

WORKBOOK

FULL BALANCE **SHEET 5.0**

Publisher: The Matrix Development Team



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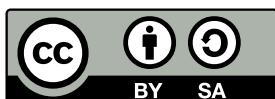
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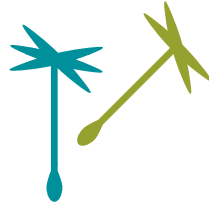
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1. Introduction



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:

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

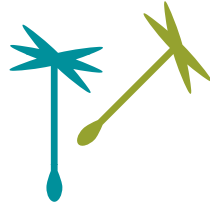
New positive aspects:

- 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'



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.

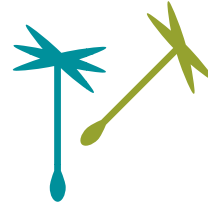
Environmental sustainability can be improved through targeted investments, and is often associated with social change. B3 therefore evaluates the environmental as well as the social impact of investments (which other themes under environmental sustainability do not).

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.



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.



Initial questions

- What do we know about our suppliers' commitment to respecting human dignity (e.g. the quality of the workplace), especially that of our larger suppliers?
- What potential negative effects or risks exist in the supply chain (e.g. violation of human rights), that are connected with our business activities?
- How does our company contribute to the implementation of ethical and fair working practices, and how do we help to solve problems and meet challenges in the supply chain?

A1.1 Working conditions and social impact in the supply chain

The aim is for companies to be actively involved in how the goods and services they purchase are provided. To this end, they should take the appropriate steps to ensure fair and ethical working practices throughout the supply chain.



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 assessed?
- How are violations to human dignity in the supply chain identified?
- What influence is exerted on suppliers to ensure they respect the human dignity of all stakeholders?
- What certification do purchased goods 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 and ethical 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 purchasing 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 are met 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 implemented 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 aspects 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.

A1.2 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.



Questions for compiling the report

- Which links in the supply chain pose a particular threat to human dignity?
- What measures are being taken to reduce and prevent these effects?



Compulsory indicator

- Proportion of purchased goods that are ethically risky vs those that are ethically harmless.



Levels of evaluation

- **Baseline:** the company has low risks in its supply chain and/or reduces any potential negative social impact to a minimum.
- **20 negative points:** the company obtains goods and services from socially questionable sources. Measures taken so far do not adequately reduce the negative social impact this has.
- **100 negative points:** the company obtains essential goods and services from socially questionable sources, and has made little attempt to introduce measures to improve this.
- **200 negative points:** the company's business practices contribute significantly to negative effects in the supply chain.



Evaluation tools

Attention should be focussed on those goods 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.

A2 Solidarity and social justice in the supply chain



Today's economic activity is frequently characterised by predatory pricing, selfish efforts to maximise market power, and in global supply chains, by exploitative business and working practices. Companies are responsible for fair and just interactions when dealing with their direct suppliers. Furthermore, within their scope to exert influence, all companies can take joint responsibility to ensure fair and just treatment of everyone in the supply chain.



An ECG company...

- ensures that business relations with their direct suppliers are fair and just.
- recognises its co-responsibility for solidarity and social justice throughout the supply chain, and develops its business practices accordingly.



Initial questions

- In which areas do suppliers expect fairness and solidarity from us?
- Who are our direct and indirect business partners in the supply chain, and to what extent do they behave with fairness and solidarity towards other interested parties?
- How great is our direct and indirect influence on the supply chain to ensure that those involved are treated with fairness and respect?

A2.1 Fair business practices towards direct suppliers

Solidarity and social justice towards direct suppliers is demonstrated through business practices with fair pricing and terms of payment and delivery. It is also important to recognise that added value created through the supply chain must be shared fairly to facilitate an economic existence for everyone involved.



Questions for compiling the report

- What action have we taken to establish fair and just business practices with our direct suppliers, not only with regard to pricing and terms of payment and delivery, but also with regard to our daily business operations?
- How satisfied are our suppliers with regard to pricing and terms of payment and delivery?
- What steps have been taken to ensure suppliers have a fair share of value added?



Compulsory indicators

- Average duration of the business relationship with suppliers
- Estimated distribution of added value created through the supply chain between the company and its suppliers.

Levels of evaluation



Exemplary

Fair business relationships, based on above-average principles, have been established with all suppliers.

Measures have been implemented to ensure that suppliers receive a reasonable share of added value created through the supply chain.

The average duration of the relationship with suppliers is at least ten years and/or all suppliers are very satisfied with pricing and terms of payment and delivery, as well as with the distribution of added value.

Experienced

Fair business relationships have been established with all suppliers.

Measures have been implemented to ensure that suppliers receive a reasonable share of added value created through the supply chain.

The average duration of the relationship with suppliers is at least five years, and/or most suppliers are very satisfied with pricing and terms of payment and delivery.

Advanced

Measures to establish a fair business relationship with suppliers have been implemented successfully.

The average duration of the relationship with suppliers is at least three years, and/or most suppliers are satisfied with pricing and terms of payment and delivery.

There is a commitment to a fair distribution of added value created through the supply chain; strategies and measures have been put into effect with this in mind.

Getting started

Business relationships with suppliers are checked for fairness and solidarity, strategies for improvement have been put into place, and initial steps have been taken.

Baseline

Legal requirements regarding terms of payment and delivery are adhered to. There is no further commitment for a fair distribution of added value.



Evaluation tools

This aspect only applies to companies with relevant market power in relation to their suppliers which allows them to control the terms of their business relationships.

With regard to **fair prices**, information provided by certain NGOs can act as a guide for some products. An innovative approach to establish fair pricing and terms of payment and delivery could be to develop a system, in collaboration with the supplier, that allows for planning that is fair to both parties (e.g. joint volume planning with fixed prices and purchase guarantees).

A2.2 Exercising a positive influence on solidarity and social justice throughout the supply chain

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



Questions for compiling the report

- Within its scope of influence along the supply chain, what strategies does the company have to guarantee a fair and just treatment of all stakeholders?
- 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 goods and raw materials that have a 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 of 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

At least half of all purchased goods and raw materials have a label from an accredited scheme.

The supply chain is monitored regularly for risks and shortcomings and, where appropriate, measures and/ or sanctions are implemented immediately.

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

Advanced

Within its scope of influence, the company has a clear strategy to guarantee a fair and just treatment of all stakeholders.

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.

The company requires all main suppliers to treat stakeholders in a fair and socially just manner, and selects them on this basis.

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.

First measures to positively influence a fair and socially just treatment of all stakeholders in the supply chain have been put into place.

Some purchased goods and raw materials have a label from an accredited scheme that takes into account solidarity and social justice.

Baseline

The company does not explicitly concern itself with solidarity and social justice in the supply chain, but it does comply with all necessary laws and regulations, and does not 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 solidarity and social justice include:

- Non-compliance with living wage requirements.

- Illegitimate tax avoidance
- No anti-corruption policy
- Abuse of market power

Ways of exerting a positive influence include:

- Feedback and discussions with suppliers
- Supplier evaluation
- Development of purchasing guidelines and/or supplier codes of conduct

Support measures include:

- Joint development of strategies
- Joint introduction of appropriate certifications

Sanctions can include:

- From delisting certain goods to the termination of the business relationship

A2.3 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.



Questions for compiling the report

- Does the company have market power over suppliers and how is it used?
- Does the company have evidence that its suppliers are adversely effected by its market power, especially with regard to terms of payment and delivery?
- In the last year, what grievances or negative reporting were there with regard to this?



Levels of evaluation

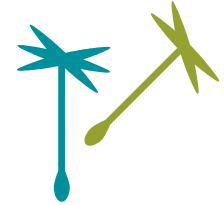
- **0 minus points:** The company has a low risk of using its market power against suppliers, and any potential adverse effects associated with it have been reduced to a minimum.
- **100 minus points:** There is conclusive evidence that the company's market power adversely effects suppliers to a small degree.
- **200 minus points:** There is conclusive evidence that the company uses its market power to adversely affect suppliers.



Evaluation tools

All companies must identify any potential exploitation of their market power. Evidence for this can be found using supplier surveys, and by evaluating (general) supplier contracts, purchasing guidelines and bonus systems.

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.



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.



Initial questions

- 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?
- How do our company, and all stakeholders in the supply chain, contribute to a reduced environmental impact?

A3.1 Environmental impact throughout the supply chain

The purchase of raw materials, goods and services is associated with environmental risks and impacts.



Questions for compiling the report

- Which raw materials are used in the production process and in what quantity?
- What types of energy, materials and technologies are used in the production process?
- What is the criteria for selecting raw materials, goods and services?
- How are environmental risks in the supply chain monitored or assessed?
- What harmful environmental effects are there in the supply chain or in the production of purchased goods?
- What environmental criteria are taken into account when selecting suppliers and their products?
- What measures have been put into place to reduce the environmental impact of suppliers throughout the supply chain?
- 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.

Proportion of suppliers who have reduced their environmental impact.

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 are innovative in all areas of business.

Experienced

Comprehensive purchasing guidelines have been established outlining how purchased goods are assessed and selected according to environmental criteria, and how suppliers are supported in implementing required environmental standards.

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.

Initial steps have been taken to encourage suppliers to reduce environmentally damaging activities.

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

The following information can serve as guidelines for the evaluation:

- 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 can be viewed 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.

A3.2 Negative aspect: disproportionate environmental impact within the supply chain

Some industries, goods and services are regarded as having an especially disproportionate damaging effect on the environment.



Questions for compiling the report

- Which suppliers or goods in the supply chain have a particularly damaging effect on the environment?
- What measures have been put into place to reduce these effects?



Compulsory indicator

- Proportion of purchased goods and services that are regarded as having a disproportionately high impact on the environment.



Levels of evaluation

- **Baseline:** The company has low environmental risks in its supply chain and/or reduces any potential negative impact to a minimum.
- **20 minus points:** The company purchases goods and services from environmentally critical areas; measures put into place do not adequately reduce damaging effects on the environment.
- **100 minus points:** The company purchases essential goods and services from environmentally critical areas, and has made little attempt to introduce measures to improve this.
- **200 minus points:** The company's business practices contribute significantly to negative effects on the environment.



Evaluation tools

Attention should 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.

A4 Transparency and co-determination in the supply chain



Transparency in the supply chain is a prerequisite for ethical procurement management as it is only possible to assess what is known. Transparent information about the supply chain allows other stakeholders to be identified: who has produced which goods, and under what conditions. Transparency is also the basis for supplier co-determination in those areas that affect them.



An ECG company...

- is transparent with suppliers, and ensures their co-determination in areas and decisions that concern them.
- recognises its co-responsibility for transparency and participation in decision-making throughout the supply chain, and develops its business practices accordingly.



Initial questions

- What information from and about our company is of interest and relevance to our suppliers?
- What decisions taken within the company affect our suppliers?
- Who are our direct and indirect business partners in the supply chain, and to what extent do they behave in a transparent and participatory manner towards other stakeholders?
- How great is our direct and indirect influence on the supply chain to ensure transparency and co-determination with regard to all stakeholders?

A4.1 Transparency towards suppliers and their right to co-determination

Transparency towards suppliers is determined by whether and to what extent information is disclosed. The scope of information provided and how it is disclosed are crucial factors. Co-determination plays an important role in strengthening the position of suppliers, and can optimise business processes at the same time.



Questions for compiling the report

- What information is disclosed to suppliers and what is its scope?
- Where relevant, how and to what extent are suppliers involved in the decision-making process?
- How satisfied are suppliers with the company's policies regarding information disclosure and the right to co-determination?

Levels of evaluation



Exemplary

Transparent and participatory business relationships, have been established with all suppliers.

All suppliers are very satisfied with the company's information disclosure policy and with the scope for co-determination.

Experienced

Transparent and participatory business relationships have been established with all suppliers.

With a few exceptions, suppliers are very satisfied with the company's information disclosure policy and with the scope for co-determination.

Advanced

Measures to establish transparent and participatory business relationships with suppliers have been implemented successfully.

With a few exceptions, suppliers are satisfied with the company's information disclosure policy and with the scope for co-determination.

Getting started

Business relationships with suppliers are checked for transparency and opportunities for co-determination, strategies for improvement have been put into place, and initial steps have been taken.

Baseline

The company's transparency towards suppliers does not attempt to go beyond legal requirements. Suppliers do not have pertinent co-determination rights.



Evaluation tools

The more suppliers are affected by a decision, the more important their involvement in the decision-making process becomes. It is therefore important for companies to ask their suppliers which themes and decisions they would like to be involved in. Possible areas for consultation might include volume planning of raw materials and terms of payment and delivery. The scope of a supplier's co-determination can range from consultation and dialogue to active participation in the decision-making process. Decision-making, objections and votes against should be documented appropriately.

A4.2 Positive influence on transparency and co-determination throughout the supply chain

Companies have the responsibility to demand transparency and participation for all stakeholders in the supply chain, and to actively support and promote this.



Questions for compiling the report

- Within its scope of influence along the supply chain, what strategies does the company have to guarantee transparency and participation for all stakeholders?
- 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 a 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 purchased products and raw materials have a label which takes into account transparency and participation for all stakeholders, and all suppliers have been selected on this basis.

Experienced

At least half of all purchased products and raw materials have a suitable label, which takes into account transparency and co-determination.

The supply chain is monitored regularly for risks and shortcomings and, where appropriate, measures and/ or sanctions are implemented immediately.

Comprehensive measures have been put into place to support all stakeholders in the supply chain to ensure transparency and participation for all involved.

Advanced

Within its scope of influence, the company has a clear strategy to guarantee transparency and participation for all stakeholders.

At least one third of all purchased products and raw materials have a suitable label, which takes into account transparency and co-determination.

The supply chain is monitored actively and systematically for risks and shortcomings.

The company requires all main suppliers to ensure transparency and participation for their stakeholders, and selects them on this basis.

Initial measures have been put into place to support all stakeholders in the supply chain to ensure transparency and participation for all involved.

Getting started

The company has acquired information about risks and shortcomings with regard to transparency and co-determination in the supply chain.

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

Some purchased products and raw materials have a label which takes into account transparency and co-determination.

Baseline

The company does not explicitly concern itself with transparency and co-determination in the supply chain, but it does comply with all necessary laws and regulations.



Evaluation tools

'Stakeholders' refers to suppliers, secondary suppliers and anyone else in the supply chain. It should be noted that the scope 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 and trade unions
- Hostile takeovers

Ways of exerting a positive influence include:

- Feedback and discussions with suppliers
- Supplier evaluation
- Development of purchasing guidelines and/or supplier codes of conduct

Support measures include:

- Joint development of strategies
- Joint introduction of appropriate certifications

Sanctions can include:

- From delisting certain products 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.

The impact of types of funding and financial products on the interests of all stakeholders is critically scrutinised.



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.



Initial questions

- How do we ensure an adequate level of equity capital?
- How do we implement social and solidarity-based financing in our company?
- How do we assess the ethical position of our financial partners?

B1.1 Financial independence through equity financing

A high level of internal equity capital enables financial independence, economic resilience and protects the company from unwanted external influences and especially from unnecessary financial risks.



Questions for compiling the report

- How can equity provide sufficient risk cover?
- What other equity funding opportunities have been considered?



Compulsory indicators

- Equity ratio
- Industry-average equity ratio

Levels of evaluation



Exemplary

The equity ratio is exemplary within the industry.

Experienced

The equity ratio significantly exceeds the industry average.

Advanced

The equity ratio matches industry levels.

Getting started

Sufficient targets and levels of equity have been set to cover risk, and their implementation has begun.

Baseline

Share capital is paid up or brought in, and the equity ratio meets minimum requirements.



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 equity ratio is defined as the total value of equity in the company's balance sheet divided by the total value of assets.

For associations and autonomous bodies, the proportion of self-financing through member contributions is the deciding factor. Non-profit organisations have to pay attention to the intended purpose of, and restriction on, the reserves.

B1.2 Common Good-orientated borrowing

Any borrowing is a commitment to an increase in the added value, so as to be able to pay interest and make repayments. Borrowed capital should be raised primarily through solidarity financing, for example, subordinated loans from patrons or Crowd-funding support, as these sources will share the same ethos. Only then should loans with ethical banks be considered. Should it be necessary to take out a loan from a commercial bank, the terms and conditions of any additional related risks should be checked.



Questions for compiling the report

- What type and amount of financing through stakeholders and/ or ethical banks can be implemented or are appropriate?
- How can conventional loans be replaced and financial risks decreased?



Compulsory indicators

- Debt ratio (% of loan capital)
- Financing, broken down by type (in thousand EUR)

Levels of evaluation



Exemplary

Predominantly solidarity financing by stakeholders and/ or loans from an ethical bank and full repayment of conventional loans.

Experienced

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.

Advanced

Ongoing implementation of solidarity financing from stakeholders and/ or loans from an ethical bank and repayment of conventional loans in place.

Getting started

Arranging solidarity financing from stakeholders and/ or loans from an ethical bank.

Baseline

Debt repayment period aligned to the period of the depreciation of assets to be financed up to a maximum of 14 years (in compliance with the UOG or comparable local law).



Evaluation tools

Additional financial risks of conventional loans are often high interest charges, short repayment or maturity deadlines, 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.

B1.3 Ethical position of external financial partners

The ethical management of a company's finances can be aided by its choice of financial partners. Ethical and sustainability ratings can be helpful in making this choice but must also be closely evaluated to ensure they are providing relevant information.



Questions for compiling the report

- Which financial partners does the company have?
- How are these financial partners rated in relation to an ethical and sustainable stance?



Compulsory indicator

- Up to three major financial partners; in each case, an institution (e.g. bank), financial product (e.g. loan) and business volume (% of total liabilities).

Levels of evaluation



Exemplary

Financial partners only provide ethically sustainable financial services.

Experienced

Financial partners specialise predominantly in ethically sustainable financial services.

Advanced

Financial partners provide a wide range of sustainable and ethical financial products, are regionally engaged and not involved in unethical projects.

Getting started

Financial partners have their own sustainable and ethical financial products, are regionally engaged and not involved in unethical projects.

Baseline

Financial partners clearly outline the risks in their products and services.



Evaluation tools

After a value-orientated review, ratings following the Frankfurt Hohenheim guidelines are applied next, whereby the social, natural, and cultural compatibility of the partners is assessed.

The term 'financial partner' includes banks, credit institutions or insurance companies and all kinds of financial services providers, with whom a business relationship exists.

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 the 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 profit as dividends to equity holders should only follow after sufficient provisions for the future have been made.



An ECG company

- is sufficiently in funds so that after safeguarding the equitable income of the participating stakeholders, is also able to finance its own sustainability.
- 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.



Initial questions

- What importance does the company give to the social value its expenditure has when it is regarded as income for the various stakeholder groups and the means by which they can secure their futures?
- How is the total revenue requirement defined, and what opportunities are there to achieve this?

B2.1 Solidarity and Common Good-orientated use of funds

An ECG company uses its operating surpluses first and foremost to secure its own future and a fair income for its stakeholders. Profits should not be distributed to shareholders until development expenditures have been provided for - and never if they are effectively financed by new borrowing.



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 rights and 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 issued 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. 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, subject to any payment restrictions and without incurring any new borrowing.



Evaluation tools

A schedule of spending required for securing the company's sustainability 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:

Cash flow from operating activities (= operating revenues minus operating expenses) plus expenditure on strategic items minus payment of employer's salary.

B2.2 Negative aspect: unfair distribution of funds

Significant examples of an unfair distribution are job cuts or the relocation of an entire workplace despite the company's stable profit position. The distribution of double-digit dividends of non-active members' shares is also considered an unfair distribution.



Questions for compiling the report

- Why has a location moved or closed despite being in profit?
- What is the reason jobs are being reduced in the company despite stable profits?
- Why are double-digit returns paid as investment income to non-active members?



Levels of evaluation

From 100 employees, the score is:

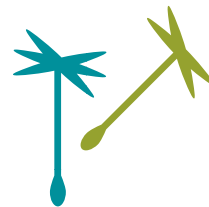
- Reduction of >20% of jobs despite stable profits = 100 minus points
- Reduction of >30% of jobs despite stable profits = 150 minus points
- Reduction of >40% of jobs despite stable profits = 200 minus points
- Dividend distribution on capital invested 10.0 - 12.5% = 100 minus points
- Dividend distribution on capital invested 12.5 - 15.0% = 150 minus points
- Dividend distribution on capital invested > 15% = 200 minus points



Evaluation tools

In case of doubt, the burden of proof must be reversed, i.e. the company must prove that the dismantling of the workplace is justified and the company is involved in the creation of additional employment in the region.

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 into highly effective environmental investments. In the case of corporations, investment should be considered across the group. Establishing or maintaining sites to achieve a lower environmental standard of production is not a Common Good-orientated approach.

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



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 investments.
- 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.



Initial questions

- What effect do our long-term assets have on the environmental footprint, and what approaches are there for the restructuring of alternative investments?
- What environmental issues are we looking at in the design and impact of new acquisitions?
- Which social and environmental consequences are we considering for financial investments and funds?

B3.1 Environmental quality of investments

The objective is to replace the one-sided, earnings-orientated decision-making basis of the investment calculation with a comprehensive analysis and assessment of all changes resulting from the investment. Environmental effects also have longer term consequences. This is why an environmental redevelopment programme plays an important role with existing assets.



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?
- How is the consideration of environmental and social issues safeguarded in investment decisions?
- What redevelopments have been/ will be made specifically?



Compulsory indicators

- Investment plan including environmental redevelopment requirements (in thousand EUR)
- Implementation of environmental redevelopment (in thousand EUR and % data)

Levels of evaluation



Exemplary

Up to 100% of the current redevelopment needs have been met.
100% of new investments lead to a significant improvement in the company's socio-environmental impact.

Experienced

Up to 60% of the current redevelopment needs have been met.
A minimum of 80% of new investments lead to a significant improvement in the company's socio-environmental impact.

Advanced

Up to 30% of the current redevelopment needs have been met.
A minimum of 60% of new investments lead to a significant improvement in the company's socio-environmental impact.

Getting started

The renovation and potential improvement costs of existing assets have been calculated
The investment requirement has been estimated.

Baseline

The company fully complies with all industry, location or commercial licensing of environmental regulations.



Evaluation tools

The redevelopment needs and the potential for improvement are to be continued on an ongoing basis. They will change through implementation, new investment which gives rise to improvement and new environmental solutions. If the company has controlled holdings, the investment plan must be considered as consolidated across the group.

This aspect may be of little importance or not at all appropriate for companies/ organisations that require little or no investment. Often, facilities are leased. The influence on the landlord about corresponding demands would be the subject of A3.

B3.2 Common Good-orientated investment

A company can participate in solidarity financing for a socio-environmental project where legally possible, e.g. a subordinated loan, a mini-credit, a crowdfunding project, a foundation or direct funding.

If, instead of investing directly in projects which benefit society and the environment, the company chooses to invest in sustainable investment funds, the defined exclusion criteria, the spe-

cific positive criteria and the forms of possible involvement in investment decisions should be considered. In this case, there should be little expectation of a return on investment. When deciding to invest in sustainable investment funds, there needs to be proof of its social and environmental effectiveness and a clear statement of the issues to be addressed.



Questions for compiling the report

- To what extent does the company participate in solidarity financing of social and environmental projects?
- What are the sources of information about the expected socio-environmental impact of the projects or sustainability funds on offer?



Compulsory indicators

- Financed projects (in thousand EUR, % of investment)
- Funds assessment (in thousand EUR, % of investment)

Levels of evaluation



Exemplary

Exclusive investment in ethically sustainable or socio-environmental projects or sustainability funds with clear exclusion criteria as well as specific positive criteria, reduced yield claims and maintaining Common Good-orientated principles.

Experienced

Exclusive investment in ethically sustainable or socio-environmental projects or sustainability funds with clear exclusion criteria as well as specific positive criteria.

Advanced

The majority of investment in ethically sustainable or socio-environmental projects or sustainability funds with clear exclusion criteria as well as specific positive criteria.

Getting started

Part-investment in ethically sustainable or socio-environmental projects or sustainability funds with clear exclusion criteria as well as specific positive criteria.

Baseline

Conventional investment without speculative financial products.



Evaluation tools

The importance of this aspect depends on the volume of potential investments.

B3.3 Negative aspect: reliance on environmentally unsafe resources

Environmental consequences of the use of critical resources lead to campaigns for the substitution of these resources and thus 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 necessary exit (divestment) leads to a negative evaluation. Measures to reduce dependency are approved in proportion to their effectiveness.



Questions for compiling the report

- Which environmentally unsafe resources are used for the business model?
- What measures for reducing this reliance have been planned or are being implemented and what result will they bring?
- What does a divestment from fossil fuels mean for the company?

Levels of evaluation

- 100 minus points: missing information on required divestment
- 200 minus points: negating the renouncement of ..., the exit from ...



Evaluation tools

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

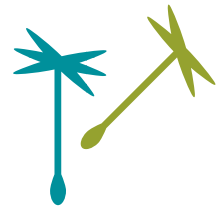
The future independence from environmentally unsustainable products/services/industries will be an important factor in the company's success. A dependency can arise not only through the company's own use of these resources, but also by customers, for example, if a company's products/services are primarily related to companies of critical industries.

In agriculture, the use of genetically modified crops or the use of pesticides would be comparable.

In the case of measures already taken to reduce the dependency or consumption, the minus points can be reduced in proportion to their effect.

As long as a complete exit cannot be fully demonstrated, a negative points score remains.

B4 Ownership and co-determination



A company lives by a shared sense of entrepreneurial activity, a 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. The involvement of other stakeholders can strengthen the community and make the further development of the company more resilient.



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.



Initial questions

- How do we view community in our company?
- What meaning does our legal structure have for the engagement of our employees?
- What form of co-operation is conceivable for our company?

B4.1 Common Good-orientated ownership structure

The distribution of ownership interests aims to safeguard the autonomy and self-determination of the company and helps it to remain independent of individual interests. An interest in maintaining and developing the company's aims and social purpose is the basic prerequisite for a share in ownership. The long term goal is that those who work in the company would have a majority of voting rights.



Questions for compiling the report

- Who are the owners, what shares do they have, what rights, obligations and liabilities?
- What forms of joint decision-making 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 is the expansion and broadening of the ownership structure supported?
- How has the ownership structure developed in recent years, and how is this change safeguarded?



Compulsory indicators

Distribution of equity (equity structure in %, in each case 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.

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 groups 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 courses on management and ownership 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.

B4.2 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. Stock exchange-listed companies are particularly vulnerable if their shares are considered undervalued. For non-listed companies, a similar action may be triggered by a financing bank.

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.



Questions for compiling the report

- What justification is there for a hostile takeover (whether already taken place or planned)?
- How can the company be protected against hostile takeovers?



Levels of evaluation

- 200 negative points: the company attempts a hostile takeover
- 100 minus points: the company has carried out a hostile takeover of a company



Evaluation tools

It is important to obtain consent of the management, the executive board and all employees or significant stakeholders before a possible takeover.

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.

In case of doubt, the transferee must prove that the takeover was not hostile.

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.



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



Initial questions

- What does human dignity in the workplace mean for our company?
- How can we bring more humanity to our company?

C1.1 Employee-focused organisational culture

There is mutual respect, appreciation and trust in the workplace. Mistakes are dealt with in a constructive manner. Conflicts are seen as an opportunity for improvement and resolved on equal terms.

Staff and teams have a high degree of self-management and autonomy for what they do. The company creates an environment in which individual strengths and talents can develop. Employees find meaning in their work.



Questions for compiling the report

- What measures and processes are already in place for an employee-focused organisational culture?
- How are mistakes and conflicts handled within the organisation?
- How are self-management and autonomy of employees encouraged?



Compulsory indicators

- turnover rate
- average length of service
- number of job applications (solicited/unsolicited)
- number and regularity of employee surveys on workplace satisfaction and/or organisational culture
- development opportunities (professional and personal) offered to, and used by employees, in hours per employee or according to management level

Levels of evaluation



Exemplary

There are innovative and/or comprehensive solutions for an employee-focused organisational culture, which are sustainable and in evidence, and the effect of which is felt by the employees.

Experienced

The effect or success of the measures to promote and improve employee-focused organisational culture are apparent and are being analysed. Measures have been widely implemented.

Advanced

Initial measures to improve or promote an employee-focused organisational culture 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 are in the planning stages.

Baseline

A conventional organisational culture prevails.



Evaluation tools

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

- Respect, appreciation, tolerance of mistakes, constructive handling of conflicts:
 - There is non-material appreciation (e.g. appreciation circles).
 - Successes are celebrated.
 - Mistakes are regarded as learning opportunities (neutral or positive).
 - Conflict is seen as a positive opportunity for finding a better solution.
 - There is a high degree of competence among employees for conflict resolution.
- Personal development, utilising strengths and creating meaning in jobs:
 - Employees are given a wide range of possibilities for professional and personal development.
 - Employees 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.

The overall picture and the practical implementation of the above in the daily routine is important here. Employee satisfaction surveys can be helpful.

C1.2 Health promotion and occupational health and safety

Health promotion and occupational health and safety are rooted in the entire organisation and support the good health of employees.

Preventive measures and further employee benefits help to maintain, improve and restore their good health.



Questions for compiling the report

- What measures have you implemented towards health promotion in the workplace and occupational health and safety? How are they evaluated?
- What kind of health issues or injuries could affect your employees, and what measures are in place to protect them?



Compulsory indicators

- 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: benefit details and hours per employee

Levels of evaluation



Exemplary

There are innovative and/or wide-ranging solutions for promoting and improving workplace health and occupational health and safety, which are comprehensive, sustainable and evidently effective.

Experienced

The impact and successes of the measures already taken to improve health in the workplace and occupational safety are visible and are being analysed. Measures are widely implemented.

Advanced

Initial measures to improve health in the workplace as well as occupational health and safety to a level above the legal minimum requirement have already been implemented.

Getting started

Initial measures to improve health in the workplace and occupational health and safety to above the legal minimum requirement, are in the planning stages.

Baseline

No special benefits are offered in terms of health promotion in the workplace. The company complies with statutory health and safety requirements.



Evaluation tools

Practical implementation in the company's day-to-day operations is relevant in the evaluation:

- Measures for occupational health and safety, i.e. an ergonomic and healthy working environment (lighting, ergonomic furniture, electromagnetic fields, air quality and pollutants, accident prevention, noise) and prevention of occupational accidents
- Identifying high-risk groups and measures to minimise risks
- 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, mediation, 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
- Dealing with and providing measures to support employee(s) unable to pursue their work in a regular manner due to an accident, disease, care requirements, etc.

C1.3 Diversity and equal opportunities

Diversity in the workforce is appreciated as a valuable resource, where differences are viewed as an asset. All employees have equal opportunities and the same possibilities are open to all in the company. The company aims to overcome social structures that discriminate against certain people and groups.



Questions for compiling the report

- What role does diversity play in the recruitment and treatment of employees? What company agreements or procedures already exist in this respect?
- In what areas could (potential) employees feel disadvantaged, and what is being done about it?
- What action has already been taken to level out (hierarchical) differences and promote special talents?



Compulsory indicators

- Demographic distribution of employees throughout the company as well as at management levels, in terms of diversity (e.g. age, gender, ethnicity, physical/mental disabilities, sexual orientation, religion - if disclosed and is relevant)
- Take-up of employee benefits associated with health/ diversity: benefit details and hours per employee
- Social diversity in the local area
- Paternity or maternity leave in months
- Breakdown of new hires/turnover figures for each diversity group

Levels of evaluation



Exemplary

There are innovative solutions for promoting and improving awareness of, and approach to diversity and equal opportunities, which are comprehensive, sustainable and evidently effective.

Experienced

Impact and successes of measures already in place to improve awareness of, and approach to diversity and equal opportunities are visible and are being scrutinised.

Advanced

Initial measures to improve awareness of, and approach to diversity and equal opportunities have been implemented.

Getting started

Vulnerabilities and potential disadvantages in terms of diversity, as well as its impact on the workforce are under scrutiny. Initial measures to improve awareness of, and approach to diversity and equal opportunities are in the planning stages.

Baseline

No relevant measures are in place beyond compliance with legal requirements.



Evaluation tools

Possible measures could be:

- adjustments in recruitment and placement (giving preference to under-represented groups)
- consideration of social diversity in the local area when filling specialist and management positions, to achieve above average representation

C1.4 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

- In which areas are there (potentially) inadequate working conditions that do not yet meet the desired standard?
- What feedback is there from the staff representatives or the human resources department?
- What is the procedure for drawing attention to possible misconduct within the company?



Compulsory indicators

- Statement by the staff representatives and/or human resources department regarding the above issues
- Any litigation/legal proceedings regarding violation of labour laws, brought against the company during the period under review

- Number/details of complaints lodged by the staff representatives or trade union during the period under review, as well as the company's response
- Levels of evaluation (with point scores)
- Up to 50 points can be deducted per section (maximum 200 minus points).



Evaluation tools

Where there is doubt due to conflicting information, the employee's view will be the deciding factor in the evaluation. It is therefore important to assess the credibility of each statement.

C2 Structuring of employment contracts



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.



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 themselves.



Initial questions

- How can our employment contracts be tailored to individual needs and at the same time incorporate solidarity and fairness?
- When is it fair (or justified) for pay to be performance related?
- How much work time do we need in our operations (realistically)?
- What positive/negative influence does a contractual employment relationship have on the well-being of our employees?

C2.1 Pay structure

Fair pay has a significant impact on the culture and development of an organisation. Pay should be as transparent as possible based on performance, responsibility, risk, and needs, as well as aligned to pay scales and incentive structures defined by the organisation.



Questions for compiling the report

- How does the company remunerate for work done, and how transparent are the underlying conditions?
- 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?



Compulsory indicators

- Maximum and minimum earnings (spread within the company)
- Median earnings
- Location-dependent 'living wage' (for all operational sites)

Levels of evaluation



Exemplary

A system for self-determining salaries has been developed. Salaries are adjusted individually where necessary and set by the employees themselves.

Experienced

The spread between the highest and lowest earnings within the organisation stands at a maximum of 1:5. The ratio can be adapted to the needs of the organisation if given 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.

Getting started

There are regular analyses and discussions on a fair pay structure.

Baseline

The legal minimum requirements (e.g. minimum wage) 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).

'Appropriate approval' means that other arrangements may be brought about consensually or democratically by employees. In such a case, the maximum ratio must not exceed 1:20 (see Negative aspect C2.4).

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.

C2.2 Structuring working time

Working time is time spent living. The efficient and effective use of labour provided by employees is a direct expression of a respectful and appreciative attitude of an organisation. Work and social participation can better coexist, if the stated goal of the organisation is to reduce working hours and allow work times to be individually structured for each employee.



Questions for compiling the report

- How does 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?



Compulsory indicators

- company-wide working week (e.g. 38 hours)
- overtime paid

Levels of evaluation



Exemplary

A process for self-determining the working week has been developed. The working week is adjusted individually according to needs and set by the employees themselves.

Experienced

The defined working week within the organisation is a maximum of 30 hours. The working week can be adapted to the needs of the organisation with the appropriate approval of all its employees. A mandate is sought when required.

Advanced

Support is given to measures and further training to establish a sensible treatment of employees in terms of work hours and overtime practices.

Getting started

A fair distribution of workload/working time is regularly examined and discussed.

Baseline

The legal minimum requirements are met.



Evaluation tools

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.

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

C2.3 Employment structure and work-life balance

An employment relationship based on contractual commitment influences the well-being of employees. The individually structured employment relationship and job security gives employees long-term planning certainty, and directly nurtures the reconciliation of their occupational and non-occupational activities, such as child-rearing, caring for family members, club activities and holding political office.



Questions for compiling the report

- What working arrangements are offered in your organisation?
- What measures are in place for maintaining the work-life balance of employees?



Compulsory indicators

- List of all possible working arrangements
- Number of executives/employees with individual working arrangements (e.g. part-time, job sharing)

Levels of evaluation



Exemplary

A process for self-determining working arrangements has been developed. Working arrangements are individually adjusted and set by the employees themselves according to need.

Experienced

Employment conditions can be adapted to individual circumstances. Management personnel can also take advantage in line with company ethos.

Advanced

Employees have the option to choose from various flexible working arrangements.

Getting started

The available working arrangements are regularly analysed and discussed.

Baseline

The legal requirements are met. Part time working arrangements are possible.



Evaluation tools

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

Definitions:

- Flexible work arrangements: suggested by the organisation, can be adopted by employees
- Individually tailored working arrangements: custom-made solutions for individual employees

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

C2.4 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 a 'living wage' be secured for all employees? If not, why not?
- What role do work hours 'invested' by employees play in their achievement of their career moves or in assessing their commitment to their work?
- What earnings are justified for assistants and employees receiving training (e.g. students in work placement, apprentices, trainees, interns)?
- What are the risks associated with employing temporary staff (e.g. seasonal workers), and what kind of conditions could offset these risks?
- What is the right contract period that works in the interest of both the organisation and its employees?



Compulsory indicators

- local 'living wage'
- profit
- number of employees
- maximum and minimum wage
- number of flat fee contracts
- number of zero hour contracts
- minimum and maximum contract term for temporary workers
- number of employees (including temporary workers)
- number of temporary workers
- duration of fixed-term employment contracts
- proportion of fixed-term employment contracts
- ongoing temporary contracts that have been extended



Levels of evaluation

- Inadequate 'living wage' despite the organisation's profit earnings
- The spread between highest and lowest salaries in the organisation greater than 1:20
- Pay shortfalls resulting from long-term suspended or regularly delayed payments.
- Earnings disparities for comparable activities in relation to demographic features (gender, ethnicity, age) greater than 10%
- 'Basket' or all-inclusive clauses stipulating automatic payment of 'overtime', that exceed 10% of all employment contracts
- Fixed-term contracts, if their terms exceed two years or if they have been extended more than twice within this period
- Temporary employment, if it runs for more than six months, or applies to more than 10% of employees
- Zero hour contracts



Evaluation tools

This is an overview of unethical practices. Each individual misconduct can carry up to 50 minus points, leading to a total of 200 across all parameters.

The definition of temporary employment includes sub-contracted and seasonal work.

Should training or internship result in considerable outlay by the organisation, the cost can be offset against earnings in a way that is relatively comparable to other organisations

Voluntary activities are evaluated separately, as they are based on the voluntary participation of employees. Special attention must be paid to further training and reporting on self-exploitation, for instance in large charitable institutions and volunteering at major events.

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.



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.



Initial questions

- How do we influence what our employees eat during work hours?
- How are we doing on transport, in particular, commuting to work?
- What measures do we use to promote environmentally sustainable practices among employees?

C3.1 Food during work hours

Approximately one third of the average environmental footprint is attributed to food. Reversing the effects of environmental damage depends, among other factors, on changes in awareness of environmental relationships and an impetus towards changes in people's eating habits.



Questions for compiling the report

- How much importance does the company place on the origin of the food offered in its workplace, and how is this reflected in practice?
- What is offered in the canteen? Are there kitchen/cooking facilities or catering (deliveries, e.g. a fruit basket direct from the farm)?



Compulsory indicator

- Proportion of meals from organic sources

Levels of evaluation



Exemplary

Food is predominantly (> 75%) non-meat. Groceries are mainly local, seasonal, certified organic and from solidarity agriculture where possible. Meat is sourced locally.

Experienced

The majority of food (> 50%) is non-meat. Groceries are mainly local, seasonal and certified organic. Meat is sourced locally.

Advanced

There is clear commitment within the company to adopt sustainable eating habits (significantly reduced consumption of animal products in the works canteen).

Getting started

Initial efforts are in place to promote sustainable dietary patterns, for example, by offering a vegetarian option or subsidising meals in organic restaurants. Fruit baskets are provided.

Baseline

The company has no measures in place to promote healthy eating. Available range of food does not appear to contradict healthy eating patterns.



Evaluation tools

- Company size is crucial to being able to provide a wide range of food. Small businesses cannot be expected to provide canteens - but food could be organised, such as a fruit basket for the staff.
- Even if there is no kitchen in the workplace, positive incentives can be used, e.g. cooperation with local organic or vegetarian eateries or with local health food stores, etc. This has a positive effect in terms of occupational health care.

C3.2 Travel to work

Approximately one fifth of the environmental footprint is attributed to passenger transport, of which more than 90% comes from air and road traffic. Work-related travel represents a significant factor in reducing emissions of this kind.



Questions for compiling the report

- What means of transport do your employees use to come to work?
- What possibilities are there for employees to make their commute more environmentally-friendly?
- What incentives does the company provide to promote more environmentally-friendly means of commuting, also for business trips?



Compulsory indicator

- Proportion of staff arriving by car, on public transport, on a bicycle, or on foot

Levels of evaluation



Exemplary

Thanks to an in-house incentive policy, nearly all employees use public transport, bicycles, car sharing or take the option to work from home.

Experienced

Thanks to an in-house incentive policy, the majority of employees use public transport, bicycles, car sharing or take the option of working from home. Further measures: Parking spaces for employees are for car sharing only, accessibility is an important deciding factor for choosing company location, provision of company bicycles etc.

Advanced

There is a consistent and sustainable company transport policy, e.g. if no public transport network is available: actively organising car sharing, participation in external cycling initiatives, an eco-friendly company car policy (< 130 g CO₂/km), training drivers for fuel-efficiency, financial incentives to use public transport, designated bicycle parking

Getting started

There are signs of a sustainable company transport policy: support for the use of public transport, a review of the company car policy, choice of transport for business trips according to environmental considerations, etc
Bicycle storage facilities are available.

Baseline

The company does not provide environmentally unsound incentives for employees to travel long distances.



Evaluation tools

Depending on the context (production site on the outskirts of town, office in the centre, secluded location, etc.) there is a variety of ways to incentivise or promote more environmentally sustainable means of transport:

- Tickets for public transport
- Reduction of distances travelled through information technology and working from home
- Company shuttle service
- Preferential treatment for car-pooling
- Provision of service bicycles and secure, covered bicycle parking
- Avoiding company cars, etc.

C3.3 Organisational culture, cultivating awareness for an environmentally-friendly approach

Establishing environmentally-friendly behaviour takes knowledge, guidance and practice. An in-house concept of environmentally-friendly behaviour is useful in developing an organisational culture and changing habits.



Questions for compiling the report

- How would you describe your organisational culture in regard to the environment?
- What role do environmental concerns play in staff training and recruitment?
- What awareness-raising activities take place within this framework?
- What strategy does the company follow in regard to the attitude of their staff to the environment (and application in their private life)?



Compulsory indicators

- Degree of employees' awareness of the company's policy on environmental behaviour in %
- Take-up of environmentally friendly employee benefits in %

Levels of evaluation



Exemplary

There are awareness raising programmes for all employees run by the organisation, e.g. regular surveys or discussions on environmentally friendly behaviour, and innovative approaches to raising environmental awareness.

Experienced

Environmental issues are firmly entrenched in further training programmes. Environmental awareness is taken into account in recruitment, staff are regularly included in environmental decision-making.

Advanced

Initial systematic measures are in place to inform the staff on environmental matters, e.g. through further training programmes, case-by-case inclusion of employees in environmental affairs, information events, information posters around the office, addressing environmental matters in newsletters. The management exemplifies environmental awareness. Executives do not drive prestigious company cars, for example.

Getting started

The company selectively recommends environmentally friendly practices.

Baseline

Company culture 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:

- Incorporating environmental themes into the company's suggestion box and further training, running environmental footprint workshops, running workshops for creating an ECG Family Balance Sheet
- Bucket budget for external environmental projects set up or proposed by staff
- 'Green benefits' (e.g. financial support for private actions such as thermal insulation, contribution to cost of housing instead of a company car)
- A recruitment policy that includes an assessment of candidates' environmental awareness

C3.4 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.



Question for compiling the report

- Which of the following negative aspects apply to the company?



Levels of evaluation

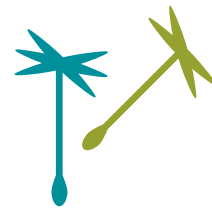
Negative points are set as follows:

- **10 minus points:** there are luxury business vehicles (> 180 g / km CO₂).
- **10 minus points per rule:** there are business rules that encourage environmentally damaging practices, even though positive ones are available, e.g. flying instead of train travel, because it is cheaper.
- **5 minus points per instance:** consumer goods are being offered which use excessive packaging (coffee capsules, food packaging made of PET, drinks packed for single servings, etc.) despite possible alternatives.
- **10 minus points per prohibition:** there are bans on the use of environmentally sustainable products, e.g. recycled paper.
- **10 minus points:** there is visible negligence in the handling of waste, e.g. no separation of waste for recycling (household waste, business waste, rubbish not sorted by material, etc.).

Each case is assessed individually, then the points are combined.

A maximum of 100 points may be deducted.

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.



An ECG company...

- makes all essential 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 to have a high degree of responsibility and freedom to make decisions.
- allows employees to submit their interests, contributions or inspirations, and participate in decision-making.



Initial questions

- How is the value of transparency and participation lived in our organisation?
- What previous experiences have we gained from this?
- What are the fears and reservations over having more transparency and co-determination?
- What are the advantages and potentials of increased transparency and co-determination?

C4.1 Transparency within the organisation

Transparency is an essential prerequisite for co-determination. If employees have access to all essential information, they can form an opinion and actively contribute. In principle, all data should be freely available and be prepared so that they are easily understandable by employees.



Questions for compiling the report

- What data are available to employees, and in what form?
- How easy/ difficult is it for employees to access the data? What physical, intellectual or other hurdles are there? And why?
- What critical or essential data are not freely available to employees? Why not?
- What is being done to make financial data easily understandable for all employees?



Compulsory indicator

- Degree of transparency of critical and essential data (estimate in %).

Levels of evaluation



Exemplary

All essential and critical data are transparent to all employees and are easily retrievable and understandable: there is a culture of transparency.

Experienced

Most of the critical data are prepared in a transparent, easily accessible, and understandable manner: there is a long-standing culture of transparency.

Advanced

Some critical data are prepared in a transparent, easily accessible, and understandable manner. Specific actions for greater transparency have been in place for one to two years.

Getting started

The issue of transparency is being discussed, or there are concrete plans to increase transparency.

Baseline

The scope of transparency meets the legal requirements.



Evaluation tools

- Examples of critical data: records of the board of directors, salary structure (income report), cost accounting, decisions on hiring and firing.
- Essential data: all data necessary for making certain decisions, or those vital to company objectives.
- The limits to transparency: the statutory provisions of data protection, confidential personal information of the employees, the company's protected intellectual property.

C4.2 Legitimation of the management

Employees have dealings with their managers in the day-to-day running of the business. They are best placed to determine the competence of the management in implementing company objectives. The more employees participate and the more possibilities they have to make changes, the greater the actual authority of the management, and the willingness of the employees to cooperate.



Questions for compiling the report

- How are managers selected and by whom? Are they appointed from above or elected from below?
- What are the possibilities for participation between team members? Why/why not?
- What action is taken as a result of employee feedback on their managers?



Compulsory indicator

- The proportion of managers who are legitimised by their own staff through consultation, discussion, participation (= having a voice), and co-determination.

Levels of evaluation



Exemplary

All management, including the executive board, are periodically elected and evaluated by the employees. Employees can even deselect the whole management. There is a culture of management legitimation.

Experienced

Managers are periodically elected and evaluated by employees. Evaluation gives rise to development measures for the management.

A manager can also be deselected.

This has been in practice for several years.

Advanced

Employees are consulted on, or participate in the appointment of managers.

Managers are assessed in regular surveys or discussions.

Getting started

The issue of management legitimation is in discussion. Concrete plans are in place to increase co-determination

Baseline

Managers are appointed without employee participation.



Evaluation tools

- 'Periodical' election means rotational re-election of the management.
- In terms of voting procedures, a 'consensual' method is evaluated as being preferable to 'democratic' (majority) decision-making methods. 'Consensual' applies to various methods of decision-making, that seek the highest possible consensus among all parties involved, e.g. 'consensus moderation' in sociocracy or 'systemic consensus' (Systemic Consensus Principle).
- The capacity to demote a manager is like the emergency brake on a train. Employees should have the possibility to take this step during the management's term of office.
- Evaluation of managers should ensure the highest possible anonymity (to protect workers), while simultaneously gathering as much information as possible to enable the management to learn from the feedback.

C 4.3 Employee co-determination

In principle, employees have both the specialist and the practical competence in their respective work environments. At the team level, employees make decisions independently and extensively, without direction from the top. On all other levels, employees have the possibility for co-determination, exemplifying the bottom-up principle. Co-determination also means collective responsibility. The right of employees' co-determination is based on their readiness to actively seek and learn information to enable them to make informed decisions. To this aim, the company creates the right conditions and supports its employees.



Questions for compiling the report

- In what kinds of decisions can our employees participate, and how?
- What previous experiences does the company have in terms of employee participation?
- What is the company doing to enable more employees to assume more responsibilities and make more decisions?



Compulsory indicator

- 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 by democratic decision making. There is a culture of employee participation.

Experienced

Some decisions are made, where possible, by employee consensus or by democratic decision-making: In practice for several years.

Advanced

Employees are consulted on, or participate (= have a voice) in essential topics and decisions.

Getting started

The issue of employee participation is in discussion. Concrete plans to increase co-determination are in place.

Baseline

Legal rights of co-determination of its employees are respected.



Evaluation tools

- Examples of essential decisions are: setting the budget, recruitment and dismissals, fundamental decisions with long-term consequences, this also applies to decisions that significantly affect the majority of employees or the daily routines of the employees.
- It is NOT about all decisions being made on the basis of democracy by all employees, but rather about always maintaining the right balance between co-determination and operational efficiency/ effectiveness.
- What matters, is that employee co-determination applies in all levels of the organisation. This means for instance, that staff at higher levels can be elected by employees (an example of the bottom-up approach), or that decisions can be made in a direct democracy (existing decisions can be overturned or a new decision introduced with a 10% quorum).
- See C4.2 for information about consensual decision-making.

C4.4 Negative aspect: obstruction of works councils

In many European countries, a works council or staff council is a body set up to represent workers and protect their interests in the company. Ideally, the works council and management should come together and work as equals.



Questions for compiling the report

- Is there a works council? If not, why not?
- What alternatives does the company provide instead of a works council?
- What support mechanisms are there for a works council? How are employees encouraged to form a works council?



Compulsory indicator

- Works council: present/ not present; since when?



Levels of evaluation

- Depending on the severity of the obstructions and the size of the company, up to 200 points can be subtracted.

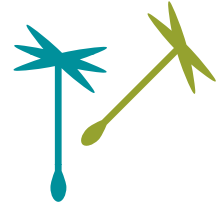


Evaluation tools

- No works council: where there is no works council, the possibility for workers to exercise equivalent rights of co-determination should be reviewed. Anything less can be interpreted as an obstruction.
- Obstruction of works councils: there is an obstruction of the works council if the employer uses various constitutional means to hinder its formation or its election. An anonymous survey of employees, feedback from dismissed employees, or information from trade unions (or other similar bodies) can be helpful here. The onus may be reversed so that the company has to prove that it did not obstruct the formation of a works council, or that there are credible supportive measures in place.

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 ease of 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.



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, 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.



Initial questions

- 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?
- What obstacles and barriers to access do our customers experience in the process of purchasing and using our product or service?

D1.1 Respect for human dignity in communication with customers

Information provided on the company and its products is aligned to the needs of customers and is authentic, comprehensive and honest. Complaints are handled in a pragmatic and solution-oriented way, and feedback is taken on board and used to improve products, services and in-company processes.

A respectful and unobtrusive approach to contact with customers and a commitment to high-quality products and services lead customers to recommend the company to others.



Questions for compiling the report

- How are new customers acquired and what customer care services are provided to regular customers?
- How does the company ensure that the benefit to the customer takes precedence over the pursuit of revenue?

- In what form are ethical issues considered in advertising and in the sales process?
- What is the procedure for responding to requests and complaints from customers and how does the company ensure that a pragmatic approach is taken?



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-related earnings
- Does the company set sales targets for its staff: Yes/ no

Levels of evaluation



Exemplary

An approach to customer relations that respects customers as equals forms an integral part of the company's market positioning strategy. Innovative solutions to ensuring respectful communication with customers are implemented in the long term.

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.

Advanced

Clear and precise ethical guidelines on customer acquisition and customer care as well as the promotion of word-of-mouth marketing are mandatory.

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 and customer care.

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:
 - 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:
 - Access to customer service is good.
 - Customers are offered pragmatic solutions, such as the straightforward exchange of products and reimbursement of the purchase price.
 - Customers are fundamentally free, meaning they 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.

D1.2 Barrier-free access

The term barrier-free access covers the utility and user-friendliness of the product or service, access to information and ease of access at the point of sale. As far as possible, physical, visual, technical, linguistic, cultural, intellectual and financial barriers must be eliminated.



Questions for compiling the report

- What barriers exist with regard to the purchase and use of products and services?
- Which disadvantaged customer groups are targeted by measures to improve access?
- What action is being taken to enable disadvantaged customer groups to access and use products and services?
- Exclusively for B2B: What is being done to ensure that the conditions and services available to smaller companies and companies committed to the common good are at least equivalent to those available to bulk buyers.



Compulsory indicator

- Revenue share generated by disadvantaged groups, as a percentage of the product portfolio

Levels of evaluation



Exemplary

Products and services are specifically adapted to meet the needs of individual disadvantaged customer groups. Special products and services are available to disadvantaged customer groups.

Experienced

Solutions have been developed to overcome the most significant barriers faced by disadvantaged customer groups. These are an integral part of the business strategy and are broadly used across the company. Examples are social pricing and adequate measures to facilitate access.

Advanced

The sales team offers solutions specific to the needs of the relevant disadvantaged customer groups, and appropriate resources are dedicated to the care of these groups.

Getting started

Relevant disadvantaged customer groups are identified. Customers have good access to information.

Baseline

The company complies with legal requirements regarding disadvantaged customer groups.



Evaluation tools

Disadvantaged customer groups include people with mental, sensory or physical impairment, people with special needs, elderly people, people with another mother language, people experiencing socio-economic deprivation, people from a minority ethnic or faith background, or because of gender or sexuality. NGOs, non-profit organisations, civil society projects and initiatives, non-commercial institutions from the fields of education, health and social services and micro-businesses can also be included in this category.

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

D1.3 Negative aspect: unethical advertising

The list of individual advertising activities below describes practices that are difficult to reconcile with an ethical approach to customer relations.



Questions for compiling the report

- Which specific advertising or sales activities are potentially problematic or could be unethical? Why? What ethical alternatives are there?
- What advertising activities are carried out in addition to the provision of an informative homepage, neutral product information and usage instructions and the dissemination of knowledge?



Compulsory indicator

- Proportion of advertising expenditure attributable to ethical and unethical campaigns



Levels of evaluation

Each individual measure can receive up to 50 negative points. A total of up to 200 negative points can be allocated for all measures.

In-company:

- Bonuses for the conclusion of specific sales
- Fixed sales figures; annually increasing sales targets
- Promotion of certain products regardless of the needs of customers or the market
- Guidelines and psychological training for staff working in customer acquisition, involving the denigration of competitors and systematic research on the individual tendencies of potential customers with the aim of implementing manipulative strategies
- Misuse or sale of data, sharing of customer data without obtaining explicit consent, circumvention of data protection regulations

External:

- Making false statements, exaggerating a product's positive features, withholding information
- Discriminatory and stereotyping advertising techniques, such as the unnecessary inclusion of women or men who correspond to current beauty ideals, but who have no genuine relevance to the advertised product; the reinforcement of stereotypical roles and clichés, such as women at the stove, cleaning or caring for children. Other discriminatory practices which may be viewed as racist, homophobic etc.
- Presenting everyday products as status symbols or linking them with values that are only marginally relevant to the consumer's experience of the product, for instance using slogans such as "Because we love you" (used by a public transport company) or "The taste of happiness" (used by an ice cream manufacturer)
- Mass advertising or unsolicited advertising which intrudes in people's everyday lives or which is difficult to escape ('push' advertising such as posters, banner advertising on websites, TV/radio adverts)
- Advertising targeting children and adolescents with the aim of encouraging them to exert pressure on their parents
- Pyramid schemes or multi-level marketing (sales strategies based on encouraging people to 'recruit' customers from within their own social network)
- Excessive or unreasonable prices
- 'Bait' offers below the cost price
- Deliberate incentivisation of over-consumption, e.g. "all you can eat", "3 for 1" offers
- Intrusive advertising, e.g. unsolicited visits by sales representatives, mass phone calls or charity membership acquisition through street fundraising activities
- Hotline queues which are more expensive than local calls or stalling techniques in hotline queues designed to collect more fees



Evaluation tools

The evaluation takes into account the overall impression of advertising activities, how extensively they are used by the company and the extent to which customers are placed at a disadvantage.

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.



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.



Introductory question

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

D2.1 Cooperation with other companies

Cooperation with other companies manifests itself in a friendly, cooperative and fundamentally respectful attitude towards companies operating in the same and other sectors. Cooperating companies share a common objective and strive to achieve this so as to create a win-win situation for all involved. Companies work together with other companies on solutions, products and services that recognise and meet the needs of customers with the overall aim of ensuring that everyone can reap the benefits.



Questions for compiling the report

- With which companies is cooperation already taking place and what are the objectives of this cooperation?
- With which companies is cooperation envisaged in the future and in which areas?
- In which areas is knowledge and information shared with other companies?
- Which measures to improve industry standards have been/are being implemented or are at the planning stage?



Compulsory indicators

- How much time and/or resources are spent on developing products or 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 to improve environmental/social/quality standards within the industry

Levels of evaluation



Exemplary

As a matter of principle, products and services are offered in cooperation wherever possible. Knowledge and information is fully accessible to fellow companies. Industry standards have already been increased (active implementation).

Experienced

Initial cooperation has taken place with companies operating within the same industry. Knowledge and information are made available to companies in the same industry and cooperation serves to raise industry standards.

Advanced

Initial cooperation has taken place with companies from other industries or with companies operating in the same industry but based in another region. Active efforts are made to establish contact with other companies. Knowledge and information are shared with companies operating in other industries.

Getting started

A fundamentally amicable relationship is maintained with other companies. There is a general willingness to cooperate and requests to enter into cooperation with other companies are taken up. Knowledge and information are made available on request.

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 field and region and thus serving a different target group.

Cooperation can take place at various stages of the value chain: R&D, cooperative marketing, production resources and facilities, joint product and service offers, etc.

Knowledge and information can be passed on in different ways, depending on the company purpose. These include publications on the company website and in bro-

chures or other literature, knowledge transfer via workshops or talks, the protection of intellectual property and the licensing of use.

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 can aim to raise 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.

D2.2 Solidarity with other companies

Solidarity with other companies is demonstrated through a spirit of partnership and mutual support free from self-interest, where companies help each other through difficult situations or in the case of shortages. This solidarity might be expressed by making staff, funds or technology available to the company in need or passing on orders or contracts. This assistance is not conditional on a return service or compensation. The focus is on helping the company in need to help itself while allowing it to retain responsibility and ownership.



Question for compiling the report

- In which areas does the company demonstrate solidarity towards other companies and provide assistance without expecting anything in return?



Compulsory indicators

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

Cooperative alliances with other companies are practised as part of the business model.

The company's offer of help and willingness to share is communicated publicly in a format freely accessible to all.

Experienced

Extensive experience has been gained in making staff members, job orders, funding and technology available to other companies to support them in their activities or help them through emergency situations. Helping and sharing with other companies in the same industry is seen as good practice.

Advanced

Initial experience has been gained in making staff members, job orders, funding and technology available to other companies to support them in their activities or help them through emergency situations. Helping and sharing with companies in other industries is seen as good practice.

Getting started

The company is prepared to demonstrate solidarity through concrete actions. Solidarity on request: the company responds to requests for assistance.

Baseline

The company does not help other companies as a matter of principle.

Evaluation tools

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.

D2.3 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).



Questions for compiling the report

- In what areas could the company be hindering or harming other companies or otherwise disrupting their activities?
- How much importance is attached to gaining market share and what attitude is taken toward market leadership?



Compulsory indicators

- Do company communications make judgmental comparisons (better/worse/USP) with the performance, products and services of other companies?
- Is a predatory pricing strategy pursued for at least one product or service?
- Are secret/covert price-fixing agreements concluded with other companies?
- Is the maximisation of market share at the expense of other companies, customers or producers a component of the corporate strategy?
- Are numerous patents obtained for the company's own product ideas which are not further pursued or used and which have the potential to or are indeed intended to limit other companies' capacity for development, research and innovation?



Levels of evaluation

- The company exhibits predatory behaviour towards other companies, placing strong emphasis on its own superiority and making judgemental comparisons with other companies. The primary focus is on serving the interests of the company itself and not on meeting customer needs in the best way possible.
- Other companies are discredited, sometimes subliminally.
- The maximisation of market share at the expense of others or to the detriment of consumers or producers is enshrined as a strategic corporate objective. The aim is to displace other companies.
- Numerous patents are obtained for the company's own product ideas which are not further pursued or used and which have the potential to or are intended to limit other companies' capacity for development, research and innovation.
- The company abuses a dominant market position to the detriment of customers through predatory pricing, (secret/covert) price fixing and cartels.

Up to 50 points may be deducted per sub-aspect, and a maximum of 200 points in total.

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



The use and disposal of products and services often have negative impacts on the environment. These should be reduced to the greatest possible extent. Specifically, this applies to impacts which occur through use on the part of the customer or consumer (energy consumption, emissions, etc.), the recycling of the product and its ultimate disposal.



An ECG company...

- provides comprehensive information about the environmental life cycle of its products and services, including their use and disposal;
- 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 (working towards sufficiency).



Initial questions

- How do our customers use and dispose of our products and services (purpose, frequency, duration, manner)?
- What environmental impacts result from the use and disposal of our products and services?
- What comparable alternatives to our products and services exist, and what are their environmental impacts?

D3.1 Environmental cost-benefit ratio of products and services (efficiency and consistency)

The use of products and services should be as consistent or efficient as possible. The term consistent is used to describe a product that is integrated into natural cycles. Its use and disposal have no or only very limited impact on the environment. The term efficient is used to describe a product that has the best possible ratio of utility and/or satisfaction of needs to negative environmental impact.



Questions for compiling the report

- To what extent is the company aware of the environmental impacts resulting from the use and disposal of its products and services?
- 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?
- How does the company's business model take account of the need to reduce environmental impacts resulting from the use and disposal of products and services?

Levels of evaluation



Exemplary

Comprehensive data on environmental impacts are available for all products and services, and the business model and product portfolio are optimised in terms of environmental impact. Products and services have no or significantly lower negative environmental impacts than comparable alternatives (only clearly unavoidable environmental impacts offset). The company can demonstrate maximum recovery and disposal rates.

Experienced

There is a clear, comprehensible strategy for the long-term adaptation and optimisation of the product portfolio and business model with regard to environmental effects. Comprehensive measures are in place to promote the reduction (including offsetting) of environmental impacts, including extensive recovery and disposal programmes. Products and services have a consistently lower environmental impact than comparable alternatives.

Advanced

Comprehensive data on environmental impacts are available for the majority of the portfolio. There is a clear, comprehensible strategy and discernible measures are in place to reduce the environmental impact of the overall portfolio. Products and services largely have a less significant environmental impact than comparable alternatives.

Getting started

Initial calculations and/or estimates of environmental impacts have been made. Initial measures to reduce environmental impacts and offset unavoidable impacts have been carried out. Some products and services have a lower environmental impact than comparable alternatives.

Baseline

The company possesses no data on the environmental impact of its products and services. No company strategy or measures are in place to reduce the environmental impact of products and services. The company's products and services comply with all legal requirements in terms of their environmental impact.



Evaluation tools

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

Information can take the form of absolute values or relative comparisons with comparable products and services (environmental accounting, life cycle assessments, etc.) or, where appropriate, 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.

D3.2 Moderate use of products and services (sufficiency)

In addition to designing individual products and services more efficiently, it is essential to promote moderate (sufficient) overall use. Ultimately, this is the only effective way to reduce environmental impacts at a society-wide level.

Reducing overall use requires a company to rethink its activities more profoundly than improving efficiency and consistency. Reducing consumption runs contrary to the prevailing growth paradigm. At the same time, customers should be afforded the freedom to make a responsible decision on what proportion of their theoretical personal 'budget' of environmental impacts they wish to invest in what area, for instance whether they want to prioritise nutrition, mobility or housing.

Business models that focus on reducing consumption and increasing the priority given to immaterial assets help ensure a positive overall benefit to customers based on the principles of sufficiency.



Questions for compiling the report

- To what extent does the business model pursue the objective of promoting sufficiency or moderate use?
- To what extent are the issues of sufficiency or moderate use of products and services addressed within the company?
- What strategies and measures are in place to promote moderate consumption or the sufficiency-oriented use of products and services?
- What products and services are specifically designed to foster moderate use or support the principle?
- To what extent do company communications with customers aim to promote moderate use?

Levels of evaluation



Exemplary

The promotion of moderate consumption is a key component of the business model and the company's approach to customer relations. The product portfolio only contains products and services that support a lifestyle based on the principles of sufficiency.

Experienced

The company's strategy and activities aim to adapt the product portfolio in the long term to favour products and services that promote sufficiency. Through its communications, the company seeks to actively promote moderate use and provides consumers with clear and comprehensive information regarding the environmental impacts of its products and services.

Advanced

A strategy is in place to promote sufficiency and the moderate use of products and services, and initial measures have been implemented. 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 is beginning to explore ways of promoting sufficiency and the moderate use of products and services. 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 does not actively promote sufficiency, but it also does not knowingly allow disproportionate environmental impacts to be incurred. The company complies with legal requirements in communications with customers regarding the environmental impacts of its products and services and is not misleading.



Evaluation tools

Moderate consumption: 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.

Fostering moderate consumption through the promotion of...

- recyclability and reusability;
- durability and reparability;
- special service offers.

Potential measures include:

- price advantages and incentive schemes to encourage repair, reuse and shared use;
- extended warranty, inexpensive repair service;
- development of products and services that promote the principles of sufficiency, such as car sharing, cradle to cradle, products made using easily separable materials;
- information on more environmentally friendly alternatives (including competitors')

products and services) and incentives to buy these products, recommendations not to buy certain products, information on the environmental impact of all products and services, measures to raise awareness of moderate use among customers, communication via telephone or electronic means rather than travelling to meetings.

Among other things, **sufficiency-oriented business models** take into account the principles of exchange, sharing and repair (in the field of use) and recycling, reuse and re-processing (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 and recyclable (e.g. cradle to cradle) or at least produced with environmentally sound disposal in mind (e.g. using materials that can be separated easily). 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.

Notes on communication:

- Misleading forms of communication such as greenwashing are examined more closely under negative aspect D1.3 'Negative advertising'.
- Basic background information on environmental impacts might include short briefings on individual topics (greenhouse gas 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 interconnected 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.

D3.3 Negative aspect: wilful disregard of disproportionate environmental impacts

In parallel to the two positive aspects, activities will be evaluated which result in disproportionately significant negative environmental impacts. These are impacts which collectively result in planetary boundaries being exceeded.



Questions for compiling the report

- In what areas is excessive use promoted by pricing policies, incentive systems, planned obsolescence, etc., be it actively encouraged or tacitly condoned?
- What products and services have the potential to exceed planetary boundaries if used once or a small number of times by each person in the world or if current levels of use are maintained or increased?



Levels of evaluation

Depending on the extent of the environmental impacts, which vary according to the specific industry, the product and the size of the company, a total of up to 100 points can be deducted. As a guide, 50 points are deducted for:

- the wilful disregard of excessive use resulting from pricing policies, incentive schemes, planned obsolescence, etc.;
- products or services in the portfolio which will result in planetary boundaries being exceeded if they are used once or a small number of times by each person in the world.



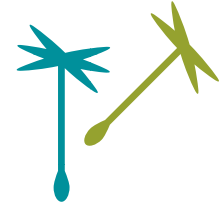
Evaluation tools

Products and services are considered to have disproportionate impacts when the combination of environmental impacts per use and 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.).

As regards sufficiency, the focus is on the wilful disregard of disproportionate environmental impacts when a company seeks 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 or activation of needs, e.g. long-haul flights in the case of travel agencies
- misleading communications (e.g. greenwashing; see negative aspect D1.3 for a more detailed explanation).

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.



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.



Initial questions

- What opportunities for co-determination or decision-making rights do we afford our customers?
- How do we involve customers in product development and market research?
- How transparent is the material composition of our products, including any potentially harmful substances they may contain, and how prices are set?

D4.1 Customer participation, joint product development and market research

Participation gives customers a voice and necessitates unfiltered communication right up to the management level. A participatory approach to product development and market research allows customers to contribute their ideas and wishes and thus to help the company improve existing products, develop new products or facilitate their distribution among customers. Products that successfully fulfil sustainability criteria should be given special attention. Market research serves to optimise the way in which customer needs are met and to increase the capacity of customers to make decisions in their own interest.



Questions for compiling the report

- What specific opportunities for co-determination and decision making rights are customers afforded and how are these communicated?
- Are products and services with a higher sustainability impact developed in cooperation with customers?
- What is the objective of market research activities?



Compulsory indicators

- Share of product and service innovations that have arisen with the participation of customers
- Number of product and service innovations contributing to greater social and environmental sustainability that have arisen with the participation of customers

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.

Experienced

The company practices an institutionalised, open and transparent form of customer participation. Constructive feedback is largely acted upon. Customers' views are taken on board and fed into innovation processes. Customer dialogue helps the company achieve sustainability-oriented improvements.

Advanced

Customer feedback is systematically documented and frequently acted upon. New developments take the wishes of customers into account.

Getting started

Customer feedback is occasionally sought. Customers are occasionally asked for suggestions on potential product improvements.

Baseline

No opportunities for participation; reactive approach to customer feedback



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.

Market research is considered exemplary if it explores opportunities for improving the quality of products and services from an environmental and social perspective, e.g. longevity or recyclability.

D4.2 Product transparency

Product transparency enables customers to make accurate judgements on the (higher) environmental and social quality of products and services and the levels of sustainability in the value chain. This serves to ensure fair pricing and facilitates discussion with partners in the value chain, including the interested public.



Questions for compiling the report

- How publicly accessible and transparent is product information?
- What information is provided on the material composition and environmental characteristics of products and services?
- What information is provided on pricing along the value chain?
- What is known about the extent of the socio-environmental impacts caused by the products and services but not included in their price (externalised impacts)?



Compulsory indicators

- 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)
- Extent to which the costs of products and services are externalised

Levels of evaluation



Exemplary

All available information on products is fully disclosed and a percentage breakdown of all price components is provided. Fully transparent information on the externalisation of costs is also provided.

Experienced

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

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

To a certain degree, 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

The company complies with statutory declaration requirements.



Evaluation tools

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.

Externalised costs are those which are incurred outside the company and impose a burden on the community.

D4.3 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.



Questions for compiling the report

- Do the products contain substances that may be harmful to consumers or the environment?
- Do harmful side effects occur even when the products are used as intended?



Compulsory indicator

- Proportion of products containing hazardous substances or posing risks that are not publicly and transparently declared (as a percentage of revenue)

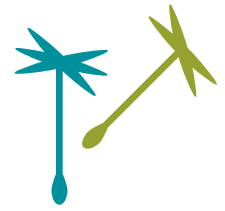


Levels of evaluation

A maximum of 200 points can be deducted in the following situations:

- Hazardous substances are not declared (at least 50 points, increasing depending on the degree of risk).
- The company does not inform consumers of possible harmful side effects (at least 50 points, increasing depending on the degree of risk).

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 make a direct contribution 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 society; for example, overcoming poverty, providing high quality nutrition, education and health for all people, and addressing social inequality.



An ECG company...

- offers products and services that contribute to a good life for all, and that 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.



Initial questions

- 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?
- What are the social effects of the production and use of our products and services?

E1.1 Products and services should cover basic needs and contribute to a good life

Many products and services in the West are short-lived luxury items that are of negligible benefit to customers. Pure consumerism burdens the environmental resources of our planet. Furthermore, increasing levels of one-sided consumerism threaten social cohesion and communities.



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 way of life?
- How do products and services promote the personal growth and health of individuals?
- What social or environmental problems (regional or global) are solved or reduced with our products and services?



Compulsory indicators

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

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

All products and services meet the basic need of personal development, or promote the diversity of the biosphere without harmful effects.
B2B: The majority of customers also fulfil these requirements.

Advanced

Products and services fulfil most basic needs for a healthy and good life. A substantial proportion of products and services also promote the healthy development of humans. No product or service provides pseudo, negative or inhibiting benefits.

Getting started

Products and services fulfil most basic needs for a healthy and good life. A minority of products or services provide pseudo, negative or inhibiting benefits.

Baseline

All products or services promote status over meeting basic needs, or provide pseudo, negative or inhibiting benefits.



Evaluation tools

When evaluating the company's products and services, these should be classified according to whether they satisfy the basic needs for a simple and 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:

1. Subsistence/ health/ well-being
2. Protection/ safety
3. Affection/ love
4. Understanding/ empathy
5. Participation/ comfort
6. Leisure/ recreation
7. Creation
8. Identity
9. Freedom/ autonomy

In addition, the type of benefit provided to the customer should also be evaluated (according to Max-Neef). Products or 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.

- Multiple benefit: the product or service fulfils multiple positive benefits.
- Singular benefit: the product or service fulfils a single benefit only, e.g, a sports event may only have the benefit of being a leisure activity.
- Inhibiting benefits: TV shows, for example, satisfy the need for recreation, but can inhibit creativity and inventiveness.
- Pseudo benefits: in mechanistic medicine, for example ('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.
- Negative benefit: these are products and services that can make it more difficult to satisfy basic needs; for example, nuclear power stations, weapons, slot machines or violent video games.

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

E1.2 Social impact of products and services

As well as offering a benefit to their customers, the products and activities of ECG companies offer socio-cultural solutions to some of the greatest challenges facing humanity; for example, overcoming poverty, ensuring high quality nutrition, education and health for all, and addressing social or environmental shortcomings. The focus here is the effect on any stakeholders other than the company's customers.



Questions for compiling the report

- How do products and services help to strengthen the personal and professional life of communities?
- Which interest groups are affected by activities that take place outside the company? Through what measures?
- What do the measures achieve specifically? For example, an increase in knowledge, changes in attitude or behaviour, or changes in lifestyle.



Compulsory indicators

- Type and number of activities and measures put into place per year
- Number of people reached; for example, readers or visitors

Levels of evaluation



Exemplary

Consumer behaviour (including that of non-customers) is changed due to the company's activities; for example, buying directly from farmers instead of in supermarkets.

Creative new approaches to encourage changes in behaviour have been taken, and discussions concerning this have been ongoing for many years.

Experienced

People's knowledge and attitudes (including those of non-customers) have been changed. There is an awareness of how to meet social challenges; for example, repairing rather than buying new, or recycling rather than throwing away.

Advanced

Information regarding possible solutions go beyond the company's own customers; for example, information about the advantages of organic farming in terms of health and regional added value.

Getting started

Awareness of serious social or environmental problems in the industry, implementing first analyses, and planning for problem solving; for example, studies on planned obsolescence of electrical goods.

Baseline

The company does not take an interest in the positive or the negative effects its activities have on society.



Evaluation tools

Social impact goes beyond a company's customer base. The focus here is on the people that are reached who are not directly associated with the company; for example, local residents, other people in the region, communities, national and international NGOs, citizens' initiatives. When evaluating effects on society, it is important to go beyond themes and information that are solely about the product, e.g.

- Additional information on the packaging
- Workshops on deep ecology offered by an organic supermarket
- Organic farmers who illustrate environmental links on the land they farm

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

E1.3 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 living things
- People's freedom
- Nature



Questions for compiling the report

- What direct and indirect negative effects do our products and services have on the life and health of living things?
- What is their impact on the freedom of people and on our planet's biosphere?



Compulsory indicators

- Sales figures for the unethical products and services listed below
- Proportion of customers who manufacture or sell such products



Levels of evaluation

Sales figures for 'unethical' products and services and corresponding negative score

- up to 2% | 100 minus points
- up to 5% | 150 minus points
- over 5% | 200 minus points



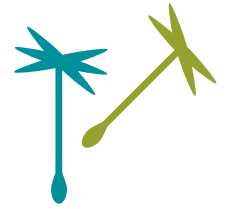
Evaluation tools

The following products and services are considered to be unethical or inhumane:

- Products and services for the military, especially weapons of mass destruction and weapons that have been prohibited under international law, such as CBRN weapons (chemical, biological, radiological and nuclear), cluster munitions and antipersonnel mines. Exceptions: weapons with 90% or more civilian or police use
- The construction and operation of nuclear power stations, nuclear reprocessing plants or nuclear waste disposal, the incineration of radioactive material and uranium mining
- Release of genetically modified organisms (animals and plants)
- Manufacture of chlorine, organochlorine compounds or chlorine containing products, especially in the plastics industry
- Manufacture and distribution of ozone depleting chemicals
- Manufacture of agrochemicals (pesticides, fungicides, herbicides)
- Manufacture and use of genetically modified plants and seeds
- Failure to deal with human rights violations
- Use of child labour
- Manufacture of alcohol, drugs, tobacco and tobacco products (exceptions: wine, beer and alcohol products for 'social drinking', and drugs for medical purposes)
- Food and drink products with a high sugar content including those with misleading labels ('only natural sugar' or 'no added sugar')
- The production and distribution of pornographic products and violent computer games
- Air transport of passengers or cargo representing more than 10% of revenue

- Products that have been tested on animals except when required by law (e.g. cosmetics or detergents)
- Gambling: betting and manufacture or distribution of gambling devices
- Embryo research
- Media, in which more than 75% of content is either non-educational, culturally insensitive or violent entertainment
- Raw material production with questionable or controversial environmental impact, e.g. shale gas and oil sand extraction
- Construction or operation of plants that emit toxins or electrosmog, e.g. mobile phone masts on residential buildings with a magnetic field greater than 0.4 microtesla
- Conventional production and trade of animal products (except where minimum animal welfare standards meet EU organic regulations)

E2 Contribution to the community



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 that can either promote or harm society and its structures.



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 these contacts and financial flows.
- puts measures in place to prevent corruption and inappropriate non-payment of tax both internally and in its operations with direct business partners.



Initial questions

- How do we strike a fair balance between what we do for society and its institutions, and what we gain by doing so?
- How socially engaged are we? What is the aim of such activities?
- To what extent are these activities motivated by self interest? Does this involvement provide us with additional benefits, whether deliberately planned or otherwise?
- What are the effects of our activities? What social impact do we have (individually and structurally)?
- How do we ensure that our activities prevent - or, at the least, do not facilitate - corruption and inappropriate non-payment of tax?

E2.1 Taxes and social security contributions

Every organisation benefits from society and its institutions - be this through grants and subsidies, or, as part of the community, through the services it provides and its existing infrastructures. All these benefits and services are financed with taxes and social contributions.



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 from society and its institutions? (e.g. through grants and subsidies)
- What indirect financial contribution does the company make through job creation and the taxes and contributions this generates? (e.g. employee income tax and social security contributions)



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
- The difference between the gross and net payroll tax (sum of 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 created (profit before tax plus interest on borrowed capital plus income from rents and leases) and thus give the net tax ratio.

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.

Experienced

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

The company's management views its tax contribution positively.

Advanced

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

Getting started

Taxes and social contributions are transparent and declared in full.

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 profits.



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.

E2.2 Voluntary contributions that strengthen society

Many organisations make voluntary contributions that go beyond their statutory duties - e.g. by donating financial or physical resources, or by using their position and contacts to support civil society initiatives and benefit society as a whole ('positive lobbying')



Questions for compiling the report

- How much money, resources and specific activities does the company put into charitable works? (list of all activities and their monetary value)
- How does the company's individual gain from these activities compare to the benefits they provide to society as a whole?
- What lasting changes do the charitable works of the company make, or are they mainly relieving symptoms?
- How established are these activities? What experience does the company already have with each one? How firm is its commitment?
- What is its overall strategy or vision with regard to charitable works?



Compulsory indicator

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

There is an established outcome management, which has been in place for many years.

Experienced

The company has been involved in extensive charitable works in several areas over many years.

There is evidence of effect.

Advanced

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

Early evaluations of the impact of these activities are available.

Getting started

The company is aware of the contributions it makes to the community and discloses these openly.

Individual voluntary contributions are made, but to a lesser extent and without evaluating their impact.

Baseline

No voluntary contributions are made to the community.



Evaluation tools

The more a company deploys its core competencies and productive resources (land, labour, capital and knowledge), and the less it gains in doing so, the higher their **voluntary contributions** can be evaluated.

In addition to the contributions made, the **social effect** (the 'social footprint') of these measures should be taken into account. This would be represented by actual changes to specific target groups or to society as a whole, such as greater knowledge, increased skills, and positive changes in behaviour within the target group, as well as lasting structural changes within the community as a whole (e.g. strengthening social institutions, creating shared assets, or increasing social trust in the community).

Charitable works can be quantified in monetary terms (% of the annual turnover or annual working time that is dedicated to voluntary activities in the community)

The evaluation is based on the company's overall performance. Charitable works might be limited in some types of organisation, especially in the non-profit sector, which should be taken into account when making the evaluation.

Specific individual measures are less effective than long-term commitments.

Assuming responsibility for specific activities is highly regarded (charitable donations alone do not entail assuming responsibility, whereas running an educational establishment for the disadvantaged demands a significant commitment).

The diversity of measures taken, and the extent to which they address the cause of any problems is also relevant.

E2.3 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 contribution paid), to the countries and societies in which they operate.

Major international companies can use a wide range of practices to take advantage of the fiscal differences in different countries to minimise their tax burden. The tax they pay can therefore be significantly lower than that of small and medium sized companies in the countries where they operate.

This negative aspect therefore only applies to large companies that operate on the international market. It should be noted, however, that there are also risks associated with international online trade and the digital economy.

Any activities that entail a legitimate reduction in tax paid are not taken into account (appropriate tax advice should be taken with regard to this).



Question for compiling the report

- What risks are there within the company with regard to inappropriate non-payment of tax? Close attention should be paid to the following issues:
 - Are profits shifted between countries? What is the basis for this?
 - Are interest, licence fees or other payments made to companies in other countries for intangible services?
 - Does the company have business partners in tax havens?

- Is there a risk during the course of financial transactions, that undocumented money can flow into private channels, or that money might be laundered?
- Are the beneficiaries of all business and financial partners openly declared?
- Are international financial transactions transparent? Is there country-specific reporting?
- What measures has the company put into place to tackle these risks?



Compulsory indicators

Is the company part of an international group, does it do business with other international partners, or does it participate in the digital economy? If so, the company should publish the names of all subsidiaries, affiliated companies and business partners overseas who receive a considerable share of the company's turnover (above 10%).

Country-specific reporting:

- Turnover
- Value created: profit before tax plus interest on borrowed capital plus income from rents and leases
- Investment volumes
- Number of employees, gross wage bill, net wage bill
- Taxes and social contributions paid (broken down by type of tax: tax on profits, payroll tax, etc)
- Funding received
- Interest and other payments for intangible services (e.g. licence fees) to overseas subsidiaries or partners.



Levels of evaluation

The evaluation should be focussed on the share of actual taxes paid in a country in relation to the theoretical contribution that would be paid on overall wealth created. However, since the data on unacceptable non payment of tax is unlikely to be openly disclosed, all activities of the company that might entail tax avoidance should be closely examined.

For all practices listed below, 50 points should be deducted (up to a maximum of minus 200):

- There has been one proven case of fraudulent accounting with the aim of avoiding tax.
- There is no transparency with regard to international financial transactions or with regard to economic beneficiaries of recipient companies.
- There is an inappropriate shifting of profits between subsidiaries of a company, or between partner companies in countries with lower tax rates.
- The investment of funds is carried out in countries with lower capital tax rates.
- Company headquarters or branches have been relocated, deals have been made with partners, or offshore companies have been set up to hide profits or to pay less tax.



Evaluation tools

The evaluation should focus on the risk potential of each company. Small and medium-sized businesses whose operations are largely regional, have little potential for inappropriate tax avoidance. The larger a company is, and the more it operates internationally, the greater the risk.

The requirements for transparency, therefore, increase as the risk does.

Should there be a significant potential for such practices, then it is the company's duty to be transparent in proving that it has not taken part in any inappropriate tax avoidance schemes. In case of doubt, an estimation is acceptable to determine any loss of points.

E2.4 Negative aspect: no anti-corruption policy

Corruption covers all practices in which the pursuit of individual gain causes harm to society and its institutions. The term is used here to describe not only bribery and fraudulent behaviour, but also non-transparent lobbying, nepotism, favouritism, misappropriation of common assets (e.g. wrongful allocation of subsidies, or bypassing obligations to invite tenders), and illegal donations to political parties and elections.

Corruption is usually associated with wrongful advantages for officials and representatives. They can be tangible or intangible.

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

Questions for compiling the report

- What corruption risks are there within the company, its suppliers and its clients?
- What measures have been put into place to prevent corruption in sales and purchasing?
- How careful are the company's dealings with officials and political decision makers?
- What lobbying activities is the company involved in?
- What donations does the company make to political parties?
- How does the company raise awareness among its employees?
- What precautions against corruption exist in decision making processes?
- How are conflicts of interest (personal and organisational) made visible, and what appropriate rules of conduct are there?

Compulsory indicators

- Are donations to political parties declared openly?
- Are all lobbying activities and lobbying expenditures declared openly (included in the Lobbying Register)?
- Are employees encouraged to report corruption, and are they given protection (anonymity) to enable them to do so?
- Has a budget been specifically allocated for social ventures? (see under positive aspect: effective ways of contributing to the strengthening of society)



Levels of evaluation

The evaluation focusses on those measures aimed at preventing or dealing with corruption.

For all shortcomings listed below, 50 points should be deducted (up to a maximum of minus 200):

- lack of transparency: non-disclosure of donations to political parties, non-inclusion in the Lobbying Register, non-disclosure of conflicts of interest
- lack of awareness raising or setting a good example by the company's management with regard to corruption risks: no code of conduct, no training or education in critical areas, no awareness of sanctions in the case of misconduct
- insufficient measures to prevent, detect, or address corruption: no opportunities to report corruption, no protection given to whistleblowers, no separation of duties, no four-eyes principle
- lack of contractual clauses to prevent corruption (in work, supplier or client contracts)



Evaluation tools

Every company should identify potential corruption risks. How comprehensive measures need to be, will depend on the risk entailed. The range of negative evaluations can be adjusted to sections of each aspect.

Transparency rules apply to both business activities and personal details:

- Accepting gifts
- Accepting paid work once the term of office has come to an end
- Disclosure of all financial interests and assets which can lead to a conflict of interests in any undertaking
- Sideline activities

Typical measures to prevent corruption include:

- Rotation
- Many eyes principle
- The principle of separating duties between the authorising officer and the accounting officer
- Reporting requirements for irregularities
- Transparent access to critical documents
- Inclusion in the stakeholder register (Lobbying Register)

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.



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 negative environmental impact, and designs its procedures and processes to be resource-efficient, economical and low in harmful substances.
- shares its knowledge and improvements within the industry with other stakeholders.



Initial questions

- How do we recognise and avoid potentially harmful environmental effects?
- What comparisons can be made with the environmental impact of the manufacturing processes of companies in the same industry or region, and what conclusions can we draw from this?

E3.1 Absolute impact and management strategy

If the economy is to be environmentally sustainable, all companies are required to limit their environmental impact. The aim is to reduce emissions and the consumption of resources, as well as limit the use of harmful substances, technologies and processes. An established environmental management system should serve to define strategies and responsibilities, develop and implement measures, and verify their effect.



Questions for compiling the report

- What negative environmental impacts are associated with the manufacturing or operating processes? The following standard assessment criteria should be taken into account:
 - Greenhouse gas emissions (CO₂, N₂O, CH₄...)
 - Fine particle and inorganic emissions
 - Chlorofluorocarbon emissions (ozone depletion)
 - Emissions that contribute to acidification (SO_x, NO_x, CO₂)
 - Emissions that contribute to photochemical pollution (organic compounds, NO_x, SO_x)
 - Ionising radiation
 - Emission or use of toxic substances
 - Use of fertilisers in agriculture (contributing to eutrophication)

- Land consumption
- Water and mineral consumption (resource depletion)
- What data is collected and published with regard to emissions, noise pollution, waste, consumer goods, and energy and water consumption? (environmental accounting)



Compulsory indicators

Relevant environmental accounts should be produced, depending on the activity of the company:

Environmental 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 | m³
- Use of chemicals (toxic and non-toxic) | kg
- Paper consumption | kg
- Other consumables | kg
- Artificial lighting | lumen, kWh
- Pollutant emissions and other environmental impact | in accordance with standard impact categories

Readings should be converted to commercially relevant parameters (e.g. kg CO2 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 and has shared the results with other companies in the same sector. It has scored a maximum of four evaluation points (see table under 'evaluation tools').

Experienced

The company publishes all data on standard impact categories, and scores a maximum of 12 evaluation points (see table under 'evaluation tools'). It 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 collates the relevant figures and has strategies for improvement.

Getting started

The company has started to identify key environmental impacts, has assumed responsibility, and introduced a reporting system.

Baseline

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



Evaluation tools

Companies whose environmental impact in the standard impact categories is significant receive the following points for the most harmful environmental pollutants:

Impact category	Parameter	Evaluation points
Climate change: CO ₂ -equivalent gas emissions	t per employee	up to 2 t/employee: 0 points per t above this: +1 point each
Fine particle and inorganic emissions	µg / m ³	<2 µg / m ³ : -1 point <10 µg / m ³ : -0.5 points <20 µg / m ³ : -0.1 point ≥ 20 µg / m ³ : +10 points
Ozone depletion: Chlorofluorocarbon emissions	kg CFC-11 equivalent	If applicable: +1 point
Emissions that contribute to acidification	mol H ⁺ equivalent	If applicable: +1 point
Emissions that contribute to photochemical pollution (organic compounds, NO _x , SO _x)	kg NMVOC equivalent (non-methane volatile organic compounds)	If applicable: +1 point
Ionising radiation	kg of U-235-equivalent	If applicable: +1 point
Toxicity: Emission of toxic substances	CTU - comparative toxic units	If applicable: +1 point
Eutrophication: use of agricultural fertilisers	Land (mol N equivalent) Water (kg P/N equivalent)	Organic agriculture: 0 points non-organic agriculture: +1 point all others, if applicable: +1 point
Land consumption	Year-over-Year increase in kg C	if > 10%: +1 point
Resource depletion: Water and mineral consumption	water in 1000 m ³ /MA mineral, fossil: Antimony equivalent	+ 1 point / 1000 m ³ If applicable: +1 point

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. The threshold is the value indicated for each category where 0 points have been allocated (or 0, if no threshold has been given)

The EU directive on industrial emissions (2010/75/EU), and the European Pollutant Register (EC-VO 166/2006) must be observed. Companies that have something to report in this area, cannot be exemplary.

E3.2 Relative impact

It may be helpful to draw comparisons with other companies in the sector or region when identifying ways to reduce the environmental impact of core activities. The basis for evaluating the relative environmental impact is best practice or current industry-wide standards.



Questions for compiling the report

How great is the environmental impact of the manufacturing process compared to:

- best practice or current industry-wide standards?
- companies in the same business sector or region?



Compulsory indicator

- relevant figures based on environmental accounting or the parameters used in the sector or region (see E3.1)

Levels of evaluation



Exemplary

The company's efforts in reducing its environmental footprint is significantly above average (they are industry leaders).

Experienced

The company's efforts in reducing its environmental footprint is above the industry average, and it has put clearly recognisable measures into place to improve further.

Advanced

The company has put clearly recognisable measures into place to reduce its environmental impact, which go further than current industry-wide standards.

Getting started

The company is familiar with best practice or industry-wide standards. Measures to reduce its environmental impact are being planned.

Baseline

The company is either unfamiliar with best practice or industry-wide standards, or has not put measures for improvement into place.



Evaluation tools

Less information is required from smaller companies with no significant production processes. The following minimum information is required to make an evaluation: energy consumption (electricity and gas), transport operations (approximate distance covered in km, form of transport used) and consumption of resources.

E3.3 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.



Questions for compiling the report

- What operating licences and regulations are there, and are these adhered to?
- How is compliance with relevant laws and regulations monitored? Are these adhered to or are there violations of the law?
- Have there been any complaints or disputes with residents with regard to environmental pollution?
- Are there any disputes with other stakeholders? (civil society initiatives, NGOs, etc)
- How do regional technical and legal standards compare to those in other locations of the company?



Levels of evaluation

A maximum total of 200 points are deductible for the following infringements (depending on the severity, the duration of the infringement and the extent of damage):

- There is no directory of operating licences, laws and regulations, and no list of hazardous materials: deduct a maximum of 10 points
- Complaints have been made locally against the company: deduct 10 points
- There has been an infringement of environmental regulations. This is being addressed: deduct 10 - 60 points
- There has been an infringement of environmental regulations. Measures have been introduced although the rate at which this has been done does not correspond to the potential danger: deduct 60 points
- There has been an infringement of environmental regulations, but no action has been taken: deduct 100 points
- Specific harm has been caused locally: deduct 30 - 60 points
- The environmental infringement is legal locally, but illegal in other regions where the company operates: deduct 100 points

Where there has been a deliberate cover up, 200 points should be deducted. In such cases, the reliability of the information provided under E3.1 and E3.2 may also be in doubt.



Evaluation tools

Infringement of environmental regulations is assessed based on the ratio between damage caused and the company's monthly production. If the damage is small, 10 points are deducted. The greater the damage, the higher the point deduction. Injury to persons is always assessed as high. Local complaints might include reports in the press or petitions to the local authority.

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, a lack of discussion or a lack of involvement. Decision-making should be co-operative, informed and democratic.

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



An ECG company...

- is transparent about any activities and involvement that is of legitimate interest to the public.
- gives all interested parties the right and the opportunity to raise objections, request public information about its core activities, and to enter into dialogue.
- is engaged in active dialogue with all relevant stakeholders, including not-for-profit organisations who represent the interests of stakeholders unable to do so themselves (future generations, nature, animals, the countryside).
- takes into account the legitimate interests of these groups when making business decisions.
- values transparency and co-decision making as the basis of an educated, democratic, open and pluralistic society.



Initial questions

- How transparent, honest, complete and unambiguous is our information policy especially with regard to risk assessment and any potential harm our activities may cause to society and the environment? How factually based is this policy?
- What do we do to better understand the effects of our core activities, and to make these effects transparent?
- How do we make co-decision making possible with regard to the legitimate interests of local residents, stakeholders, future generations and nature?
- How do we make our policies on transparency and co-decision making visible?

E4.1 Transparency

Transparency builds trusts and makes participation possible. A transparent company gives relevant stakeholders a comprehensive insight into its activities. It systematically endeavours to gain knowledge, exchange information, and enter into debate.



Questions for compiling the report

- What important or essential information is collected for stakeholders?
- How is this information conveyed? (depth and breadth, how it is published)
- Is it critically reviewed by an independent body?
- How easily accessible is this information to the public?



Compulsory indicator

- Publication of a Common Good Report or equivalent social accounting.

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.

Experienced

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

Advanced

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

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 and honest reporting based on facts.

Baseline

No social accounting available online or in any other easily accessible publication, and no short-term plans to implement such reporting.



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

E4.2 Social participation

All interested parties have the right, and should be given the opportunity, to raise objections, request public information about a company's activities, and to enter into dialogue.

Stakeholders should be addressed directly and included in any relevant decision making. This type of participation ensures socially responsible behaviour from the company, and helps to avoid conflict and subsequent costs.



Questions for compiling the report

- How can citizens enter into dialogue and participate in an open, non-coercive and blame-free debate?
- How can stakeholders represent their interests with regard to the company's activities?
- How is the outcome of any dialogue documented, and how is this incorporated into decision-making?



Compulsory indicators

- Stakeholders' share of co-decision making (degree of participation in %)
- Is there an established infrastructure for dialogue (e.g. ethics forum, ethics committee): yes / no?

Levels of evaluation



Exemplary

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

Experienced

Relevant stakeholders are actively included in discussions concerning all important projects.

Comprehensive, easily accessible documentation is available.

Advanced

Relevant stakeholders are actively included in discussions concerning some important projects.

Adequate, easily accessible documentation is available.

Getting started

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

Baseline

There are no opportunities for citizens or stakeholders to enter into dialogue with the company's decision makers or to be part of the decision making process.



Evaluation tools

The following points are relevant for the evaluation:

- The degree of participation (consultation, dialogue, co-decision making)
- 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)

E4.3 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.

Harm can be caused by:

- Misinformation (being deliberately deceitful or inventing 'facts')
- Causing irrational fears or downplaying risks to the general public, future generations and nature.
- Discrediting scientific knowledge
- Promoting stereotypes, resentment or prejudice



Questions for compiling the report

- What information about the company does not correspond to corporate reality? Where are there significant differences and why?
- To what extent does the company influence public opinion, directly or indirectly, through misinformation?
- To what extent does information published by the company contradict scientifically-based research or go against human rights?



Levels of evaluation

The following are given a negative score (maximum of -200 points):

- Failure to recognise any of the above mentioned behaviours.
- Tolerating the spread of rumours or untruths as facts to the company's own advantage
- Wilful spreading of rumours and untruths as facts, and causing doubt, uncertainty and fear.
- Wilful omission of information to conceal any risks or impacts.



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.