

Auxilium Expatbiz Services is an alliance of experts delivering services and products to companies and individuals from the US and other countries with business or other economic interests in Central Europe. This edition of our »EuroGateway Publications« recapitulates an EXECUTIVE SUMMARY published in Nov. 2011 in German for your free use! **Together we create value across cultures!**

## The German Sustainability Codex

On October 13<sup>th</sup>, 2011 the »Rat für Nachhaltige Entwicklung« (board for sustainable development nominated by the Federal Government of Germany) adopted the German Sustainability Codex »GSC« and forwarded it together with introductory suggestions to the German Government. The GSC is designed to make entrepreneurial sustainability measurable and comparable between organizations. It is expected to advance sustainable economy in Germany noticeably. The intention is that the economy will be oriented to direct capital to sustainable business models. The initiative's origins are said to stem from investors and financial analysts aiming at translating entrepreneurial sustainability achievements into the language of financial markets enabling better assessments and augment investment potential.

Application of the GSC shall be in addition to the German Corporate Governance Codex and on a voluntary basis by publishing a declaration of compliance and exemptions. Prior to adoption, it was tested by 28 large enterprises of which 19 published such a declaration. What does this mean for companies coming to Germany from abroad?

## International Standards

The GSC follows up purposely on existing international standards such as GRI and ISO 26000. It is expected to be accepted as an example of Best Practice in Europe and globally. Its basis is the definition of sustainability of the Brundtland Commission dated 1987: »Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs«. This overall concept was acknowledged by the Community of States at the United Nations Conference of Environment and Development in 1992 and is the basis of the German Government's strategy for a sustainable development published in 2002.

A further objective of the Board of Sustainable Development is to follow and supplement the worldwide trend to expand reporting in the direction of a »Triple Bottom Line« taking account of ecological, social and economical aspects.

## Comply or Explain

Unternehmen:	Comply: Kurzbericht mit Quelle (max 500 Zeichen)	Explain: Erklärung Nicht-Erfüllung (max 500 Zeichen)
<b>Strategische Analyse, Strategie und Ziele</b>		
1. Das Unternehmen legt offen, wie es für seine wesentlichen Aktivitäten die Chancen und Risiken im Hinblick auf eine nachhaltige Entwicklung analysiert. Das Unternehmen erläutert, welche Maßnahmen es ergreift, um im Einklang mit den wesentlichen und anerkannten branchenspezifischen, nationalen und internationalen Standards zu operieren.		
2. Das Unternehmen legt offen, wie die Strategie für die wesentlichen Aktivitäten und ihre systematische Umsetzung alle Aspekte der Nachhaltigkeit berücksichtigt, die einen wesentlichen Einfluss auf das Unternehmen haben, zum Beispiel die strategische Positionierung im Wettbewerb, das Innovationsmanagement, die klima-, umwelt- und ressourcenschonende Geschäftstätigkeit, die demografische Entwicklung, die Wertschöpfungskette, der Produktlebenszyklus, das Produktportfolio etc.		
3. Das Unternehmen legt offen, welche qualitativen und/ oder quantitativen sowie zeitlich definierten Nachhaltigkeitsziele gesetzt und operationalisiert werden und wie deren Erreichungsgrad kontrolliert wird. Das Unternehmen legt offen, wie wesentliche Lieferanten, Mitarbeiter, Kapitalmärkte, Kunden und wesentliche Anspruchsgruppen regelmäßig einbezogen werden.		
4. Das Unternehmen gibt an, bis zu welcher Tiefe seiner Wertschöpfungskette die Nachhaltigkeitskriterien überprüft werden und welche Bedeutung Nachhaltigkeit für die Wertschöpfung hat.		
<i>Leistungsindikatoren</i>		
GRI 1,2	Beschreibung der wichtigsten Auswirkungen, Risiken und Chancen.	
oder		
EFFAS 1.5.1.	Das Unternehmen soll die Bedeutung von ESG für die Unternehmensstrategie beschreiben und erklären, wie ESG-Aspekte bei der Strategieimplementierung berücksichtigt werden.	
<i>Branchenspezifische Ergänzungen</i>		
Sektor-KPI		
Sektor-KPI		
<b>Regeln und Prozesse</b>		
5. Verantwortlichkeiten für die Nachhaltigkeit des Unternehmens in der Unternehmensführung werden		

**Figure 1**

The Board of Sustainable Development published on its [website](#) a [Template](#) (Figure 1) for downloading to ease implementation of the procedures for the declaration of compliance and exemptions. The GSC lists 20 criteria in the fields of strategy, business processes, incentive systems, stakeholder engagement, innovation and product management, usage of resources, rights of employees, human rights, community, political control and anti corruption. The declaration shall explain whether and to which extent those criteria are fulfilled in addition to listing the internal rules relevant for those criteria. Additionally, one or two indicators of performance are required for quantification. If the criteria are not fulfilled the exemptions shall be explained.

## Target group

---

The GSC is supposed to be an instrument for transparency that can be used by companies of all legal statuses and all sizes. Its all-embracing implementation in enterprises of all sizes in industry, trade, and services is suggested. At the same time it is described as an instrument for the Capital Market which will make evident the company's contribution in sustainability for its creation of added value. An external audit is expressly not required but in the introductory suggestions to the Government it is pointed out that a certificate of independent accountants will provide the credibility of the declaration of compliance and exemption.

Taking existing older international approaches into account, it remains to be seen how the GSC will be received and applied. Such international approaches are the Environmental, Social and Corporate Governance criteria for Sustainability and Ethical Impact and for Social Responsible Investments or the CERES principles for entrepreneurial ecological ideals and the CERES Roadmap for Sustainability. The workload in creation of the GSC was with consultants, NGOs, and academics that provided 60 % of the feedback in the conception phase with the basis being too small for statistical relevance.

## Conclusion

---

We suggest for **small and midsize companies** to consider the criteria of the GSC in their Risk Assessment. Employing the list of criteria as a checklist will make analyzing non-financial risks (positive and negative effects of uncertainties on objectives) – for example those regarding reputation, resources and environmental management or staff – easier and more reliable. Beyond this, a direct application and publication of a declaration of compliance and exemption can still be limited to companies with special stakeholder interests. Contact us for a customized assessment of your obligations and the value the GSC can bring to your company at [dr.herdmann@expatbiz.eu](mailto:dr.herdmann@expatbiz.eu)!

Author of this edition of »EUROGATEWAY PUBLICATIONS« is:

---

**Dr. Frank Herdmann** | LEAD MANGER  
Auxilium Expatbiz Services  
Gluckweg 10 | 12247 Berlin | Germany  
tel.: +49 30 771 90 321 | mobile: +49 172 301 9124  
[dr.herdmann@expatbiz.eu](mailto:dr.herdmann@expatbiz.eu)

If you have any question regarding this publication please contact the author!

Dr. Frank Herdmann is Managing Partner of **Auxilium** Management Service. He is a C-level manager with a legal, financial, and operational background. He has a demonstrated track record in generating improved efficiency and higher profit margins and is highly-skilled at working in multiple-targeted assignments in both the public and private sector.

edited by **Sandra Weiner**, M.Ed, M.C.C. | MANGING MEMBER

We invite you to visit our website (<http://expatbiz.eu>) and to sign up to »EUROGATEWAY LEADER«, our database for doing business successfully in Central Europe!