here should be on the internal procedures between taking possession of primary products, and delivery of the final product to the client. Product design can also contribute to reducing this impact.



### Initial question

- How do we recognise and avoid potentially harmful effects on the environment?



### An ECG company...

- describes the life cycle of its products and services within the company, and collects and documents their environmental impact.
- actively addresses the environmental impact of its core activities.
- continuously reduces any environmental impact, and designs its procedures and processes to be resource-efficient, economical and low in harmful substances.
- shares its knowledge and improvements with the industry and with other stakeholders.



### Questions for compiling the report

- What negative environmental effects are associated with the manufacturing or operating processes?
- What data is collected and published with regard to significant environmental effects (environmental accounting)?
- How is the environmental data published?



### Compulsory indicators

Depending on the core activity of the company, relevant environmental accounts should be produced:

Environment accounting	measured in
Greenhouse gas emissions	kg
Transport (and its CO2 equivalent)	km or kg
Fuel consumption (and its CO2 equivalent)	litres or kg
Electricity consumption (and its CO2 equivalent)	kWh or kg
Gas consumption (and its CO2 equivalent)	kWh or kg

Heating energy consumption (in relation to average temperatures)	kWh/C°
Consumption of drinking and rain water	m <sup>3</sup>
Use of chemical (toxic and non-toxic)	kg
Paper consumption	kg
Other consumables	kg
Artificial lighting	Lumen, kWh
Emission of pollutants	kg

Readings should be converted to commercially relevant parameters (e.g. kg CO<sub>2</sub> per employee or in relation to turnover). These can then be used to assess whether the aim of 'reduction' is being achieved.

## Levels of evaluation



### Exemplary

The company has published the data from environmental accounting, and has shared the results with other companies in the same sector.

### Experienced

The company has published the data from environmental accounting, and has introduced successful, long-term strategies to reduce its environmental impact.

### Advanced

The company is aware of its resource consumption, its emissions and its environmental footprint. It has collated the relevant figures in its environmental accounting, and has strategies for improvement.

### Getting started

The company has started to identify the key environmental impacts it contributes to.

### Baseline

The company is aware of its environmental impact, but has not provided figures or put measures into place.



## Evaluation tools

Absolute environmental impact should be taken into account for the evaluation. The type of industry, current best practice, and existing laws are all taken into account when determining the evaluation level.

An impact is deemed to be significant if it represents one of the company's three largest environmental impacts, or if 50% of the legal threshold has been reached or exceeded.

## E3 Negative aspect: infringement of environmental regulations and disproportionate environmental pollution

If commercial activities have a disproportionate effect on ecosystems, or if they infringe environmental regulations, the harm this causes to society greatly outweighs any benefit from the company.



### Question for compiling the report

- Can the company confirm that there has been no infringement of environmental regulations, and no disproportionate environmental pollution?

If not, this negative aspect should be reported in accordance with the Full Balance Sheet.

# E4 Transparency and co-determination



The main aim of transparency and co-determination is to protect the general public from decisions that are based on a lack of information and facts, a lack of discussion, or a lack of involvement of those affected by these decisions. They are the basis of an educated, democratic, open and pluralistic society.

Relevant stakeholders include: local residents, local authorities, not-for-profit organisations, future generations and nature (the environment, animals, plants, biodiversity, land).



## Initial question

- How do we make the effects of our core activities visible, and how do we make participation possible with regard to the legitimate interests of stakeholders?



## An ECG company...

- is transparent about any activities and involvement that are of legitimate interest to the public.
- takes into account the interests of relevant stakeholders when making business decisions.
- values transparency and co-decision making as the basis of an educated, democratic, open and pluralistic society.



## Questions for compiling the report

- What important or essential information is collected for stakeholders? How is this information conveyed (depth and breadth, type of publication, and how accessible it is to the public)?
- How can citizens and stakeholders enter into dialogue and represent their interests with regard to the company's activities?
- How are the outcomes of any discussion documented and how are they incorporated into decision-making?



## Compulsory indicators

- Publication of a Common Good Report or equivalent social accounting.
- Stakeholder's share of co-decision making (degree of participation in %)



## Levels of evaluation



### Exemplary

In addition to social accounting: active investigation and publication of all critical issues; it is easy for the public to contact the company directly; publication of the Audit Report.

There is an established infrastructure for dialogue and for an open exchange of opinion. Decisions are made based on thorough debate.

### Experienced

Comprehensive Common Good Report or equivalent social accounting that has been subject to an independent external audit.

Relevant stakeholders are actively included in discussions relating to all important projects.

Comprehensive, easily accessible documentation is available.

### Advanced

Basic social accounting that is made available online or in any other easily accessible publication; publication of the company's value.

Relevant stakeholders are actively included in discussions relating to some important projects.

Adequate, easily accessible documentation is available.

### Getting started

The principle that openness and transparency act as the basis for trust, communication and mutual responsibility has been adopted; initial analysis and planning of transparent, honest and factually-based reporting.

Citizens and relevant stakeholder groups can enter into dialogue with the company. The outcome of discussions is documented.

### Baseline

No social accounting available online or in any other easily accessible publication. Stakeholders are not involved in any decision making.



## Evaluation tools

- Small companies with fewer than 50 employees can submit a peer evaluation or similar external review.
- Publication of the Audit Report can increase a company's evaluation by one or two levels to 'exemplary'.

Social transparency is particularly important for the following projects:

- Construction projects
- Introduction of new production processes, especially if they are associated with hazardous substances or significant environmental impact
- Other interference with nature
- Relocation, involvement with other businesses

The following are relevant to evaluate co-determination:

- The degree of participation (consultation, dialogue, co-decision making)
- The type and scope of the documentation (with regard to decisions made, objections raised or votes against)
- How stakeholders are approached (actively or reactively)
- Proportion of stakeholders involved (some, a large proportion, all)

## E4 Negative aspect: lack of transparency and wilful misinformation

Companies have a responsibility to keep society informed. This entails total transparency towards everyone. When a company publishes deliberately misleading information about itself or its activities, it harms society as a whole because such behaviour makes rational debate impossible.



### Question for compiling the report:

- Can the company confirm that it does not provide false information about itself? If not, this negative aspect should be reported in accordance with the Full Balance Sheet.



**The Matrix Development Team**



There are two types of Common Good Balance Sheet:

- The **Full Balance Sheet** divides all the themes under different aspects, and is compulsory for medium and large companies for their second and subsequent Balance Sheets.
- The **Compact Balance Sheet** provides a summary of all the themes. Small companies can use this version on a permanent basis; companies with 11 - 50 employees (or their full-time equivalents) can use it twice; large companies can use it for their first report.