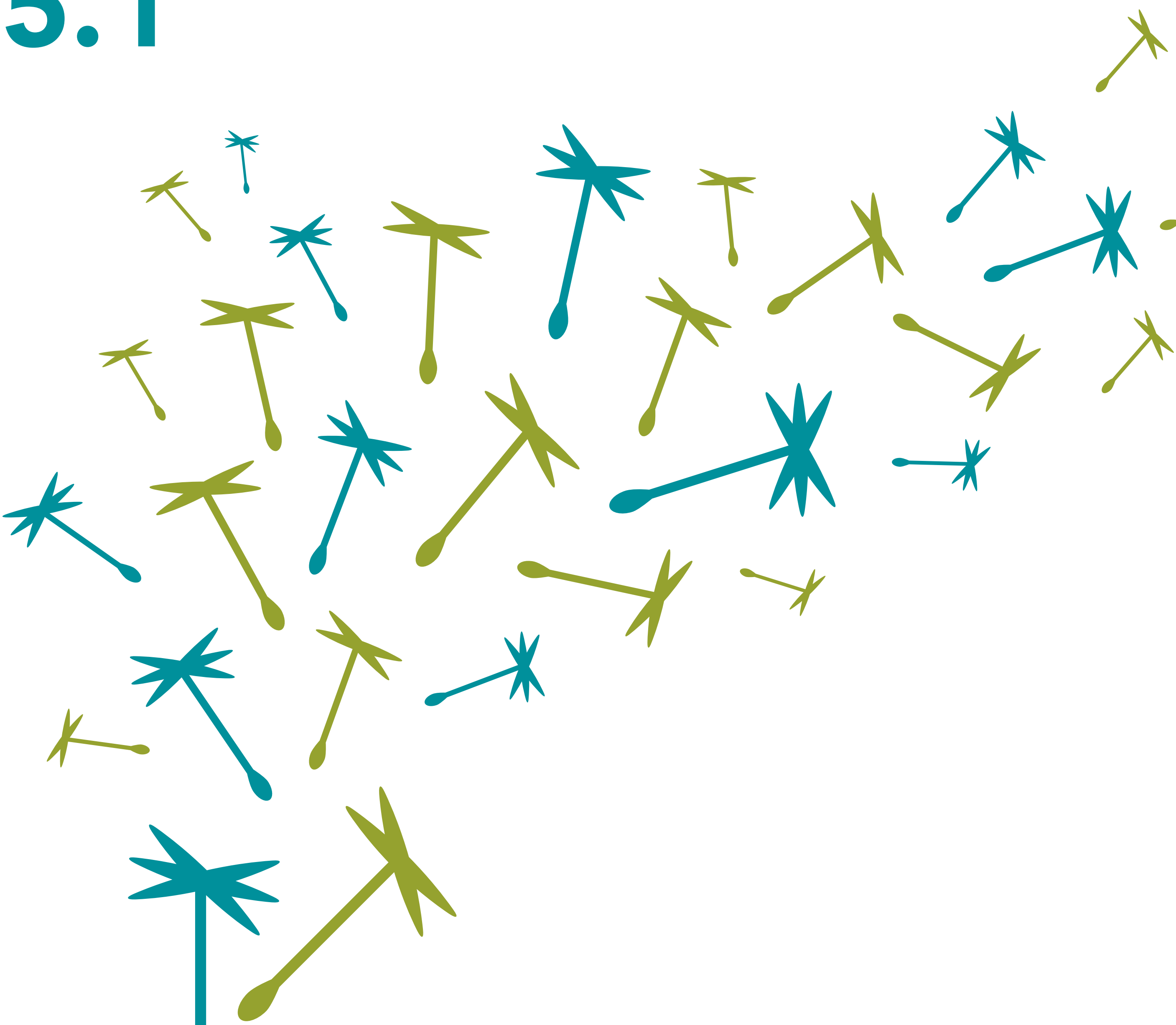
WORKBOOK

FULL & COMPACT BALANCE SHEET 5.1



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Preface

This workbook introduces the Economy for the Common Good movement's most emblematic practical instrument. The Common Good Matrix is a tool for future-fit organizations. It provides a transparent and structured framework to describe and evaluate their holistic contribution to the common good, based on 20 themes. This workbook is designed to guide them through the complex journey of aligning their management, strategy, product development, operations, governance and ownership with the core values of the Economy for the Common Good (ECG): human dignity, solidarity and social justice, environmental sustainability, transparency and co-determination.

Ethics in business is not an abstract concept; it can be evaluated, even measured, compared, and improved upon, enabling organizations to make real, tangible contributions to the general welfare, a sustainable society or: the common good. Through our work and over time, we have proved that it is not only possible, but essential, to obtain relevant, accurate and reliable data and formulate specific steps towards a better path.

In our rapidly evolving socio-economical and political landscape. The Common Good Matrix must adapt and evolve to remain relevant and effective. The launch of Matrix 5.1 is our response to the new challenges and opportunities that have arisen, especially within the context of the EU's Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), next to the Taxonomy project and the Sustainable Finance strategy. At the same time, the walk towards converging international sustainability reporting standards and practices has started. We will be proactively part of this process.

Since our foundation, we have evolved from a grassroots movement ("Economy for the Common Good") into a global organization ("ECOnGOOD"), shaping the discourse around corporate purpose and sustainability. Our path has been marked by ground-breaking innovation, transsectional cooperation, practical application, and constant learning.

The Matrix lies at the heart of our practical instruments ("real-life prototypes") developed from the micro to the meso to the macro levels of economics: from finance to business to the whole economy. Over the years, the ECG movement has created a comprehensive portfolio of tools, procedural formats and other resources. These are designed to assess performance and increase the accountability of various entities towards the health of people and planet, including start-ups, corporations, financial institutions, municipalities, national authorities, groups, and individuals. Our tools ensure that all these entities play their part in preserving our environment, strengthening democracy and increasing social cohesion and societal well-being.

- Common Good Balance Sheet: A comprehensive tool for evaluating an organization's contribution to the common good. It assesses various aspects of an organization's operations, including human dignity, solidarity, social justice, and environmental sustainability. It can be applied by companies, educational institutions up to universities, practicing professionals, or municipalities.

- ECOnGOOD Label: A certification seal awarded to qualifying organizations in diverse sectors. It serves as a mark of recognition for their commitment to social, ethical and environmental considerations and enables transparency by presenting the results and score of their ECOnGOOD-audited Common Good Report in real time through a QR code.
- ECOnGOOD Business Canvas: A strategic planning tool for new or emerging organizations, essentially start-ups, to anchor their purpose and contribution to socio-ecological change in and with their business model.
- Common Good Bank Account: A basic product for banks to step into the field of sustainable finance, or, in our preferred terms: common good banking.
- Common Good Product and Index: Innovative measure that can be used by policymakers and societies from cities to nations to overcome the limitations of GDP. Thanks to a participatory process with substantial citizen involvement, it is possible to define, target, measure and achieve directly the well-being of people and nature, instead of through a detour via endless material growth on a limited planet.

The Common Good Balance Sheet and the ECOnGOOD label facilitate the gathering of relevant data and compliance with the CSRD and CSDDD, but they go beyond, embodying a blueprint to incorporate sustainability into core operations, strategy and governance. With the Matrix 5.1, we hope to inspire institutions to strive for a deeprooted commitment to ensure a healthy and happy life for all humans and species on our unique planet.

It’s a pleasure to present Common Good Matrix 5.1

Contents

1. Introduction

1.1. Understanding the workbook

This workbook helps companies and other organizations to prepare a Common Good Report. It contains all you need to understand the themes and aspects of the Common Good Matrix, and enables you to understand, evaluate and prepare your own Common Good Report. It's aimed at consultants and auditors, but those new to ECG can also deepen their understanding. In additional information, you can find working examples and their scores. You can find the "Additional information" on the same page as this workbook.

In this workbook the terms "theme" and "aspect" are used. Theme refers to one ECG matrix cell (e.g.: A1). Aspect refers to one sub-theme (e.g.: A1.1).

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 organizational development. It describes 20 Common Good themes and gives guidance on how to evaluate organizations based on Common Good principles. In the matrix, stakeholder groups are organised in rows, and ECG value groups in columns. With the matrix it is possible to evaluate each stakeholder for each value.

Common Good Matrix 5.1

VALUE / STAKEHOLDER	HUMAN DIGNITY	SOLIDARITY AND SOCIAL JUSTICE	ENVIRONMENTAL SUSTAINABILITY	TRANSPARENCY AND CO-DETERMINATION
A: SUPPLIERS	**A1** Human dignity throughout the supply chain	**A2** Solidarity and social justice throughout the supply chain	**A3** Environmental sustainability through-out the supply chain	**A4** Transparency and co-determination throughout the supply chain
B: OWNERS, EQUITY AND FINANCIAL PARTNERS	**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 AND CO-WORKERS	**C1** Human dignity at the workplace and working environment	**C2** Design of fair and just working agreements	**C3** Environmentally friendly behaviour of staff	**C4** Co-determination and transparency within the organization
D: CUSTOMERS AND BUSINESS PARTNERS	**D1** Ethical customer relations	**D2** Cooperation and solidarity with other organizations	**D3** Environmental impacts of products and services during use and end-of-life	**D4** Customer participation and product transparency
E: GLOBAL COMMUNITY, NATURE AND LIVING BEINGS	**E1** The purpose of products and services and their effect on society	**E2** Contribution to the community	**E3** Reduction of environmental impact	**E4** Transparency and co-determination

A Common Good Report evaluates an organization's contribution to the common good. The preparation of a Common Good Report is part of the reporting process. It includes a description of how the organization's activities relate to each of the 20 common good themes by answering the reporting questions and assessing the verification indicators laid out in this handbook. This will show how developed each value is within the organization. For each theme, this workbook describes how the individual values apply to the relevant stakeholder group.

The Economy for the Common Good Certificate documents the evaluation of the individual themes, gives an overall score (Common Good Points), and presents results in the layout of the Matrix (a concise overview on one A4 page). A Common Good Certificate is awarded by an auditor accredited by the Economy for the Common Good organization.

Together, the Common Good Report and Certificate make up 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 or the online tool.

With Matrix V5.1 for the first time an international workbook for **Compact Reporting** is available. To this end, the 'Questions for compiling the report' and 'Verification Indicators' of each theme and aspect are flagged with the abbreviation "FV" for "Full Version". These questions and verification indicators are to be reported additionally for Full Version Matrix 5.1.

Questions and verification indicators that are not flagged are to be reported in both, the Compact and the Full Version.

The compact version serves many organizations as first entry to Common Good reporting. It is less demanding in terms of reporting duty and depth of detail for individual questions and verification indicators. Here is an overview of Full Version reporting and Compact reporting in terms of data points to be reported.

DP	Full Version		Compact versior	DP reduction	Indicators	Questions	Check
A-row	60	A-row	36	24	5	19	24
B-row	91	B-row	81	10	3	7	10
C-row	99	C-row	92	7	2	5	7
D-row	94	D-row	72	22	13	9	22
E-row	130	E-row	105	25	8	17	25
Total	**474**		**386**	88	31	57	88
Prozent	100		81,4	18,6	35,2	64,8	100,0

Generally, the principle of proportionate demands in the reporting duty applies. That means, that a reporting organization's size and impact is taken into account when auditing the reports. Questions and indicators that do not apply, either in Full Version reporting or Compact reporting, should be answered with 'does not apply'.

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 organizations for their second and subsequent balance sheets.
- The Compact Balance Sheet provides a brief summary of all the themes. Small organizations can use this version on a permanent basis. Organizations with 11 - 50 employees (or their full-time equivalents) can use it twice. Large organizations 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 are an introduction to each theme, while the report questions relate directly to the information required to make an evaluation. It is highly recommended you use the ECG report template as this will help you prepare the report in the right format.

Each verification indicator which is considered relevant should be answered. If an indicator is not answered, the reasons for omissions should be explained in the report. If no data is available for verification indicators, other indicators can be used and the reason should be explained.

In addition to the verification indicators, the organization makes its own decision regarding what contents to include and how detailed this should be. It should, however, be presented clearly and comprehensively to facilitate the subsequent audit of the report. Auditors ensure that quality standards of reports are met, and comparability is maintained. They can also request more detailed information. The reporting period covers two years. Your organization should decide whether to report by calendar or financial year.

1.5. Evaluating the impact on the Common Good

The purpose of the evaluation is to show the impact of an organization's activities on the common good. As part of the process, the organization 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 an organization's activities and the impact they have on each of the stakeholder groups of the matrix.

The evaluation will be made for each aspect according to the "Levels of evaluation" section proposed in each aspect. The levels of evaluation include 5 levels of evaluation: Baseline, First steps, Advanced, Experienced and Exemplary. Each one is described in its specific interpretation according to each aspect. In addition, a baseline is given for all aspects, which describes the minimum level required for an ECG-driven organization. In many cases, this is defined according to existing legal standards, but in some cases, it exceeds these. Information and interpretation guidelines are available to help with the evaluation process. These include a list of indicators and criteria that can be used to allocate and justify levels. These are found in the "Evaluation tool" section, and the "Verification Indicators" section of each aspect. The indicators are needed to verify what is written in the narrative and to justify the evaluation.

In an evaluation, levels are allocated in accordance with an assessment scale, i.e. "Levels of Evaluation": first steps, advanced, experienced, and exemplary. The association with a level of evaluation involves including all relevant information and indicators, and viewing them as a whole. Each level builds on the previous one and achievement of the previous level is a prerequisite for a higher level. For example, to be awarded the level of experienced, all criteria under advanced need to be met. This rule, however, is to be interpreted pragmatically. Minor discrepancies do not necessarily lead to a level-downgrading. Each evaluation level is given a score depending on how ECG-driven the theme is within the organization, 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
First steps	1
Baseline	0

The total score is the sum of each theme's individual score.

Evaluation level	Interpretation
Exemplary	"*Good Result and Impact - Positive Change in Society*" Innovative, visionary solutions to humanity's greatest challenges have been implemented (e.g. abolishing poverty, solving the climate change problem, peace, …). Results and impacts are evaluated. Data confirm that measures taken are effective in terms of positive change.
Experienced	"*Good Systematic Action*" Systematic action: pilot projects are scaled up to long-lasting policies and actions, and/or to the whole organization. Results and impacts are started to be measured (highest experienced score) and are used for designing further improvements.
Advanced	"*Good Action*" From thought to action. Pilot projects and actions are started to improve on the topic. A pilot could involve only a part of the organization.
First steps	"*Good Will*" Extensive information gathering on the topic, especially on risks, intensive discussion, sincere commitment for improvement on the topic.
Baseline	"*Business as Usual*" The organization does not do anything about the topic. Normally, this behaviour coincides with compliance with the law. However, legal contexts might vary from country to country with strict regulations or absence of regulation.

Full Balance Sheet

- Every aspect is rated on a scale from 0 to 10, and is weighted according to its relative importance within each theme (low/medium/high/very high).
- Each theme is evaluated using the Balance Sheet calculator or online tool. 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.

The Common Good Matrix allows for a degree of flexibility, so that companies and organizations can make their own contribution to their ongoing development. You are encouraged to identify your own ways and means of implementing Common Good Values. To do this, every theme begins with a 'global question': "How can I or my organization 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 room 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 in future be important 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 organizations in any industry, and of any size and legal structure - from non-profit organizations and small and medium-sized family businesses, right up to listed organizations and academic institutions. These organizations play very different roles within society, so the risks associated with their respective activities are also different. A variable weighting of themes reflects these differences in sector, scope and scale of organizations.

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 organization
- 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 organization.

1.7. New features of Matrix 5.1

If you have already prepared a Common Good Report based on a previous version of the Matrix, please note that some aspects have been moved to other themes, and new aspects have been added. This is in response to feedback asking for greater clarity and logical consistency, as well as ensuring compliance with EU Directives, international agreements (e.g. GHG Protocol), and scientific progress.

Reports and evaluations prepared using version 4.1 or earlier versions of the Matrix are not directly comparable in terms of Common Good Score. The changes in Matrix Version 5.1 are designed to have little impact on the scoring in comparison with Matrix Version 5.0. Some minor changes in the final scoring could still occur because questions and indicators are clearer and therefore the evaluation could be affected as well.

Details of the changes in each theme are described in detail in the additional information but are also summarised below:

- Integration of the one-pager 2020 /amendments in the workbook.
- "Purpose" has been outlined as a new theme of the matrix in the introduction. Reporting questions and indicators are part of the new theme, though it does not contribute to the final scoring.
- Clarification of the step model descriptions and harmonisation of the levels of evaluation.
- Harmonisation of reporting questions, indicators, and levels of evaluation when implying only minor changes in the scoring.
- Changes to improve clarity and English.
- Integration of feedback from consultants, stakeholders, and auditors if it does not affect the scoring.
- The chapter "E2.1 Taxes and social security contributions" in 5.0 has been deleted without replacement, as E2.1 Taxes and social security contributions are already legally binding. This means that the subsequent chapters in E2 move up by one counter. In order to take taxes and social security into account, the "national statutory levies" were added to E2 (5.1) as a verification indicator and included as a reference in the levels of evaluation.
- Circularity as a concept, the life-cycle approach and a biodiversity definition have been explained in the Values introduction section "Environmental Sustainability".

1.8 ECOnGOOD Label

The ECOnGOOD Label is a groundbreaking sustainability standard that goes beyond traditional certifications by considering social, ethical, and environmental factors. This comprehensive seal assesses the real impact of a company's operations, management and supply chains, providing a transparent evaluation based on the Common Good Matrix. It provides clear, evidence-based information and offers real-time transparency through a QR code linked to the company's Common Good Balance Sheet.

There is strict criteria for eligibility:

- Affiliation with a national or regional ECOnGOOD Association
- Completion of a Balance Sheet with a positive result
- Possession of a currently valid Audit Report (less than two years old)
- Registration in the ECOnGOOD audit database

By meeting these requirements and displaying the ECOnGOOD Label, companies demonstrate their commitment to sustainable and ethical practices, enabling consumers, investors, and policymakers to make informed decisions that support responsible business models.

Learn more about the ECOnGOOD Label:
www.econgood.org/apply-ecg/econgood-label

2. Stakeholders

A. Suppliers

This group includes individuals, organizations, and companies supplying directly to the organization, as well as indirect suppliers i.e. the entire supply chain. All products and services purchased from others are evaluated. Every organization can take co-responsibility for its suppliers when making purchasing decisions, for example by choice of suppliers, with contractural terms, and has some influence on its business partners.

How this shared responsibility is put into practice depends on the balance of power within the market and the distance from that link in the supply chain from an organization. It is important to be especially alert to procurement procedures throughout the supply chain when buying products and services that have a significant commercial value for the organization, are quantitatively important, or are high-risk components for an organizations' products and/or services. A list of the most important suppliers for an organization and the products and services they provide, can act as a guide for this. Important suppliers are those who deliver up to a total value of approx. 80% of the purchase volume, or 80% of purchase costs if volume is not available. Products and industries that carry a social or environmental risk should be closely examined even if the amount of purchase is small.

B. Owners, Equity and Financial Partners

Different types of organizations have legally different forms of ownership. Ownership of assets is associated with property rights and decision-making. These are protected and limited by constitutional, private and public law. Associated with this are always forms of responsibility and liability. In the economy, private ownership by individuals commonly takes the form of sole ownership, as a personal partner or as a shareholder in a corporation. Managing directors or the board of directors then assume ownership functions, accompanied by supervisory bodies. Similar forms are found in associations, self-governing bodies, co-operatives, steward-ownership and companies owned by them. These representatives are obliged to act in the welfare of the organizations, taking into account the interests of the stakeholders, the restrictions imposed by the statutes or supervisory bodies, and the resolutions of general meetings. Under certain circumstances, personal liability may also arise.

We consider all financial market participants to be financial partners, regardless of the type of products or services they offer. Here, the product type is deliberately not taken into account in order to avoid double counting. In addition, most services are related to financing or the use of funds and are subject to the special conditions of the financial market. For Europe, a definition of financial market participants can be found in EU Regulation on sustainability-related disclosure requirements in the financial services sector.

C. Employees and Co-Workers

Stakeholder group C includes everyone who performs essential tasks for the organization, are included in its regional, organizational or social structures, and for whom at least one of the following criteria apply:

- An employment relationship
- People who are working for the organization for a period of at least six months
- People who are working for the organization for at least four hours per week
- People who are assigned tasks that are performed regularly and are recurrent (e.g. every summer)

In regard to external staff it needs to be considered whether the organization buys a service or buys working time. The former is stakeholder group A (suppliers) and the latter is stakeholder group C. Subcontractors who are deployed as personnel and work for and with the organization and colleagues should be treated as the internal staff when one of the mentioned criteria applies.

D. Customers and Business Partners

Customers are the target group for a company or an organization to buy or use their products and services. For example, customers of products and services, distributors, companies using the organizations product or service, contractors.

Other organizations ("competitors") are organizations who may have the same (regional) target group and offer a comparable product or service. How an organization behaves towards others operating in similar markets and interacts with them is also taken into account.

E. Global Community, Nature and Living Beings

Stakeholder Group E is defined more broadly than in the traditional business context. A common good approach recognises that everything in an ecosystem, economic system, or shared space in general, is interconnected, and that decisions and actions taken in one area can have far-reaching effects on other areas.

Stakeholders in this sense are:

- People: This is not about the people or groups directly affected (these are mentioned under stakeholder groups A to D), but about indirect dependents, future generations, and people in distant geographical areas, who may be indirectly and adversely affected by decisions.
- Animals: All animal species, especially those that are capable of suffering, can be considered stakeholders if human activities affect their habitats or well-being.
- Plants and other life forms: Plants and microorganisms play a crucial role in many ecosystems and can be affected and threatened by human interventions.

- Ecosystems and natural habitats: Whole ecosystems, such as forests, oceans, rivers and deserts, can be considered stakeholders because they support the lives of numerous species and are central to ecological balance and climate.
- Abstract or non-physical entities: Artefacts, cultural or spiritual values, traditions or concepts could also be considered stakeholders, especially if human activities affect these intangible aspects.
- The physical environment: includes aspects such as air, water, and soil that may be altered or polluted by human activities.

Human Dignity E1:

Refers to the right to a life-worthy present and future existence at the individual level (persons, animals capable of suffering).

Solidarity and Social Justice E2:

Includes global solidarity and justice as well as inter- and intragenerational solidarity and justice.

Ecological Sustainability E3:

Adresses the global ecological environment, nature, animals and plants including natural resources, the entire biosphere, atmosphere and space around our planet, including resources and livelihoods for future generations.

Transparency and Co-Determination E4:

Adresses the individual level, collective level, and interests of stakeholders without direct agency.

3. What we mean by the term 'values'

In the following section, we explain the four values on which the development of Matrix 5.1 is based:

Human Dignity

For us, human dignity means that every human being is equally valuable, worthy of protection, and unique, regardless of origin, age, gender, religion and other characteristics. Human dignity is an inalienable right and denotes a moral entitlement that every human being has the right to expect simply by being alive. Human beings, and ultimately all living beings, have a right to exist and are deserving of appreciation, respect, and esteem. The human individual stands above every material thing. The human being as a person is the focus and must not be treated as a commodity, for example a means of production as a unit of labour. Human dignity is independent of the usefulness of a human to provide labour and is "inviolable", and unassailable. Human dignity is a fundamental principle that promotes respect for, and protection of, the rights, health, and well-being of all people. As a guiding principle for action: "both in your own person, and in the person of everyone else, always act in such a way that you use humanity as a purpose, and never merely as a mean." According to Immanuel Kant, from the Metaphysics of Morals.

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 achieve balance between the strong and the weak.

Solidarity...

- aims to ensure that everyone has equal 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 willingly co-operate with one another.
- may also entail specific community-based obligations and liabilities, when the collective assumes responsibility for under represented groupings and those with no voice.
- is based on a feeling of togetherness and community. From the ECG point of view, solidarity means an attachment to all people, rather than engagement with a defined group(s).

Social Justice ...

- aims to achieve a fair distribution of goods, resources, power, opportunities, and obligations.
- is accomplished through social mechanisms, such as a suitable organization of society, economy, and the state, to ensure equal access to opportunities. Ideally, social mechanisms should be regulated, i.e. controlled by law. This means that many courses of action that aim to establish social justice are not entirely voluntary and should complement any additional measures being taken by the organization.

Environmental Sustainability

Ecology deals with the interactions between all living beings and their environment which provides the basis for their existence and life. Human activity can pose a significant threat to the environment thereby threatening all life forms including organisms that are reliant on its sustainability. Therefore, ECG-organizations are strongly encouraged to contribute to sustainable development and try to reduce their impact. Sustainable development means that interactions with the environment should ensure the needs of present and future generations are met, whilst enabling them to choose a way of life that sustains the natural environment.

Life cycle perspective

The sustainability of products and services can be assessed through a life cycle perspective. By evaluating the whole life cycle of a product or service in question, relevant ecological impacts can be evaluated. The life cycle includes all the stages a product or service goes through: raw material acquisition (A3), purchasing and procurement (A3), design (A3/D3/E3), production (E3), transportation (E3), use (D3), end-of-life treatment and final disposal, depending on the activity of the organization in D3 and E3. The organization has to consider and disclose the Life Cycle of its main products and services deciding which environmental aspects are relevant by taking into account their ability to control and/or influence them. This does not require a detailed life cycle assessment. A thorough consideration of the life cycle stages that can be controlled or/and influenced (ISO 14001 / EMAS) is sufficient, or of those stages where the environmental impact is significant. To ensure that energy consumption and resource use in manufacturing and transportation, as well as reprocessing, does not have a disproportionate environmental impact, a detailed assessment should be taken in the design of products in particular. This requires a risk assessment and a description of the impact in the above-mentioned stages of the life cycle. As a reference, the impact categories described in E3 can be used. Some services are also associated with high environmental impacts, either through energy consumption and transport, and/or in the supply chain. In many cases, relevant ecological areas can be reduced to measures in a few hot spots that leverage significant sustainability improvements.

The description of the life cycle of products and services is the basis for an assessment of impacts for all stakeholders in different aspects that affect the environment.

If the life cycle is not sufficiently described, this leads to a devaluation by one evaluation point in the themes A3, D3 and E3. Sufficient means that accurate information is given on at least 5 of the 6 stages: 1: acquisition of raw materials, 2: design, 3: production, 4: transportation/delivery, 5: use, and 6: end-of-life treatment. Accurate information means full disclosure of the organization's ability to control and/or influence these stages and name the possible measures. 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).

Biodiversity

Biodiversity in the context of ECG reporting takes into account considerations of the diversity of ecosystems, species, and genetics. The manufacturing of products or the provision of services have an impact on biodiversity both, through activities of the organization, and in the supply chains (see also "life-cycle-perspective"). The main drivers of biodiversity loss are currently considered to be land and sea use, direct exploitation of organisms, climate change, pollution in general, and invasive alien species. In part biodiversity aspects are already mentioned in chapters E1, E3, E4 (and considered in the supply chain), but not in the sense of "avoiding biodiversity loss".

In this respect, it is desirable if the following questions are also answered in the report on the above-mentioned areas of environmental impact and pollution:

- What impacts do our activities have on land and sea use, climate change, pollution of water, land, air, and genetic diversity?
- What measures do we intend to take to minimise / avoid existing impacts (transition plan)?
- What economic and financial risks are hidden in this transition plan and how resilient are we to identified risks?
- How do we intend to monitor the effectiveness of introduced measures?

Based on the answers and data in the individual themes of the matrix, these questions should be summarised in a section entitled "Biodiversity".

Circularity and cradle to cradle

Circularity is about re-thinking the way we produce and consume from a linear "take-make-waste" approach, to one based on the imitation of natural systems where energy and nutrients are continually transformed and re-cycled so that one organism's waste becomes food for another.

Circular design is mainly based on 3 principles: 1) avoid "waste" and "pollution" by design, 2) keep materials and products in use and 3) regenerate nature by keeping natural and industrial material loops separated.

In additon the concept includes in current considerations some so-called "Re-" (origin is the prefix "re") such as Rethink (about the redesign of products, services and business models to foster circuarity and elimination of waste) or also "Reuse", "Recycle", "Repair" and others. Depending on the product or service, the organization can use any or all of these in its strategies.

Eco-efficiency

Eco-efficiency is about "doing more with less", using fewer resources or polluting less. Therefore, efficiency is measured in relative terms. For instance, a company produces a product (i.e. a plastic bottle) in a more efficient way if it is produced using less raw material (reduced thickness of the plastic film). The efficiency increases should lead to an absolute reduction of resources used, pollution, and waste produced. Negative Rebound-effects should also be monitored, i.e. improvements in efficiency can lead to reduced costs, which enable greater production to produce more of the improved goods which leads to more resource consumption, pollution, and waste production.

Eco-effectiveness

Eco-effectiveness is about going beyond pollution control and eco-efficiency toward a way of doing business that restores and enhances the environment reducing the environmental footprint in absolute terms. To make sure that the eco-effectiveness approach is embraced, sufficiency and circularity should be taken into account.

Sufficiency

Sufficiency refers to the concept or strategy to reduce the environmental footprint of societies through moderating the need for energy, carbon and material-based services and products. As a goal, sufficiency is about ensuring that all humans can live a good life without overshooting the ecological limits of the Earth (for now and generations to come), while at the same time defining what that "good life" may consist of. As technical progress and greener technologies alone will presumably not be enough to achieve this goal of a good life within planetary boundaries, sufficiency also designates the societal transformations (in terms of lifestyles, social practices, infrastructures, etc.) that will be necessary to bring production and consumption patterns to a level compatible with this goal.

Design

"Design" in this context is used in the sense of ISO 9000: Design and Development of products and services

Footprint

"Footprint" means impact in this context.

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 of stakeholder groups aims to ensure that all individuals directly or indirectly affected by actions (or inactions) are involved in decision-making processes. All individuals or groups who are affected by decisions and actions, or by the lack of decisions and actions, or have a legitimate interest in them, should be included.

This expanded concept of participation aims at enhancing the legitimacy and quality of decisions by ensuring that all those affected are heard. Stakeholders should be able to voice their concerns, provide information, and participate in decision-making processes. This contributes to greater transparency, accountability, and broader acceptance of decisions.

Stakeholder co-determination also promotes the idea of social justice and inclusive organizational policy-making. It allows previously marginalized groups to raise their voices and participate in decision-making. By involving all those affected, the goal is to establish a balanced power relationship and ensure that the interests of those who usually have less influence are also taken into account.

Co-determination involves the participation of each stakeholder in the decision-making process. There are different levels ranging from information provision, consultation and participation, to collaborative decision making.

4. Let’s start with Organizational Purpose

Organizations offer their employees a work place, pay them fairly, and thus enable them and their families to earn a living. Organizations are a part of society, and they can serve and advance society by fulfilling human needs, or broader societal needs, to foster well-being. Organizational Purpose clarifies the reason why an organization exists and does business, and the deep meaning that it has for the world. The organizational purpose clarifies what improvements of life for all stakeholders (particularly society, the environment, and clients), now and in the future, an organization is committed to. Defining the organizational purpose means to be aware of one’s impact and managing it in the most positive way. An organizational purpose is the organization’s over arching reason for exisiting.

A Purpose Statement is a tool to communicate and articulate purpose in a concise and inspirational way. It consists typically of one or two sentences that convey how the organization fulfils human needs or solves human problems. A purpose statement can also present a risk if it is not actually lived as the core of the business strategy. For this reason, the last section of this chapter is dedicated to questions which can help organizations to reflect and describe how organizational purpose is actually lived in the organization and in the relationships with all stakeholders. The following questions may seem more suitable for organizations with substantial impacts on society, but even for small organizations they can help to have a clearer view. The questions help clarify how an organization is embedded in its social, economic, and geographic environment, its sphere of influence, and what its responsibilities are.

How to report on Purpose

The questions and indicators mentioned below should be answered in the introductory section of the report. The section should give a complete view of the reasons and motivation why an organization exists and how this influences strategies, actions, and results all along the matrix themes. However, some answers are also recalled in other sections of the report, where it makes sense, and where it is helpful for the evaluation of the theme. It can be helpful for organizations to see the connection to the themes and how organizational purpose is put to action there by them.

Questions for compiling the report

- Is the economic activity of your organization connected to a global challenge in the idea that your business contributes to addressing that/those challenge(s)?
- To which global challenge does the organization offer a solution or a contribution towards a solution? Is this contribution part of the core business strategy or voluntary actions?
- Has the organization ever thought of giving a broader sense to business itself by connecting its business to global challenges in order to contribute to an answer?
- What is the social, environmental, and economic role the organization has through its business?
- How does the business of your organization contribute to the needs of your customers and stakeholders?

- Does the purpose statement of your organization explicitly set out the positive impact you have on stakeholder needs and aspire for future stakeholders?
- Is the organization's business strategy developed and adapted based on the organization's purpose?
- How does your organization ensure that its purpose can be fulfilled during times of socio-economic stress?
- If you have an Organizational Purpose Statement, please report it literally. When, and by whom in the organization, was it developed, and when was it amended the last time?

Verification Indicators

Indicators should be self-defined by the organization. They should measure how the organization's behaviour in economic, social, and environmental contexts meets the purpose of the organization over time. They should be understandable, measurable over time, and clearly related to your contribution. The indicators should relate the output of your organization (your service or product, and your internal organizational management) to the outcome for the society you aspire to.

Note: A company chooses its purpose-indicators for their first ECG balance sheet and in the next balancing periods the same indicators are used to monitor changes and improvements.
- Purpose Indicator 1 (state the indicator and information for the current reporting period)
- Purpose Indicator 2 (state the indicator and information for the current reporting period)

Additional questions on living one's purpose

Suppliers
- Is the purpose statement of your organization communicated to your suppliers?
- Do your suppliers share the same purpose?
- Are there any action programmes to share and implement your purpose with suppliers and/or your supply chain, e.g. shared policies, code of conduct, agreements, etc.?
- Does the purpose of your organization entail global challenges related to supply chains and do you address these challenges in your supply chain policies?
- Can your purpose help to increase cohesiveness among partners in the supply chain, while respecting peculiarities of organizations?

Owners, Equity- and Financial Partners
- Does your organizational purpose guide decisions on financial partners and resources?
- Do external investors share the organizational purpose? Can you think about any possible new investor group who strongly believes in your purpose?
- Are decisions on financial resource allocation and investments coherent with your organizational purpose?
- Is your organization's purpose a core element of decision-making processes for the strategic development of the organization?
- Is the governance of the organization built on its purpose and guided by the goal to put its purpose into practice (members and functioning partners)?

Employees and Co-Workers

- Is the organizational purpose explicit, clear and encouraging for employees to pursue their goals with the help of the organization?
- Do employees feel that they can make a difference with their job / by working for the organization?
- Does the organization help employees to discover their own purpose, and support employees in the pursuit of their personal purpose as a goal of the organization?
- Is the organizational purpose inspiring for the purpose of individual roles and functions within the organization?
- Do employees feel the organizational purpose is connected to their values?
- Do employees communicate the organizational purpose outside the organization in a transparent way?
- Is the internal management of the organization a mirror of the organizational purpose?
- How strongly do employees identify with the organization and its purpose?

Customers and Business Partners

- Is the organization's purpose used as a guide to find (new) target groups and clients?
- Does the organization's purpose inspire and influence the business strategy?
- Does the organization's purpose support and guide the development and connection with customers based on common values of the organization and the customer?
- Is the organization's purpose used to create networks and partnerships to realize the purpose itself?

Global Community, Natrue and Living Beings

- Does the purpose of your organization consider any current global challenge?
- Does your organization in its core business directly contribute to the solution of any current global challenge or sustainable development goal of the Agenda 2030?
- Is the organization in its activities and operation mode respectful of the "glocal" (i.e. global and local) social contexts it is connected with by the purpose of your organization?

A1 Human dignity throughout the supply chain

All goods and services purchased by an organization 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 throughout the supply chain. An organization is responsible for the well-being of all people - including its direct and indirect suppliers.

An ECG organization…

- purchases goods and services that are provided under ethical and fair conditions.
- is alert to risks throughout the supply chain where the violation of human dignity is a common occurrence.
- actively promotes behaviour throughout 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 throughout the supply chain (e.g. violation of human rights), that are connected with our business activities?
- How does our organization contribute to the implementation of ethical and fair working practices, and how do we help to solve problems and meet challenges throughout the supply chain?

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

The aim is for organizations 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?
- (FV) What influence is exerted on suppliers to ensure they respect the human dignity of all stakeholders?
- (FV) What certifications do purchased goods have?

Verification indicators

- Share of the externally purchased products/services out of total purchasing volume in tabular form.
- Share of externally purchased goods/services produced under fair and ethical working conditions.

Levels of evaluation

Exemplary
Ethical supply management is part of the organization'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 major suppliers have above average working conditions.

Advanced
Initial measures have been established for fair and ethical working conditions with direct suppliers. The supply chain is evaluated in the most critical parts with regard to fair and ethical working conditions.

First Steps
Some direct suppliers have been assessed according to their working conditions, and strategies for improvement have been developed. 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 towards suppliers.

Evaluation tools

BBuying behaviour should be evaluated according to exclusion criteria or processes: how are social risks throughout 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 direct 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 organizations 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 organization 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 an organization 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 an organization's key suppliers are assessed and selected based on their compliance with human dignity should also be evaluated.

Compact reporters are not expected to have individual risk assessment investigations for the supply chain, but should be systematically assessing publicly available information to identify violations to human dignity in the supply chain.

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

Verification indicators

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

Levels of evaluation

- **Baseline**: The organization has low risks in its supply chain and/or reduces any potential negative social impact to a minimum.
- **20 negative points**: The organization 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 organization obtains essential goods and services from socially questionable sources, and has made little attempt to introduce measures to improve this.
- **200 negative points:** The organization's business practices contribute significantly to negative social 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.

This aspect should be reported completely in **Compact** version.

A2 Solidarity and social justice throughout 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 and other organizations are responsible for fair and just interactions when dealing with their direct suppliers. Furthermore, within their scope to exert influence, all organizations can take joint responsibility to ensure fair and just treatment of everyone throughout their whole supply chains.

An ECG organization…

- 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 direct and indirect 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 their stakeholders?
- How far does our direct and indirect sphere of influence and impact extend throughout our whole supply chains to ensure that those involved are treated with fairness and respect?

Helpful information and documents to compile

- List of most important direct suppliers
- List of most important countries of origin of raw materials
- Hotspot analysis of social justice and fair business practices throughout the supply chains
- Supplier surveys
- Policy documents

A2.1 Fair and just business practices towards direct suppliers

We can demonstrate solidarity and social justice towards our direct suppliers through fair and just business practices regarding 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

- To what extent have we integrated fair and just business practices towards our direct suppliers into our policies?
- To what extent have we identified actual or potential adverse impacts regarding fair and just business practices towards our direct suppliers?

- (FV) What action have we taken to prevent and mitigate potential adverse impacts, bring actual adverse impacts to an end and to establish fair and just business practices towards our direct suppliers not only with regard to pricing and terms of payment and delivery, but also with regard to our daily business operations and a fair share of value added?
- (FV) To what extent have we established and are maintaining a complaints procedure for our direct suppliers?
- How satisfied are our suppliers with regard to pricing and terms of payment and delivery as well as with their share of added value?
- (FV) How do we monitor the effectiveness of our policies and measures regarding fair and just business practices towards our direct suppliers?

Verification indicators

- Average duration of the business relationship with direct suppliers
- (FV) Supplier satisfaction measured with surveys
- Assessment of their own market power

Levels of evaluation

Exemplary
Fair business relationships, based on strict ethical principles, have been established with all direct suppliers. The average duration of the relationship with direct suppliers is at least ten years and/or all direct suppliers are very satisfied with pricing and terms of payment and delivery, as well as with the distribution of the added value through the supply chain.

Experienced
Fair business relationships have been established with all direct suppliers. 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 direct suppliers have been implemented successfully. The average duration of the relationship with direct suppliers is at least three years, and/or at least half of all direct suppliers are satisfied with pricing and terms of payment and delivery.

First Steps
Business relationships with direct suppliers are checked for fairness and solidarity, strategies for improvement have been developed, 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

If an organization's verfication indicator market power shows it has highly limited influence, parts of this aspect do not apply. With regard to fair prices, information provided by 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 direct supplier, that allows for planning that is fair to both parties (e.g. joint volume planning with fixed prices and purchase guarantees).

For **compact** reporting organizations no surveys are necessary, it is sufficient to document supplier complaints and their handling.

A2.2 Fair and just business practices throughout the supply chain

Within their sphere of influence companies and other organizations have responsibility to ensure that, in addition to their direct suppliers, all other stakeholders throughout the entire supply chains are treated fairly and justly.

Questions for compiling the report

- What policies/strategies does the organization have in place to ensure fair and just treatment of all stakeholders within its sphere of influence along its entire supply chains?
- (FV) To what extent has the organization identified actual or potential adverse impacts regarding fair and just business practices towards all stakeholders throughout the supply chains?
- What action has the organization taken to prevent and mitigate potential adverse impacts, to bring actual adverse impacts to an end, to minimise their extent and to establish fair and just business practices throughout the entire supply chains not only with regard to pricing and terms of payment and delivery, but also with regard to daily business operations and a fair share of value added?
- (FV) How does the organization monitor the effectiveness of its policies and measures regarding fair and just treatment of all stakeholders throughout the supply chain?
- How does the organization ensure that stakeholders throughout the supply chains are able to place their complaints regarding a fair and just treatment?

Verification indicators

- Proportion of purchased goods and raw materials for which fair and just business practices throughout the supply chains were considered as relevant criteria for buying (i.e. that have a respective label which takes into account solidarity and social justice).
- (FV) Proportion of suppliers that were selected on the basis of a fair and just treatment of their suppliers and other stakeholders and/or with whom this topic was addressed (i.e. as part of a suppliers code of conduct etc.).
- (FV) Proportion of purchased products and raw materials that can be traced back to the origin and for which the respective trading partners throughout the supply chains are known.

Levels of evaluation

Exemplary
Within its scope of influence, the organization has taken an innovative approach to guarantee fair and just treatment of all stakeholders. For all purchased goods, services and raw materials it can be proven that fair and just business practices have been considered as mandatory buying criteria (i.e. that have an accredited label), and that all suppliers throughout the respective supply chains have been selected on this basis.

Experienced
For at least half of all purchased goods, services and raw materials it can be proven that fair and just business practices have been considered as mandatory buying criteria (i.e. that have an accredited label). The whole supply chain is monitored regularly for risks and shortcomings and, where appropriate, measures and/or sanctions are implemented immediately. A fair distribution of added value along the supply chain is monitored and/or implemented. Extensive measures have been put into place to support all stakeholders throughout the whole supply chains to implement a fair and just treatment of all involved.

Advanced
Within its scope of influence, the organization has a clear strategy to guarantee a fair and just treatment of all stakeholders throughout the whole supply chains. For at least 1/3 of all purchased goods, services, and raw materials it can be proven that fair and just business practices have been considered as mandatory buying criteria (i.e. that have an accredited label), and the supply chain is monitored actively and systematically for risks and shortcomings. The organization 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.

First Steps
The organization has acquired information about risks and shortcomings with regard to solidarity and social justice throughout the whole supply chain. First measures to positively influence a fair and socially just treatment of all stakeholders throughout the supply chain have been put in place. For some purchased goods, services and raw materials it can be proven that fair and just business practices have been considered as buying criteria (i.e. that have an accredited label).

Baseline
The organization does not explicitly concern itself with fair and just treatment of stakeholders throughout the supply chain, but it does comply with all relevant laws and regulations, and does not abuse its market power.

Evaluation tools

'Stakeholders' refers to direct and indirect suppliers, as well as anyone else involved throughout the whole supply chain. It should be noted that the scope and sphere of influence each organization has to address, will differ according to its size and other factors. This is to say that with greater power comes a greater responsibility. 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 de-listing certain goods to the termination of the business relationship

Compact reporting organizations can omit the indicators 2 and 3 but should provide a detailed answer to the question "What policies/strategies does the organization have in place to ensure fair and just treatment of all stakeholders within its sphere of influence along its entire supply chains?"

A2.3 Negative aspect: abuse of market power against suppliers

A power imbalance between organizations and their direct and indirect suppliers can lead to unfair advantages and can create dependencies. Concrete examples of this are price dumping and contracts of adhesion.

Questions for compiling the report

- Does the organization have market power over direct and indirect suppliers and how is it used?
- (FV) Does the organization have evidence that its suppliers are adversely effected by its market power, especially with regard to terms of payment and delivery?
- (FV) In the last year, what grievances or negative reporting occurred with regard to this?

Verification indicators

- The organization can define an indicator suitable for the sector and market they are operating in.

Levels of evaluation

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

Evaluation tools

All organzations 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 throughout the supply chain

Every organization is faced with environmental impacts throughout the supply chain, and can influence these when purchasing raw materials, goods and services. Organizations are therefore responsible for environmental sustainability throughout their supply chain and should aim to reduce any negative environmental impact wherever possible.

Please note that in terms of greenhouse gases evaluation, as E3 covers the scopes 1 and 2 as defined in Greenhouse Gas Protocol, A3 is focused just in scope 3.

An ECG organization…

- 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 does our organization, and all stakeholders throughout 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 are the general criteria for selecting raw materials, goods and services?
- (FV) How are environmental risks throughout the supply chain monitored or assessed?
- (FV) What harmful environmental effects are there throughout 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 in place to reduce the environmental impact of suppliers throughout the supply chain?
- How do we compare to competitors with regard to environmentally friendly purchases?

Verification indicators

- Proportion of purchased goods and services that are environmentally preferable alternatives.
- Proportion of direct suppliers who have reduced their environmental impact.

Levels of evaluation

Exemplary
Ecological purchasing management is part of the organization'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 in the supply chains 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 supply chain of purchased goods and services. There is a commitment to reduce the use of environmentally damaging products, or buy from suppliers with less negative impact on the environment in their supply chains. Initial steps have been taken to encourage suppliers to reduce environmentally damaging activities.

First Steps
Purchased goods and services are checked for environmental risks and impact, and environmentally preferable alternatives are sought.

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

Note: Additionaly, the absence of a description of the life cycle for relevant products /services leads to a devaluation by one scale point for level advanced and higher.

Evaluation tools

The following information can serve as guideline 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 organizations in critical supply chains operate significantly less harmful than current standards demand, this can be viewed positively when determining the level of evaluation.
- As an organization 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.

- Organizations 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 organizations in the same industry may serve as a gauge to assess measures taken. Environmental impacts that are common to the industry are classified as 'First Steps'.
- 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 applying to processes with high environmental impacts.
- 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?

Verification indicators

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

Levels of evaluation

- **Baseline**: The organization has low environmental risks in its supply chain and/or reduces any potential negative impact to a minimum.
- **20 minus points**: The organization purchases goods and services from environmentally critical areas; measures put into place in the organizations' sphere of influence do not adequately reduce damaging effects on the environment.
- **100 minus points**: The organization purchases essential goods and services from environmentally critical areas, and has made little attempt to introduce measures to improve this.
- **200 minus points**: The organization'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.
This aspect is completely reported in **compact** version.

A4 Transparency and co-determination throughout 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 identifying other stakeholders: who has produced which goods, and under what conditions. Transparency is also the basis for supplier co-determination i.e worker representation within those areas in the supply chains that affect them.

An ECG organization…

- is transparent for direct and indirect suppliers, and ensures their co-determination in areas and decisions that concern them.
- recognises its co-responsibility to ensure transparency and co-determination in decision-making throughout the entire supply chains, and develops its business practices accordingly.

Initial questions

- What information about our organization is of interest and relevance to our direct and indirect suppliers along the supply chains?
- What decisions taken within the organization affect direct and/or indirect 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 strong is our direct and indirect influence on the supply chain to ensure transparency and co-determination with regard to all stakeholders?
- How far reaches our direct and indirect influence in our supply chains to ensure transparency and co-determination for all those involved?

Helpful information and documents to compile

- List of most important direct suppliers
- List of most important countries of origin of raw materials
- Hotspot analysis of transparency and co-determination throughout the supply chains
- Supplier surveys
- Policy documents

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

Transparency towards direct 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 direct suppliers, and can optimise business processes at the same time.

Questions for compiling the report

- To what extent have we integrated transparency and co-determination towards our direct suppliers into our policies?
- To what extent have we identified actual or potential adverse impacts regarding transparency and co-determination towards our direct suppliers?
- (FV) What action have we taken to prevent and mitigate potential adverse impacts, bring actual adverse impacts to an end, minimise their impacts, and to establish transparency and co-determination towards our direct suppliers?
- (FV) How well established and managed are complaint procedures regarding transparency and co-determination for our direct suppliers?
- How satisfied are our direct suppliers with regard to our transparency and their possibilities for co-determination?
- (FV) How do we monitor the effectiveness of our policies and measures regarding transparency and co-determination towards our direct suppliers?

Verification indicators

- Average duration of the business relationship with direct suppliers
- Supplier satisfaction regarding transparency and co-determination (i.e. via survey results)

Levels of evaluation

Exemplary
Transparent and participatory business relationships, based on above-average principles, have been established with all direct suppliers. All direct suppliers are very satisfied with the organization's information disclosure policy and with their possibilities for co-determination.

Experienced
Transparent and participatory business relationships have been established with all direct suppliers. With a few exceptions, direct suppliers are very satisfied with the information disclosure policy of the organization and with the possibilities for co-determination.

Advanced
Measures to establish transparent and participatory business relationships with direct suppliers have been implemented successfully. With a few exceptions, direct suppliers are satisfied with the organization's information disclosure policy and with the possibilities for co-determination.

First Steps
Business relationships with direct 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 organization does not attempt to go beyond legal requirements regarding its transparency towards direct suppliers. Direct suppliers do not have co-determination rights.

Evaluation tools

The more affected a direct supplier is by a decision, the more important is the involvement in the decision-making process. Possible areas for consultation might include volume planning of raw materials and terms of payment and delivery. The possibilities of co-determination for suppliers can range from consultation and dialogue to active participation in the decision-making process. Decision-making, objections, and votes against should be documented appropriately.

For **Compact** reporting entities, the limited market power must be taken into consideration such that a detailed reporting on actions to prevent and mitigate potential adverse impacts, to end actual adverse impacts, and establish transparency with direct suppliers can be omitted. However, it must be reported in detail how transparency and co-determination is integrated in policies and what potentials for improvement have been identified.

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

Within their scope of influence companies and other organizations have the responsibility to ensure, support and promote transparency and co-determination for all stakeholders involved throughout the entire supply chains.

Questions for compiling the report

- What policies/strategies does the organization have to guarantee transparency and co-determination for all stakeholders within its sphere of influence along its entire supply chains?
- (FV) To what extent has the organization identified actual or potential adverse impacts regarding transparency and co-determination towards all stakeholders throughout the supply chain?
- What action has the organization taken to prevent and mitigate potential adverse impacts, bring actual adverse impacts to an end, to minimise their impact, and to guarantee transparency and co-determination throughout the entire supply chains?
- (FV) How does the organization monitor the effectiveness of its policies and measures regarding transparency and co-determination of all stakeholders throughout the supply chain?
- (FV) How does the organization ensure that stakeholders throughout the supply chains are able to place their complaints regarding transparency and co-determination?

Verification indicators

- (FV) Proportion of purchased products and raw materials for which transparency and participation have been considered as mandatory buying criteria (i.e. that have a label which takes into account transparency and co-determination etc.).
- Proportion of suppliers with whom transparency and participation towards all stakeholders have been addressed, and/or who were selected on this basis.
- (FV) Proportion of purchased products and raw materials for which the supply chains can be traced back to the origin and the respective trading partners are known.

Levels of evaluation

Exemplary

Within its scope of influence, the organization has taken an innovative approach to guarantee transparency and co-determination for all stakeholders. For all purchased goods, services, and raw materials it can be proven that transparency and co-determination throughout entire supply chains have been considered as mandatory buying criteria (i.e. that have an accredited respective label), and that all suppliers have been selected on this basis.

Experienced

At least for half of all purchased products, services, and raw materials it can be proven that transparency and co-determination throughout entire supply chains have been considered as mandatory buying criteria (i.e. that have an accredited respective label), and that all suppliers have been selected on this basis. 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 co-determination for all involved.

Advanced

Within its scope of influence, the organization has a clear strategy to guarantee transparency and co-determination for all stakeholders. At least for one third of all purchased products, services and raw materials it can be proven that transparency and co-determination throughout entire supply chains have been considered as mandatory buying criteria (i.e. that have an accredited respective label), and that the majority of suppliers have been selected on this basis. The supply chain is monitored actively and systematically for risks and shortcomings. The organization 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 co-determination for all involved.

First Steps

The organization 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 co-determination for all stakeholders in the supply chain have been put into place. For some purchased products, services and raw materials it can be proven, that transparency and co-determination have been taken into account as buying criteria and suppliers have been selected on this basis.

Baseline

The organization is not explicitly concerned with transparency and co-determination in the supply chain, but it does comply with all applicable laws and regulations.

Evaluation tools

'Stakeholders' refers to direct and indirect suppliers, as well as anyone else involved throughout the whole supply chain. It should be noted that the scope and sphere of influence each organization has to address will differ according to its size and other factors. This is to say that with greater power comes a greater responsibility. Risks or shortcomings in the supply chain with regard to transparency and co-determination include:

- (FV) Hostile takeovers
- Violations of competition laws
- (FV) Establishment of subsidiary companies or affiliates with opaque structures

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 de-listing certain products to the termination of the business relationship
- Filing lawsuits against violations of legal regulations

For **Compact** reporting organizations products and raw material supply chains must not be analyzed in detail. Only the verification indicator "Proportion of suppliers with whom transparency and participation towards all stakeholders have been addressed, and/or who were selected on this basis." must be reported in detail.

B1 Ethical position in relation to financial resources

A common good-oriented attitude with an ethical approach towards company finances understands money only as a means of payment rather than the pursuit of profit for its own sake. Rather, it deals with money without undue pressure to maximise profits, and to ensure respect for human dignity.

If a company can 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 acting counter to ECG principles 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 well-being of all stakeholders is critically scrutinised for strengthening opportunities and avoiding risks.

The owners play a decisive role in this. There are two essential characteristics associated with ownership that must be responsibly exercised: Decision-making rights and liability. The responsibility for choosing the necessary partners in corporate financing lies with the owners and/or their appointed representatives. Securing the autonomy of the enterprise is of particular importance, as is critically questioning the conditions and effects of financial products, here in relation to financing. It is also important not to take any additional risks in financial transactions to avoid compromising the ethical treatment of all stakeholder groups.

An ECG organization…

- runs its financial management according to critical ethical principles.
- works on its financing structure to safeguard this ethical focus.
- strives for funding that ensures its independence and autonomy so that all decisions can be taken without being influenced. This might include increasing equity ratios or partnering with financiers who do not pursue short-term profit maximization

Initial questions

- How do we ensure our independence and autonomy?
- 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

This aspect only applies, if B1.2 does not apply.

To ensure independence and autonomy for an enterprise, a high level of equity enables financial independence, economic resilience and protects the company from unwanted external influences, and from unnecessary financial risks. This aspect is not to be reported by OnePersonEnterprises unless the applicable EU limits for total assets or turnover of micro-enterprises are exceeded

Questions for compiling the report

- (FV) Was the amount of the desired equity capital tested against risk probabilities?
- Are there rules for the allocation of retained earnings?

Verification indicators

- Equity ratio
- Sector-average equity ratio
- Allocation of retained earnings in the last 5 years
- Planned allocation to retained earnings in the current and next year

Levels of evaluation

Exemplary
The equity ratio is exemplary within the industry. The rates of increase rise in 4 steps up to 80% above the industry average, whereby with a equity ratio of 70% the requirements are reached in any case.

Experienced
The equity ratio is exemplary within the industry. The rates of increase rise in 3 steps up to 70% above the industry average, whereby with a equity ratio of 60% the requirements are reached in any case.

Advanced
The equity ratio significantly exceeds the industry average. The rates of increase rise in 2 steps up to 50% above the industry average, whereby with a equity ratio of 50% the requirements are reached in any case.

First Steps
Sufficient targets and levels of equity have been set to cover risk, and the increase of the equity ratio to close an existing gap to the average industry level was started. A minimum ratio of 25% must be reached to achieve a higher score.

Baseline
Fixed nominal capital is paid up or brought in, and the equity ratio meets minimum legal requirements.

Evaluation tools

A high equity ratio is important for investments 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, interest rate changes etc. For business models with secured regular income, no assets, and no pre-financing requirements, this aspect may be less important. The sector average should be viewed in context of organizations in the same sector with comparable products or services, and in regional (applicable legislation) and legal comparability (legal form of the organization).

The equity ratio is defined as the total value of equity in the company's balance sheet divided by the total value of assets. Banks calculate the equity ratio as the ratio of "adjusted equity" to total capital. The equity ratio from a bank report may therefore differ slightly from our simplified calculation.

Non-balancing companies such as income-expenditure accountants can approximate an equity capital available in the company on a cut-off date.

Asset register for calculating depreciation for wear and tear:
Acquisition value less accumulated depreciation to date
= net book value of fixed assets
+ Acquisition value of company land
+ Inventories available on the balance sheet date (estimated purchase value)
+ Services not yet invoiced, already rendered before the balance sheet date
+ Outstanding receivables from customers (payments received after the balance sheet date)
+ Cash in hand and in bank on the balance sheet date
+ Loans granted (outstanding amounts on the balance sheet date)
+ Other receivables on the balance sheet date
= Operating assets (assets)

Bank liabilities on the reporting date
+ Other loan liabilities (outstanding amount on the balance sheet date)
+ Loans received (open amount on the balance sheet date)
+ Advance payments received from customers
(incoming payments before the balance sheet date)
+ Outstanding supplier invoices (outgoing payment after the balance sheet date)
+ Liabilities from taxes and duties (payment after the balance sheet date)
+ Other liabilities (outgoing payments after the balance sheet date)
+ Any liabilities still to be incurred (estimated value)
= Operating debts (borrowed capital)

Then
Operating assets - Operating debts (borrowed capital) = **Equity capital (approximate)**

Banks and insurance companies have to distinguish between "core capital" and "supplementary capital".

Sources for the average equity ratio of the industry can be found in national statistics. If no better comparative data can be obtained, a selection from the following European median values can be used, to be found with other sources in the Background Information.

For **Compact** reporting organizations, risk assessments that demand a lot of expertise and resources are not necessary, and the question can be omitted. For compact reporters, it is sufficient to have a target equity quota that is based on implicit market analysis and anticipated market development.

B1.2. Financial independence through own funding for self-governing organizations

This aspect only applies, if B1.1 does not apply.

To ensure independence and autonomy for an organization, a high level of revenue from own activities enables financial independence, economic resilience and protects an organization from unwanted external influences, and from unnecessary financial risks.

Questions for compiling the report

- What types of member benefits are available to the organization and what monetary value do they represent?
- What other funding opportunities that do not impact the organizations autonomy have been considered?
- Is this supported by an appropriate fund-raising strategy?

Verification indicators for associations and self-governing bodies

- Share of membership fees in the annual ordinary budget
- Share of other revenues from own activities in the annual ordinary budget
- Share of fund-raising results in the annual ordinary budget

Levels of evaluation

Exemplary
The annual income from membership fees, revenue from own activities and donations is sufficient to cover the expenses of the financial year, make investments and develop projects. The fundraising strategy defines exclusion criteria for donors. The self-governing body not only ensures that the funds are used to promote the common good, but also rejects funds from sources that do not correspond to the values of the common good.

Experienced
The annual income from membership fees, revenue from own activities and donations suffices to cover the expenses of the fiscal year and investments. The use of raised funds, including earmarked donations, is aligned with common good values and independent of the investor.

Advanced
The annual income from membership fees, revenue from own activities and donations covers the expenses of the fiscal year. The fund-raising strategy is diversified and the use of most raised funds is respectful of common good values.

First Steps
Targets for the achievement and amount of sufficient membership fees and revenue from own activities to cover risks have been developed and implementation has begun. The fund-raising strategy is implemented and the use of funds meets ethical values of the self-governing body.

Baseline
A membership organization has rules for membership fees. A fund-raising strategy is developed. The use of funds complies with legal requirements.

Evaluation tools

A **self-governing body** Is a body subject to public law that is granted the right to manage its own affairs independently (self-government). This includes in particular:
local authorities (local self-government)
universities (university self-administration)
Professional bodies (professional self-administration) Public service broadcasters health insurance funds, pension insurance funds, employers' liability insurance associations (self-administration of social security institutions).

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

For **Compact** reporting organizations this aspect must be reported completely.

B1.3 Common Good-oriented borrowing

Any borrowing is a commitment to an increase in added value. The value added must be increased to be able to pay interests and make repayments. Borrowed capital should be raised primarily through solidarity financing, for example, (subordinated if legally required) loans from customers, cooperative shares, donations, or Crowd-Funding support. These sources will share the same ethical values. Only if these options are not applicable, loans with **ethical banks** should be considered. Should it be necessary to contract a loan with a commercial bank, the terms and conditions should be checked **for any additional related risks.**

Questions for compiling the report

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

Verification indicators

- Debt ratio (% of loan capital)
- Financing 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 substancial part of the company's funding and accelerated repayment of conventional loans in place.

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

First Steps
Arranging solidarity financing from stakeholders and/or loans from an ethical banks.

Baseline
Debt repayment period is aligned to the period of financed asset depreciation, up to a maximum of 14 years (in compliance with applicable law).

Evaluation tools

Additional **financial risks** of conventional loans are often additional charges, high and/or flexible interest rates, short repayment or maturity deadlines, currency risks (foreign currency loans), repayment modalities, interest rate swaps and similar. Indeterminate effects include speculative factors and are therefore risks to be avoided.

Baseline: Calculation of the (notional) debt repayment period in years on a key date

Debt repayment period = Liabilities - cash and cash equivalents divided by cash flow

Cash and cash equivalents =
cash in hand
+ bank balances
+ short-term securities

Cash flow =
incoming payments
- outgoing payments (directly calculated) or

Net income after taxes
+ depreciation and amortisation
+ allocation to provisions (indirectly calculated).

The ratio assumes that the entire cash flow continues to be collected and is used entirely for the repayment of liabilities, therefore "notional".

For **Compact** reporting organizations this aspect must be reported completely.

B1.4 Ethical position of external financial partners

The ethical management of a company's finances can be aided by its choice of financial partners, who themselves are committed to appropriate ethical values. 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 financial partners rated in ethical and sustainable assessments?

Verification indicators

- Up to three major financial partners: in each case, the institution (e.g. bank), the financial product (e.g. loan) and the yearly stock-average business volume with this institution.

Levels of evaluation

Exemplary
Financial partners only provide ethically sustainable financial services, they work according to principles comparable to value-based banking.

Experienced
Financial partners specialise predominantly in ethically sustainable financial services.

Advanced
Financial partners provide a wide range of sustainable and ethical financial products and are not directly participating in critical projects.

First Steps
Financial partners have their own sustainable and ethical financial products.

Baseline
Financial partners clearly outline the risks in their products and services offered or demanded.

Evaluation tools

Financial partners are financial market participants as defined in [REGULATION (EU) 2019/2088](https://eur-lex.europa.eu/eli/reg/2019/2088/oj) (https://eur-lex.europa.eu/eli/reg/2019/2088/oj) on sustainability-related disclosure requirements in the financial services sector, irrespective of the nature of their products or services.

With the regulation on sustainability related disclosures in the financial services sector comes some transparency about sustainability orientation in the financial market. The active pursuit of sustainability goals by Financial Market Participants is still not a guiding principle. The responsibility for ethical money flows is still largely attributed to the commissioning clients. Nevertheless, the newly emerging assessments of institutions are remarkable, as they primarily show the extent to which sustainability risks are still not taken into account in business policies.

Banks with a common good rating go beyond the legal requirements in their transparency. They will be classified from advanced upwards according to their achieved common good rating.

The main providers of sustainability ratings are:
- CDP was established as the 'Carbon Disclosure Project' in 2000, with the aim to incentivize companies to measure and manage environmental impacts through participation in CDP's Climate Change, Water Security, and Forest programs
- MSCI ESG Ratings use a rules-based methodology designed to measure a company's resilience to long-term industrial, material environmental, social, and governance (ESG) risks
- RobecoSAM is an asset management company founded in 1999 that is completely focused on sustainable investing. The rating agency is now part of S&P Global and the basis for numerous S&P ESG indices.

- Sustainalytics (www.sustainalytics.com/esg-rating) has been fully part of the American financial services provider Morningstar since 2020. The ESG Risk Rating assesses how much financial value is at risk from sustainability risks. They provide rating results by sector, risk groups, and for individual companies.

Only Sustainalytics offers open access to its ratings. The verification indicator's ethical-critical view can be assessed also via NGOs information:
- Fair Finance Guide (www.fairfinanceguide.de/ffg-d/bewertung/) for German banks.
- Fair Finance International (www.fairfinanceinternational.org/) Bank ratings for 15 countries can be found here.
- Global 2000 (www.global2000.at/publikationen/banken-check) for Austria. The focus of this research was not the evaluation of individual products, but the banking business itself. For this purpose, 11 banks were confronted with 100 detailed questions each. Only one of the surveyed banks excludes financing of fossil energies, the environmental centre Raiffeisenbank Gunskirchen. It is the lonely leader in the evaluation, orientation towards regional environmental projects, systematic integration of environmental and social criteria, credible due to delimited accounting area, exclusion of environmentally problematic cooperations on the financing side. Our cooperative's common good account is also offered here.

For **Compact** reporting organizations this aspect must be reported completely.

B2 Social position in relation to financial resources

"A good life in a world in which the economy is based on ethical values" means, from a financial perspective, fairness, supportive and cooperative behaviour and solidarity with stakeholders. By securing its own economic and future viability, an ECG organization creates the conditions for being able to make long-term contributions to the common good. The organization's spending becomes the 'income' of suppliers, employees and other stakeholders in the wider community. The organization plans its future regarding assets, liabilities, income, and expenses transparently to allow all stakeholders to come to informed choices regarding their investment in the organization and their expectations on revenue. Gains and earnings are first allocated to the continuity and further value-oriented development of the organization and the creation of necessary financial reserves. The distribution of dividends and shareholder interests to equity partners is balanced with sufficient provision for the future.

An ECG organization...

- sees itself as part of a network consisting of organizations and contact groups that together make "value-creating" contributions to a "good life for all".
- prioritizes, in accordance with all stakeholders, its own healthy long-term economic situation over shareholder short-term return on investment
- ensures that its own value contributions / value creation are not made at the expense of the financial, social and/ or ecological integrity of the stakeholders and contact groups involved (sustainability means living from the yield, not from the exploitation of any stakeholders).
- uses its financial resources both to secure its own future viability and to contribute to securing the future viability of its stakeholders and deals consciously and transparently with any (potentially) resulting tensions.
- 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

- Who are the organization's shareholders (e.g. owners, financial institutions, shareholders) ?
- Who are the main stakeholders of the organization (e.g. employees and families, municipality, suppliers)?
- How and in what way are these groups dependent on the organization?
- What aspects are considered in the organization's performance planning and income goals?
- How well is the organization positioned to deal with current and expected future economic, social and ecological challenges?

- 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-oriented use of funds

An ECG company uses cash received in the reporting period to secure, through its future economic activity, a fair income for its stakeholders. A healthy economic situation of the organization hence contributes to the Common Good. To this end, the organization balances stakeholder and owners interests. The organization assures both its own economic development, and a long-term benefit for the Common Good. All financial flows can be attributed one of three categories: development investments (strategic expenditures); fixed assets (asset maintenance and redevelopment); and allocation to, or building of, financial reserves (retained earnings). Financial claims of owners on profits are treated subordinate to the organization's mid-term and long-term development and socially responsible behaviour towards stakeholders.

Questions for compiling the report

- What economic and social risks have occurred in the balancing period or can be anticipated for the organization's future?
- How are economic and social risks reflected in the organization's financial planning for the future?
- What investments are planned to secure the organization's healthy development in future?
- What process is in place to decide about owners' remuneration (dividends, interest rates, payouts)?
- (FV) How are stakeholder benefits generated by the organization measured?

Verification indicators

- Stakeholder and owners analysis: evaluation of the social and economic relationships of the organization (e.g. list with owners and relevant representatives ofstakeholders)
- Risk analysis for the next reporting period concerning the economic, ecological, and social risks anticipated
- Financial planning to meet the identified risks for stakeholders (e.g. investment plan, liquidity planning addressing the risks for stakeholders) including
  - annual net operating income (after expenditures) | thousand EUR
  - total planned expenditure to secure the organization's future (on fixed assets and overheads) | thousand EUR
  - total expenditure on development (strategic expenditures) | thousand EUR
  - total expenditure on fixed assets | thousand EUR
  - allocation to reserves (retained earnings) | thousand EUR
  - dividends / return on capital paid on ordinary share capital / equity capital (e.g. share dividends, payout to owners that are not a salary) | thousand EUR, as a percentage of the issued share capital / equity capital

Levels of evaluation

Exemplary
The organization has systematic stakeholder involvement and proactively helps to reduce risks and adverse effects in communities. The financial planning meets identified risks and living Common Good values is not a long-term goal, but a short-term result of the organization's economic activity. Owners' interests and stakeholder interests are balanced, and mutual support is practised.

Experienced
The organization has systematic stakeholder and risk assessment methods to evaluate its solidarity and social justice in practice. Financial planning is adapted to meet identified risks. Pilot projects are systematically implemented, scaled up, or adapted to increase the organization's own viability in concert with stakeholder interests. Owners' interests are met without additional liabilities and if necessary subordinated.

Advanced
The organization has an updated stakeholder analysis and risk assessments for the most relevant stakeholders are in place. Financial planning is in part adapted to meet risks. Pilot projects are carried out, and learnings are documented. Financial planning reflects the most relevant risks with appropriate measures in development investments (strategic expenditures), fixed assets (asset maintenance and redevelopment), allocation to, or building of financial reserves (retained earnings). Owners' interests (e.g. dividend /return on capital payments) are based on the country's risk-free interest rate and paid without incurring additional liabilities.

First Steps
The organization is committed to assuming responsibility in its social position and its solidarity and social justice with stakeholders. Analyses of relevant stakeholders are carried out or in place and a plan for risk definition and assessments is being developed. Financial planning is scrutinized for risks not accounted for and first adaptations are made. Owners' interests (e.g. dividend /return on capital payments) are discussed in the context of stakeholder interests and are paid without incurring additional liabilities.

Baseline
The organization complies with legal requirements. Typically, the financial planning is short-term oriented, a stakeholder analysis is not present, risk assessments concern predominantly the economic success of the organization. Dividends are paid from realised profits without incurring additional liabilities..

Evaluation tools

Stakeholder and owner analysis

- a comprehensive overview of the organization's ownership structure (shareholders) and the organization's stakeholders (people, organizations, social relations that are affected by the organization's decisions)
- the analysis should provide a comprehensive statement of how the organization assesses its influence, responsibility, and economic relevance for affected social groups (the stakeholders)

Risk analysis of the organization's economic, ecological, and social risks
'Risks' refer to potential effects on owners or stakeholders that are not desirable from their perspective to meet the values of the Economy for the Common Good, namely human dignity, solidarity and social justice, environmental sustainability, and transparency and co-determination. A risk analysis regards what adverse effects on living the values could be incurred as a result of the organization's conduct. Stakeholder and owner analyses set the boundaries for the evaluation. The broader and more inclusive of stakeholders the risk assessment is, the higher the level of evaluation. Helpful questions for a risk assessment can be

- what economic, social, and environmental risks were present in the reporting period?
- what adverse effects or conflicts with interests of owners were present?
- what adverse effects or conflicts with interests of stakeholders were present?
- do these effects prevail in the next reporting period?
- what other risks can be anticipated for the next reporting period?
- how are these risks reflected in financial planning (e.g. as investments, financial reserves, planned expenditure) ?

Financial planning to meet the identified risks for stakeholders
To assure the organization's viability, generated income in the reporting period should be re-invested according to financial planning that explicitly addresses the risks identified by the organization for owners and stakeholders to living Common Good Values. The expenditures can be classified as

- development investments (strategic expenditures)
- fixed assets (asset maintenance and redevelopment)
- allocation to, or building of, financial reserves (retained earnings) Note, that the evaluation of liabilitities is reported in B1.

Examples for the organization's development investments (strategic expenditures)

- socio-ecological improvement of products and services, development of new products or services
- client relationships, investments in stakeholder communication (e.g. dedicated employee role, communication, and co-operation)
- development of new markets, clients
- digitalisation of business processes (e.g. online distribution facility)
- staff training, stakeholder involvement in investment and expansion of the organization
- commission consulting services, strategic advice

Examples for the organization's fixed assets investments

- report redevelopment plans with focus on ecological sustainability in B3
- new facilities, improvement of facilities with social focus
- non-financial assets necessary to lessen or avoid adverse effects on stakeholders according to the risk assessment

Examples for the organization's reserves
Generally, reserves are financial instruments with appropriate liquidity for the identified risk. That is, if a risk is highly probable, the liquidity of the financial instrument should be high. For low-probability-high-impact risks the financial instrument should

be accordingly chosen, e.g. low-risk financial instrument accepting a higher cost for liquidation. Basic financial instruments are referenced at IFRS Standard for Small and Medium-Sized Entities (SMEs), paragraph 11.5. For example,

- cash, cash equivalents
- demand deposits, e.g. bank accounts, call money, savings accounts, fixed-term investments
- commercial papers and receivable loans
- shares, funds, bonds, etc.
  If financial investments are made, observe the information in B1.3. on assessing the sustainability of financial market participants and the rules in B3.2 on investments for the common good. In any case, care should be taken to avoid speculative risks as far as possible.

Compact reporting organizations can omit the question of how stakeholder benefits generated by the organization are measured. The mandatory verification indicators disclose the organization's awareness of the social environment sufficiently for Compact reporting.

B2.2 Negative aspect: unfair distribution of funds

The way an organization distributes its financial resources impacts the social communities affected by these choices. Stakeholders are all directly and indirectly involved persons and communities, according to the organization's owner and stakeholder structure. The organization's decisions on financial re-distribution choices should take into account interests of stakeholders. Generally, investments where the organization can't show that it took the consequences for stakeholders into account should be analysed in detail. An investment or divestment decision should be based on ECG values primarily, not on (potential) economic profitability or cost-cutting effects.

Questions for compiling the report

- What are the social risks of the organization's expenditures that can't be omitted or compensated?
- How does the organization develop its workforce in times of economic downturn and/or prosperity?
- What are the paid dividends for owners, shareholders, and investors (excluding commercial bank liabilities)?

Verification indicators

- Dividends, share payoffs, owner payments in the reporting period | thousand EUR (according to B2.1)
- Changes in the number of workplaces per location during reporting period without stakeholder risk assessment
- Planned changes in the number of workplaces per location in the financial planning without stakeholder risk assessment (future employment planning)

Levels of evaluation

- Reduction of >20% of jobs despite stable economic situation = 100 negative points
- Reduction of >30% of jobs despite stable economic situation = 150 negative points

- Reduction of >40% of jobs despite stable economic situation = 200 negative points
- Dividend distribution on capital invested 10.0 - 12.5% = 100 negative points
- Dividend distribution on capital invested 12.5 - 15.0% = 150 negative points

Evaluation tools

Dividends 'Dividend' in the levels of evaluation denotes all financial flows paid to eligible persons or entities that have invested money in the organization other than commercial banks. Liabilities are reported in B1. For example,
- dividend payments of listed organizations,
- share payoffs of non-listed organizations with multiple shareholders/owners,
- owner payments in single-person-enterprises or multi-owner enterprises (non-salary),
- payments to investors without ownership or voting rights,
- investors in other legal structures with a right to receive returns on their investment

In line with IFRS Accounting standard for SME's (§ 7.16), the organization may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows. Wherever the organization accounts for their dividend payments, the ECG reporting should contain a complete report of the financial outflow to investors and owners.

Examples for unfair distribution are
- unduly high payoffs for shareholders and owners
- investments that increase social tensions and contribute to the exploitation of people (e.g. re-location of production facilities to countries with low wage levels and/or low social security contributions and other non-wage labour costs)

Workplaces Employee costs are often a significant part of an organization's expenses, and it may seem profitable to cut jobs to increase productivity (output per employee) and reduce expenses. But organizations contribute to the Common Good if they provide healthy and value-oriented workplaces. Workplaces that are respectful of human dignity, social justice, environmental sustainability, and transparency and co-determination contribute to the Common Good. Such healthy workplaces seem comparably expensive, but they increase the value of both the organization and the community where employees live. If job cuts were implemented or are planned for the next reporting period, the organization should provide evidence for a stakeholder risk assessment and plans (including investments) to alleviate risks and adverse effects for stakeholders. In case of doubt, the burden of proof is reversed, i.e. the organization should prove that workplace reductions are justified and the company is involved in the creation of healthy employment in the region.

Examples of unfair distribution are
- job cuts or the relocation of workplaces despite a stable economic position
- job cuts without social planning vested in the company's development strategy

This aspect is reported completely in **Compact** version.

B3 Use of funds in relation to social and environmental impacts

The transition towards an environmentally sustainable society requires the consideration of environmental issues in all investments, in particular the targeted re-allocation of financial flows towards improving environmental impacts. In the case of corporate groups, investments should be considered across the group. It is not a Common Good-oriented approach to establish or maintain sites in other locations with the aim of reducing social or environmental standards or avoiding regulations.

Organizations can also invest directly in socio-environmental projects or financial products. These financial investments often impact both social and environmental aspects which are considered in this theme.

An ECG organization…

- Carries out a regular assessment of ways to reduce its environmental footprint when deciding on its investments.
- Considers potential socio-environmental effects not only when investing in fixed assets but also when investing in intangible assets and financial investments.
- Invests surplus 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 re-development through replacement investments?
- What socio-environmental issues do we take into account in the design and impact of new acquisitions?
- Which social and environmental impacts are we considering for financial investments and funds?

B3.1 Social and environmental quality of investments

This aspect may be not be appropriate for organizations that require little or no investments.

Investment decisions have consequences in the long-term and should be made consciously. The objective is to replace one-sided, profit-orientated decision-making criteria for investments with a comprehensive analysis and assessment of all changes and impacts resulting from the investment. Due to the nature of the long-term use of the invested assets, their environmental effects also have long term consequences. For existing assets, an environmental redevelopment programme is necessary to reduce the negative impacts of the assets.

Organizations should have a plan for the socio-environmental improvement of their organization and/or improvement of the footprint of its products and services. This plan should be updated continuously. Also organizations that require little fixed assets should conduct this exercise, which may or may not, result in an investment plan.

Questions for compiling the report

- Which environmental and social criteria are taken into account in investment decisions?
- How is the consideration of environmental and social issues safeguarded in the investment decisions?
- Which fixed assets have the potential for social and environmental improvement?
- Does the organization have an investment plan that leads to an improvement of its overall social and environmental impact and the footprint of its products and services?
- What is the time horizon of this investment plan?
- Does this investment plan take into account the time horizon needed to address the (global) societal challenges and the agreements on local, national, and international level (Paris agreement, SDG's, a sector Green Deal, Climate Action Plans of the local municipality, …)?
- What resources are needed to implement the investment plan, and which funding programmes can be used?
- Which investments have been made specifically during the reporting period and will be made in the next period?

Verification indicators

- Investment plan including social and environmental redevelopment requirements (in thousand EUR)
- (FV) Estimation of the environmental and social impacts of the future investments (e.g. m3 water, tonnes CO2, ..)
- Progress of implementation of the investment plan (status, investments made, delays and changes, achieved impacts, …)

Levels of evaluation

Exemplary
Up to 100% of the updated redevelopment needs have been met. 100% of new investments lead to a significant improvement in the organization's socio-environmental impact and/or footprint of its products and services.

Experienced
Up to 60% of the updated redevelopment needs have been met. Together with a minimum of 80% of new investments this leads to a significant improvement in the organization's socio-environmental impact and/or footprint of its products and services.

Advanced
Up to 30% of the updated redevelopment needs have been met. Together with a minimum of 60% of new investments this leads to a significant improvement in the organization's socio-environmental impact and/or footprint of its products and services.

First Steps
Environmental and social aspects are taken into account when making investment decisions. A plan has been made for the improvement of the socio-environmental impact of the organization and/or the footprint of its products and services. The renovation and potential improvement costs of existing assets have been calculated. The financing needs have been estimated.

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

Evaluation tools

The investment plan with re-development needs and the potential for improvement must be continuously updated. The needs and potential will continuously change because of the ongoing (delayed or accelerated) implementation of the investment plan, changes in strategies, extra expansion investments, the emergence of new technological solutions, etc. If the organization has controlling participations, the investment plan must be considered as consolidated across the group.

Organizations that require little or no fixed assets, for example because facilities are leased, should use their influence to improve their social and environmental impact: e.g. the influence on landlords (this would be a subject of A3).

The investment plan also includes the questionable resources treated in B3.3, even if the organization's business model does not rely on it.

The footprint of products and services can only be assessed through a life cycle perspective, cf. section "environmental sustainability" in the introduction chapter on ECG values. The investment plan uses the outcome of these life cycle approach analyses to find and prioritise investments. The investment plan should use especially the outcomes of the stages of the life cycle of products and services that can be controlled and/or influenced by the organization or of those stages where the environmental impact is significant.

For **Compact** reporting the indicator "Estimation of the environmental and social impacts of the future investments (e.g. m3 water, tonnes CO2, ..)" can be omitted.

B3.2 Common Good-oriented financial investments

The importance of this aspect depends on the volume of investments in financial assets. An organization can invest directly in projects and organizations that benefit society and the environment or invest in sustainable investment funds. An organization can participate directly in socio-environmental projects, through e.g. acquisition of shares, subordinated loans, mini-credits, donations, participate in crowdfunding or supporting R&D activities.

If an organization chooses to invest in sustainable investment funds, defined exclusion criteria, specific positive criteria, and the forms of possible involvement in investment decisions should all be considered. The priority of investments in sustainable financial assets should not be profitability. Investments in financial assets should be evaluated according to the socio-environmental impact and the existence of a plan for socio-environmental improvement (see B3.1 and B3.3) of the underlying organization.

Questions for compiling the report

- To what extent does the organization participate in solidarity financing of social and environmental projects?
- How can the financial assets of the organization be classified, e.g. conventional, sustainable?
- What criteria does the organization use to decide on investments in financial assets?
- What are the sources of information about the expected socio-environmental impact of the projects or offered sustainability funds?

Verification indicators

- (Co-)financed socio-environmental projects (in thousand EUR, % of total financial assets)
- Socio-environmental funds (in thousand EUR, % of total financial assets)
- Total amount of financial assets (in thousand EUR)

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 return on investment expectations and maintaining Common Good-oriented 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.

First Steps
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 investments.

For **Compact** reporting organizations this aspect has to be reported completely.

B3.3 Negative aspect: reliance on social or environmentally questionable resources

Environmental or social consequences of the worldwide use of questionable resources will lead to actions to substitute these resources. This can entail the withdrawal from industry sectors or whole industries. For example: 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 organization's business model, neglecting the necessary exit (divestment) leads to a negative scoring. Measures to reduce dependency are recognized in proportion to their effectiveness.

Questions for compiling the report

- Which questionable resources are used in the organization's activities or in its value chain?
- On which of these questionable resources does the business model depend?
- What measures for reducing this reliance on questionable resources have been planned or are being implemented and what result will they bring?
- What does divestment from questionable resources, e.g. fossil fuels, mean for the organization?

Verification indicators

- List and quantities of questionable resources used in the organization's activities
- (FV) The risk of occurrence and estimation of quantities of questionable resources used in the value chain

Levels of evaluation

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

Evaluation tools

Questionable resources are resources that have significant negative effects - in the short or long-term - on the environment, human rights, human health and security during extraction, during treatment and/or during use.

Resources are also questionable when they have the potential to exceed planetary boundaries a) when the consumption, extrapolated to the entire human population, can't be met with available resources or b) when the combination of environmental impacts per use and current usage patterns or rate of use, extrapolated to the entire human population, would lead to a planetary boundary being exceeded.

Questionable resources can be fossil fuels, nuclear power, critical resources from conflict areas, genetically modified crops, pesticides, antibiotics in farming, asbestos and other dangerous substances for workers, and hazardous substances listed in the EU regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), more specifically the Substances of Very High Concern (SVHC). Examples from the agricultural sector: the use of genetically modified crops and/or the use of pesticides.

The (future) ability to reduce and/or stop using unsustainable goods and services, or industries, will be an important factor in the organization's success. A negative dependency can arise not only through the organization's own use of questionable resources, but also through its stakeholders. For example, if an organization's goods or services are primarily related to companies of critical sectors or for example when the business model of an essential client relies on questionable resources.

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

Compact reporting organizations can omit the indicator "The risk of occurrence and estimation of quantities of questionable resources used in the value chain".

B4 Ownership and co-determination

For one-person enterprises (OPE's), this topic is not applicable due to the lack of employees.

This theme is based on the understanding of a company, an organization, as a community of those who work for it, govern it, and as such, create it. Specifically, it is about co-decision making on issues arising from the responsibility of ownership. Ownership is the legal assignability of goods to a natural or legally nominated person as the bearer of rights and obligations. Private owners remain liable in principle, even if there is no equity left. Shareholders have their own rights and limited liability. There are two concepts relevant for an ECG organization: co-determination (B4.1) and shared ownership (B4.2). Co-decision in topic B4 concerns ownership decisions, that means co-determination is achieved by involving stakeholders (e.g. employees) in strategy decisions of the organization. Shared ownership is a goal that has consequences for the legal form of an organization and must be viewed in the regional context of the country where it is vested. Corporate law is not international law, even within the EU, national legislation is not completely harmonised. Applicable legislation may vary in their requirements for transparency, co-determination, responsibilities, and shareholder entitlements. An ECG organization, within the limits of its legal form, strives to establish shared ownership or changes its legal form eventually. An ECG organization, independently of its legal form, actively encourages and facilitates co-determination through suitable decision processes.

In principle, ownership of a company entitles people to make decisions about:

- the business model (what is the business purpose and how it is achieved and pursued).
- the definition of guiding values for the relations with all contact groups.
- the long-term security of the company, including the admission of new participants.
- the rules and policies for the use of generated funds.

In corporate forms or organizations that are not privately owned, management bodies and administrative roles are entrusted by law and/or by statute with above named decisions. The legal requirements for organizations applying to a specific legal form of organization, are country-specific and may differ significantly internationally. Whoever is entrusted with decision making as outlined above, according to a countries' corporate law and legal framework, should be reported.

If no natural persons have ownership of a company, the above should be applied to the inclusion and participation of other stakeholders for this purpose. However, this scenario should be described with reasons for this type of ownership structure.

An ECG organization...

- Enables participation in decisions through the best possible transparency about entrepreneurial activity, strategy, planned goals, concrete sources for decision-making, and expected consequences of decisions.
- In matters of co-determination, it goes far beyond legal rights and anchors additional agreements in statutes and company agreements with legal relevance.
- Continually develops joint decision-making processes as a learning organization.
- Prepares relevant stakeholders specifically for the acquisition of co-ownership.

Initial questions

- What is a good description of our community in our company?
- What is the significance of our legal form, statutes, and decision-making processes for employee engagement?
- What forms of co-entrepreneurship are conceivable for our company?

B4.1 Transparency and co-decision-making

Employees remain the most essential stakeholder group for achieving organizational goals. How an organization benefits from their knowledge and experience is a well-known topic in human resource management. Empirical research findings confirm two key factors here: employees engage if they experience corporate culture (aspect in C1) as appropriate, and if they participate in actual co-decision making. Initially, co-decision making is implemented at the direct work level of an employee in C4. The expansion of co-decision making to the strategic level of an organization has long been recognized as an essential pre-condition to understand an organization's purpose and its attitude towards innovation by employees. Without understanding of the purpose and participation of employees, implementation of any necessary changes will be more difficult. The extent to which other stakeholder groups should be involved in strategic decisions depends on the purpose of the company or organization and the support provided. However, dependencies that could be detrimental to organizational development should be observed carefully and be avoided. This aspect should be given particular attention in organizations where co-ownership is excluded by law, or by unalterable legal statutory articles of an association. It should be absolutely clear that, depending on the initial situation, the joint development of the organization is pursued continuously and with thorough attention to stakeholders. This applies in particular to the careful handling of data and know-how, the understanding of contexts and their consequences, and the development of justified trust.

Questions for compiling the report

- What was our initial situation regarding Transparency and ownership-co-decision-making at the beginning of this reporting period?
- What development steps have been considered, planned, and are being implemented?
- (FV) Did a new decision-making body emerge or was an existing one expanded?
- Which stakeholder groups have been involved
  - for specific topics
  - on a regular basis
  - for co-determination of the organization's strategy
- (FV) Is there an impact on transparency and quality of decision-making?
- Are there examples of successful ownership-co-determined decisions and their effects?

Verification indicators

- (FV) Type and effort (time, budget) of joint trainings.
- Frequency of meetings including specifications on the decision-making body, occasion, regularity, frequency.

Levels of evaluation

Exemplary
Membership of the decision-making body is considered in the broadest sense, to extend to representatives of other stakeholder groups at least those that have a direct impact on with the company. This can lead to innovative forms of leadership.

Experienced
The process of ownership-co-decision making leads to clear agreements that are valid for the entire organization. Documentation of decisions includes the observation of their effects. At least, representatives of employees are developed and enabled to join in structured ownership-co-decision making processes.

Advanced
The implementation of the concept has started. Depending on the size of the organization, this may also have the form of a pilot projects. Preparatory training measures are carried out. Learnings from the pilot projects are used to further develop co-decision tools and methods.

First Steps
A concept for the gradual expansion of co-decision making, especially by employees or their elected representatives, at the level of ownership responsibility has been developed. It is transparent, and leads to consequences for the information shared in the organization. Plans how to facilitate understanding and use shared information are developed, i.e. training.

Baseline
Forms of co-determination that are in force under international law, by country-specific law, or by statutory obligations are completely met and fully integrated in standardised decision-making processes.

Evaluation tools

The common good economy aims above all at decision-making for the benefit of all. In this sense, participation in decisions has priority over participation in ownership.

Co-determination at the level of ownership responsibility concerns the strategic development of business activities. In the levels of evaluation Advanced, Experienced, and Exemplary, the participation of employees and stakeholders entails more and more fundamental decisions for the organization. Examples can be investment decisions and investment planning, supplier choice, entering new market segments, debt-restructuring, changes of the legal form of the organization, creation of sub-organizations or functional units, mergers and acquisitions. Depending on the size of the organization, elected representatives perform co-determination of employees and stakeholders.

In the evaluation level First Steps development of the concept for the gradual expansion of co-decision making at the level of ownership responsibility can build on the experience already gained in topics A4, C4, D4 and E4 directly related to the work place and work structure of employees and stakeholders. In these steps, employees experience co-determination in creating their department structure, workplace (e.g. investment in assets), they co-determine the form and functioning of working groups, work times, work location, project design, and success assessment to meet their targets. Employees and stakeholders are trained to understand how these decisions influence and interact with ownership responsibility and liability.

At all levels, co-determination is more than voicing opinions. It is about actually influencing decisions that effect co-employees and the organization, and handling the consequences of these decisions. Co-determination spreads ownership responsibility and entails both the advantages of successful decisions, and the handling of failures as a team.

Compact reporting organizations can omit the question "Did a new decision-making body emerge or was an existing one expanded?". SME are likely to have rather informal ways of transparency and co-decision making that should be reported in detail in the indicator "Frequency of meetings including specifications on the decision-making body, occasion, regularity, frequency." where a focus on regular joint meetings with discussions and exchange dedicated to co-determination and transparency is set.

B4.2 Common Good-oriented ownership structure

See under Evaluation Tools for which organizations this aspect does not currently apply. The distribution of ownership interests aims to secure the autonomy and sovereignty of a company or organization, and helps it operate independently of individual interests. An interest in maintaining and developing the company's aims and social purpose is the prerequisite for a share in ownership. The long-term goal is that those who work in the company would hold a majority of voting rights. Involved are entrepreneurs, executives, and all other employees. For co-entrepreneurs two roles are considered. They are part of the employees as they work for the company or organization, and in their role as owners they assume the business risks of their invested capital. In general, no legal form of an organization or company excludes a common good orientation in business practice and ownership structure.

Questions for compiling the report

- What influence does the legal form have on the ownership structure?
- Who are the owners, what shares do they have, what rights, obligations and liabilities?
- How is the expansion and broadening of the ownership structure supported?
- (FV) Are risk restrictions possible to make it easier for employees to participate in ownership?
- (FV) How has the ownership structure developed in recent years?
- How are changes towards shared ownership vested in the organization's legal form?

Verification indicators

Distribution of equity (equity structure in %, in each case from 0 to 100%):

- employers
- executives
- other employees
- clients
- suppliers
- public
- 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 entrepreneurs and employees. At the same time, the voting rights of individual persons and defined groups are contractually limited to avoid that they alone are capable of controlling the company or organization.

Experienced
At least three years of implementation and practice within the chosen legal structure. Expansion and broadening of ownership for more people, more shares, and more stakeholders groups, is actively pursued. A trend of a growing number of people in ownership status is recognisable. All owners are fully trained for the role.

Advanced
An initial expansion of the ownership to employees on a legal basis, which enables stakeholders to regular co-determination and participation in responsibilities and benefits of ownership. Joint training courses on shared management and ownership are carried out.

First Steps
A concrete concept for sharing ownership and liability, including a suitable legal form, is being worked on. The focus here is on securing a Common Good oriented strategy.

Baseline
Existing ownership structure consisting of founders and/or their successors, partners, etc. according to the legal form of the organization.

Evaluation tools

The attitude of future owners towards the company should be aligned with ECG values, in particular

- maintaining/increasing the independence of the organization while assuring economic success and viability.
- willingness to contribute skills, knowledge, and resources in a strategically strengthening way.
- strengthening the company orientation towards the Common Good.

A self-governing body (Wikipedia) is a body governed by public law that is granted the right to manage its own affairs independently (self-government). This includes in particular:

- local authorities (local self-government)
- universities (university self-administration)
- Professional bodies (professional self-administration)
- health insurance funds, pension insurance funds, employers' liability insurance associations (self-administration of social security institutions).
- Public service broadcasters

For self-governing bodies, Associations, Foundations, Stewardship Ownership Organizations, separate evaluation rules must be developed. They will be based on the evaluation of constitutions, statutes, bylaws, and rules of procedure. The levels of evaluation are not determined yet therefore this aspect does not currently apply for these organizations.

For **Compact** reporting organizations, the questions on risk restrictions and the development of the ownership structure in recent years can be omitted. For SME the ownership responsibility and co-decision making should be proportionate without additional risk reducing measures to enable employee participation. With view to ownership structure, Compact reporters should answer the question "How is the expansion and broadening of the ownership structure supported?" in detail, also with view to succession and planning.

B4.3 Negative aspect: hostile takeover

Growth constraints in the existing economic system, together with insufficient economic success of a company, may make it prone to acquisition by competitors. Underlying causes include an aim to increase market share, or access the company's technologies, enhance data, or other information. Depending on the size of companies and their market share, competition laws may apply.

Stock exchange-listed companies are particularly vulnerable if their shares are considered undervalued. For non-listed companies, a similar action maybe enforced by financial partners, e.g. a 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, planned mergers and acquisitions activities do not pose a problem if both the management and the employees, and the majority of stakeholders of both companies agree. Mergers and acquisitions activities can be a valuable part of a company's growth strategy. However, these activities should be in the interest of all involved parties and based on co-determination decision procedures for all stakeholders.

Questions for compiling the report

- (FV) What reasons are given for a takeover (for mergers and acquisitions activities in the past, and planned activities)?
- How can the organization or company be protected from hostile takeover?
- How was the company's mergers and acquisition strategy aligned with co-determination and shared ownership?

Verification indicators

- co-determination procedures on the merger and acquisition plans
- company attempts a hostile takeover
- company has carried out a hostile takeover of a company within the last three years.

Levels of evaluation

- 20 negative points: The company or organization has not carried out co-determination procedures to avoid stakeholder and/or shareholder impact on the merger and acquisition plans.
- 50 negative points: the company attempts a hostile takeover or the company has carried out a hostile takeover of a company within the last three years.

Evaluation tools

It is important to obtain consent of the management, the executive board, employees, and significant stakeholders before companies can merge successfully. An evaluation must also take into account what financial incentives have been offered to key decision-makers and/or stakeholders. Also the terms and conditions of mergers and acquisitions should in particular reflect the concerns of employees and stakeholders, e.g. guaranteed work contract terms, training for new occupation/work within the merged companies, etc. In case of doubt, the transferee must prove that the takeover was not hostile.

For **Compact** reporting organizations it is sufficient to provide information on the indicators, without a detailed response to the question "What reasons are given for a takeover (for mergers and acquisitions activities in the past, and planned activities)?"

C1 Human dignity at the workplace and working environment

Human dignity in an organization is manifested in an employee-focused culture that is built on respect, appreciation, and trust. Diversity in professional experience, age, gender, origin, cultural background, and personal strengths among staff members and employees is seen and used as an opportunity. A healthy working environment is created by considering people's needs and development as a priority, and treating human resources not as a mere production factor.

An ECG organization…

- has an organizational 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 organization?
- How can we implement a more human approach in our organization?

C1.1 Employee-focused organizational culture

The atmosphere at the workplace is characterised by mutual respect, appreciation, and trust. Mistakes are dealt with in a constructive manner. Conflicts are seen as an opportunity for improvement and resolved on an equal footing. Staff and teams have a high degree of self-management and autonomy for what they do. The organization 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 organizational culture?
- How are mistakes and conflicts handled? Are there differences in this, among different parts of the organization?
- How are self-management and autonomy of employees encouraged?

Verification indicators

- employee turnover rate (nr. of employee departures / average number of employees * 100)
- average length of service
- number of job applications (solicited/unsolicited)
- number and regularity of employee surveys on workplace satisfaction and/or organizational 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 practices supporting an employee-focused organizational culture. Evidence shows that this culture is sustainable, and the effects are felt by the employees.

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

Advanced
Initial measures to improve or promote an employee-focused organizational culture have been implemented.

First Steps
The company is examining its organizational culture in detail. Concrete measures to improve or promote an employee-focused culture are in the planning stages.

Baseline
A conventional organizational culture prevails.

Evaluation tools

An employee-focused organizational 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, fostering 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, allocation of responsibilities, 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. Employees are held accountable for their responsibilities.

Employees who leave the organization because temporary contracts end, retirement, or end of apprenticeship, are not counted in the employee turnover rate. The overall picture and the practical implementation of the above in the daily routine is important here. Employee satisfaction surveys can be helpful.

For **Compact** reporting organizations, this aspect must be reported completely.

C1.2 Health promotion and occupational health and safety

Health promotion and occupational health and safety are a priority in the entire organization and the good health of employees is supported. Preventive measures and health offers for employees help to maintain, improve, and restore their good health.

Questions for compiling the report

- What measures were implemented to promote healthy behaviour at the workplace and increase occupational health and safety?
- How are the implemented measures evaluated?
- What kind of health issues or injuries could affect your employees, and what measures are in place to protect them?

Verification indicators

- Average health or sickness rate per year (sickness-rate = nr. of sick employees / total amount of employees * 100)
- Proportion of long-term sick leave in the average yearly sickness rate
- Estimated extent of how often employees come to work despite illness
- Number and severity of occupational accidents
- Acceptance of health offers and health training by employees: details on paid training times (e.g. hours per employee) and acceptance of material offers per employee

Levels of evaluation

Exemplary
There are innovative solutions for promoting and improving workplace health and occupational health and safety, which are 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
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.

First Steps
Detailed analyses of health risks for employees in all occupational areas. 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 at the workplace. The company complies with statutory health and safety requirements and ILO Standards.

Evaluation tools

The World Health Organization states that "health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition.

Practical implementation in the organization'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 offering 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 adaptions to support employees unable to pursue their work in a regular manner due to an accident, disease, care requirements, etc.

For **Compact** reporting organizations, this aspect must be reported completely.

C1.3 Diversity and equal opportunities

Diversity among employees in terms of professional experience, age, gender, origin, cultural background, and personal strengths 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 organization, according to their qualification, personal preferences and the organizational development plans. The organization aims to overcome discrimination of specific people and groups both structurally and individually.

Questions for compiling the report

- What role does diversity play in the recruitment and treatment of employees?
- What agreements or procedures already exist in this respect?
- (FV) 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?

Verification indicators

- Statistical distribution of employees throughout the organization, at all management levels, in terms of diversity (e.g. age, gender, ethnicity, physical/mental disabilities, sexual orientation, religion - if disclosed and relevant)

- Content and number of hours per employee for health and diversity offers, e.g. training, education, workshops.
- Range of the organization's diversity of staff in relation to demographics in the local area
- Average paternity and maternity leave in months
- (FV) Analysis of new hires and employee turnover figures for each diversity group

Levels of evaluation

Exemplary
There are innovative solutions for promoting and improving awareness of diversity and equal opportunities, which are evidently effective. The organization's diversity strategy has an impact not only on employees but also fosters diversity, inclusion, and equal opportunities in other societal contexts.

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 have been implemented to improve the awareness of diversity and increase equal opportunities. The measures are monitored and aligned with the targeted strategies and approaches to increase the diversity among employees. Pilot projects are initiated to facilitate the collaboration among diverse people.

First Steps
Vulnerabilities and potential disadvantages in terms of diversity, as well as their impact on employees are under scrutiny. Initial measures to improve awareness of diversity and equal opportunities in more respects than age and gender are being planned. Strategies and approaches to assure equal opportunities are developed.

Baseline
No measures or trainings are in place beyond compliance with legal requirements and ILO standards.

Evaluation tools

Possible measures could be:

- adjustments of workspace, tools and work time to allow for religious, health-related, age-related or other special needs
- barrier-free access for physically impaired
- proactive collaboration with inclusion agencies and public employment offices to attract persons with special needs as employees
- special trainings for inclusion of employees with cultural, social, or other special needs
- fostering inter-cultural, inter-generational, and inter-disciplinary exchange in suitable formats (e.g. workshops, team building excursions, etc.)
- paid leaves or extra flexible work times to increase equal-opportunities (e.g. for employees with dependants, special trainings to use aids, etc.)

- investments in technology (e.g. braille translators), assistance (e.g. sign language interpreters), social needs (e.g. establish an organizational/company child care), communication (e.g. language courses, writing trainings, buddy-programs)
- 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

In **Compact** reporting, the question "In what areas could (potential) employees feel disadvantaged, and what is being done about it?" and the indicator "Analysis of new hires and employee turnover figures for each diversity group" can be omitted. It is sufficient to report in detail on the question "What role does diversity play in the recruitment and treatment of employees?".

C1.4 Negative aspect: inadequate working conditions

Inadequate working conditions impede an employee-focused culture within the organization. Organizations should be aware of issues that lead to 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 staff, their representatives, or the human resources department?
- What is the procedure to communicate possible misconduct within the organization?

Verification indicators

- Statement by the staff representatives and/or human resources department regarding the above issues
- Litigations and/or legal proceedings regarding the violation of labour laws, civil law, or laws on the inclusion and equal opportunities of all persons of the organization during the period under review.
- Number and/or details of complaints lodged by the staff representatives or trade union during the period under review, as well as the organization's response and settlement of the issue.

Levels of evaluation

Up to 50 points can be deducted per section (maximum 200 minus points).

Evaluation tools

During the on-site visit, the auditor will also speak with your employees. If there is conflicting information, in case of doubt, the employee's point of view is decisive. It is important to assess the credibility of the statements.

This aspect must be reported completely in **Compact** reporting.

C2 Design of fair and just working agreements

Employment contracts are the basis on which organizations and employees agree how they cooperate. How resources such as income, time, social security, or work-life balance are structured and allocated has a significant impact on the motivation, perceived security, and well-being of employees. The stated objective is an individual structuring of employment contracts alongside an extensive self-determination on the part of employees.

An ECG organization …

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

Initial questions

- How can our employment contracts be adapted to individual needs and at the same time be based on solidarity and fairness?
- How do we determine if the remuneration is appropriate for the contracted performance?
- How much working hours does it (really) take?
- What positive/negative influence on the well-being of our employees do the contractually agreed working conditions have?

C2.1 Remuneration Structure

Fair remuneration of employees has a significant influence on the culture and development of an organization. Earnings should be based as transparently as possible on performance, responsibility, risks, and needs of employees, as well as on individually defined benchmarks and incentive structures set by the organization.

Questions for compiling the report

- How is work remunerated and how transparent are the underlying conditions?
- How does the organization ensure that all employees are entitled to a “living wage” taking into account the regional cost of living?
- What possibilities are there in the organization to self-determine earnings?

Verification indicators

- Maximum and minimum earnings (intra-organization spread)
- Location-dependent “living wages”, for all locations where the organization operates

Levels of evaluation

Exemplary
Remuneration schemes are transparent, and adapted to the individual situation of employees for all roles or organizational units. A procedure for self-determination of earnings is developed, used by the employees and can be changed by the employees and the organization. This process of legitimization should be designed and agreed through staff participation and decision making. Data on the salary spread are gathered and monitored for all employee-groups.

Experienced
The spread between the highest and lowest earnings within the organization does not exceed a maximum ratio of 1:5. With appropriate legitimization by all employees, the ratio can be adjusted to the needs of the organization. The legitimacy process is to be re-evaluated if necessary. Data on the salary spread are gathered and monitored also between employee-groups. Remuneration schemes are transparent, and a proportion is adapted to the individual situation of employees for most roles or organizational units.

Advanced
Measures are taken to ensure a "living wage" adapted to the regional cost of living, and other individual characteristics of employees. Remuneration schemes are transparent and a proportion is adapted to the individual situation of employees for specific roles or organizational units. Data on the salary spread are gathered and monitored.

First Steps
Intensive analysis and discussion of an equitable remuneration structure for the organization. Plans to adapt employment contracts are developed. The organization develops remuneration schemes that, in a small proportion of the regular wage, take into account the individual situation of the employee. All wages are above the location-dependent poverty threshold and are not unduly low wages.

Baseline
Legal requirements are met (e.g. minimum wage, additional payments for work in week-ends, nights, and public holidays).

Evaluation tools

Calculation of Monthly Earnings
Unless otherwise stated, all earnings figures are gross monthly earnings. In cases where more than twelve months are compensated, the additional earnings must be added to the monthly earnings on a pro rata basis. In the same way, all extra payments during the period under consideration are converted to a monthly gross salary. That is, all earning-components in a year are summed up and divided by 12.

Earnings are defined as those cash flows and flows in kind which, before deduction of taxes, result in a final outflow of the organization towards the employees. All the components of earnings are taken into account, typically they are:
- fixed and variable payments
- allowances

- bonuses
- profit distributions
- (voluntary) social benefits
- company shares and financial assets

Tools for the earnings spread
The earnings spread includes all employees. It is the difference between the highest and the lowest earnings in an organization. The difference in earnings can also be evaluated for organizational units or functional roles of employees. The difference between earnings of employees in comparable roles or units can increase when an organization implements individual wage components. "With appropriate legitimization" means that all employees are involved in a participatory process and have a voting right that allows discarding of the proposed earnings-spread. The maximum spread may not exceed 1:20 see also negative aspect C2.

Tools for determining the living wage
A "living wage" is not to be equated with the minimum wage. It is to be determined independently for each location of the organization in order to take into account regional living costs. Please consult the Additional Information document for country-specific recommendations and tools. The threshold for poverty risk as 60% of the median of the net equivalent income of the total population. The net equivalent income is systematically lower than the gross income from employed work. A "living wage" is always given if more than 60% of the median gross income of a country is paid.

This aspect must be reported completely in **Compact** version.

C2.2 Organization of Working Time

Working time is life time. The efficient and effective use of labour provided by employees is a direct expression of respectful and appreciative interaction within the organization. Reduction and individualisation of working time of individual employees are a declared goal of the organization to foster the balance of participation in working life and social life.

Questions for compiling the report

- How are working hours documented in the organization and
- How are workloads allocated?
- Is the organization's product or service delivered within regular working times or is overtime work frequently necessary to perform key business activities?
- How does the organization facilitate social participation for employees?
- What possibilities are there in the organization to determine working time in a self-organized way?

Verification indicators

- Weekly working hours defined throughout the organization (e.g. 38 hours/week)
- Overtime actually worked
- Work time structure schemes (e.g. core working hours, home office rights, advance notice period for vacation)

Levels of evaluation

Exemplary
A procedure for self-determination of working hours is being developed. Working time can be individually adapted and self-determined by employees. Overtime work is the exception in all organizational units. Working time schemes with a high level of self-determined work structure are implemented in all roles and teams.

Experienced
Regular working hours per week in the organization are at least 20% below the legally possible maximum weekly working hours. Regular weekly working hours are appropriate to meet both social needs of the employees, and the organization's business objectives. Regular weekly working hours are defined with participatory legitimization - see reference below. Overtime work is the exception in most organizational units. Working time schemes with a high level of self-determined work structure are implemented for most roles and teams.

Advanced
Measures and training are implemented to establish a conscious approach to working time and overtime practices among employees. Overtime work is reduced. Pilot projects for some roles or organizational units are implemented. Results of pilots are documented and analysed with the goal of achieving flexible work time schemes for employees whilst still meeting business objectives.

First Steps
A fair distribution of workloads and working time is regularly analysed and discussed. Plans are developed to increase the flexibility of work schedules for part of the staff or some work teams. Overtime is documented and reasons for overtime work are analysed. Training schemes are developed for staff to increase self-organization skills and facilitate cooperation.

Baseline
Legal requirements are met. Rest periods are respected and legal maximum working time per week for employees in the sector is not exceeded. Work time is structured to meet legal obligations (e.g. mandatory rest periods).

Evaluation tools

Regular working hours per week refer to full-time jobs and serve as a reference value for part-time employment. Overtime must always be compensated in the form of free time, if the employee doesn't prefer monetary compensation. Overtime work can be necessary to meet special business needs if it doesn't exceed 10% of weekly working time on a permanent basis. If overtime cannot be documented or a realistic estimate of the overtime is not possible, a flat rate of four hours should be applied. "With participatory legitimization" means that employees are involved appropriately into the working time arrangements by consent, consensus or democratically (majority votes). Work time structure schemes can be different for organizational units, depending on the work performed. Core working hours can be a mean to ensure the functioning of work processes (e.g. availability and communication, reliable industrial production, etc.) and increase the employee's flexibility at the same time. The documentation of work time should enable both the employee and the employer to monitor and analyse work time and performance.

This aspect must be reported completely in **Compact** version.

C2.3 Working Models

The contractually agreed employment relationship has a significant influence on the well-being of employees. The individual structure of the employment relationship and the security of the job help employees make long term plans and enable an improved work-life balance, such as enabling the raising of children, caring for elderly, volunteering, and committing to honorary posts, or political offices.

Questions for compiling the report

- What working models are offered in the organization?
- How can employees change employment contracts to adapt their work to their private situation?
- (FV) What procedures and measures are in place in the organization to ensure employees can meet both work obligations and non-professional duties?

Verification indicators

- (FV) Listing of all working models offered by the organization and to what work category
- Number of employees on every functional level with individual working models (e.g. part-time, job sharing)

Levels of evaluation

Exemplary
A procedure for self-determination of work models is being developed. Working models are individually adapted according to need and determined by the employees themselves.

Experienced
Working relationships adapted to individual life situations are possible and are used by managers to enable employees to personally support their families and wider communities.

Advanced
Employees have the possibility to choose from various flexible working models.

First Steps
Available working models are regularly analysed and addressed.

Baseline
Legal requirements are complied with. Part-time work is an option for employees.

Evaluation tools

TThe role of executives and management as role models must be given special attention.

Definitions:
- flexible working models: provided by the organization, can be used by employees
- individually adapted working models: tailor-made solutions for individual employees- restriction of self-determination is possible if there are existential operational concerns (in consultation with the workers council or a representative body).

For **Compact** reporting the question "What procedures and measures are in place in the organization to ensure employees can meet both work obligations and non-professional duties?" can be omitted, as can the indicator "Listing of all working models offered by the organization and to what work category". The reporting on indicator "Number of employees on every functional level with individual working models (e.g. part-time, job sharing)" should be detailed.

C2.4 Negative Aspects

Employment contracts, including oral employment contracts, that do not provide a livelihood for employees, or shift entrepreneurial risks to employees, are viewed as abuse of power. This is exploitation by the organization and self-exploitation by the employees. With regard to external staff, it is important to consider whether the organization buys a service or buys working time. The former is stakeholder group A (suppliers) and the latter is this stakeholder group. Subcontractors working as regular staff for the organization and with organizational colleagues should be treated as internal staff.

Questions for compiling the report

- Is a "living wage" offered for all employees, and if not, what are the reasons?
- What role does the "invested" life time for work play in the advancement in career or the evaluation of the employees' commitment?
- What salary is offered for auxiliary staff and employees in training (e.g. pupils, trainees, interns, working students) and is it just?
- What risks or disadvantages, e.g. in social security, health, care duties for dependents, do temporary workers (e.g. in seasonal staff) take for employment, and what conditions can balance the risks?
- How does the organization assure that the interests of employees are taken into account for fixed-term employed staff?
- Were there job cuts in the reporting period despite a positive operating result (EBIT) being achieved?

Verification indicators

- "living wages" depending on location
- Profits
- Number of employees
- Maximum and minimum earnings
- Number of lump sum contracts
- Number of zero-hours contracts

- Minimum and maximum contract duration of temporary workers
- Number of all employees (including temporary workers)
- Number of temporary workers
- Duration of fixed-term employment contracts
- Proportion of fixed-term contracts
- Re-employment practice of fixed-term employment contracts

Levels of evaluation

Maximum -50 / if one of the following (or 1 subaspect) occurs:

- Earnings spread between highest and lowest earnings in the organization is greater than 1:20
- non-remunerated work resulting from permanently suspended or regularly late payment of contracted wages
- Temporary work contracts, for durations of more than half a year or concerning more than 10% of the employees
- Zero-hour contracts
- Inadequate "living wages" despite the economic performance of the organization
- Any unequal payments for the same job in the same country in relation to personal characteristics (gender, ethnicity, age)
- Any violation of applicable law, such as the violation of the maximum duration for fixed-term employment contracts or the maximum number of re-appointments of an employee with fixed-term contracts without objective grounds.

Evaluation tools

This aspect is about an overall picture of un-ethical behaviour and employment practices. In Germany the maximum duration for fixed-term employment is two years with a maximum of three extensions.

The definition of temporary work includes agency workers, leased personnel, sub-contracted labour, and seasonal workers if these employees perform a core part of the work on a regular basis. In this case these workers count as employees and not as suppliers.

If the organization provides vocational training or an educational internship, this effort can be offset against the earnings of trainees or interns. Earnings should be competitive with other organizations offering comparable services.

Voluntary activities of employees for the employer must be assessed separately, as they are not part of duties, but voluntary engagement. From the point of view of self-exploitation, special attention must be paid to training and reporting, for example at large charitable institutions or volunteers at large-scale events.

This aspect must be reported completely in **Compact** version.

C3 Environmentally friendly behaviour of staff

Pioneer organizations play a significant role in raising the environmental awareness of their employees. An organization can set a good example and provide incentive policies to promote environmental awareness and environmentally friendly practices of employees in their daily routines at work. This theme is closely related to E3. All offers, incentives, products of an organization that are targeted to change the behaviour of the organization's employees towards environmentally friendly practices in private or professional life are evaluated here. How well an organization supports the employees is measured by the changes employees voluntarily adopt.

An ECG organization…

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

Initial questions

- How do we foster a healthy and environmentally respectful diet for our employees during work hours?
- How do we support environmentally friendly mobility, in particular commuting to work?
- What measures are in place 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 the environmental impacts, and an impetus towards changes in people's eating habits.

Questions for compiling the report

- How much importance does the organization place on the origin of food offered at the workplace (regional / organic), and how is this reflected in practice?
- What is offered in the canteen? Is there a kitchen with cooking facilities or catering deliveries, e.g. a fruit basket direct from the farm?
- Do we cooperate with local restaurants or food services that offer organic, sustainable, fair trade, or other environmentally friendly food alternatives?

Verification indicators

- Proportion of food from organic sources

Levels of evaluation

Exemplary
Non-meat food alternatives are offered for all meals, less than 25% of all meals contain meat. Groceries are mainly local, seasonal, certified organic, and from solidarity agriculture where possible. All meat is from local producers with environmentally friendly production.

Experienced
Non-meat food alternatives are offered for the majority (>50%) of meals, and a reduction in meat consumption is evident. Food is bought mainly locally, seasonal, and certified organic. All meat is from local producers with environmentally friendly production.

Advanced
There is a clear commitment within the organization to implement sustainable food procurement and sustainable eating habits, e.g. significantly reduced consumption of animal products in the organization's canteen or for delivery services. Pilot projects such as vegan days, dietary trainings, or information on food production are implemented.

First Steps
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 organization has no measures in place to promote healthy eating from environmentally friendly sources. The available range of food does not appear to contradict healthy eating patterns. The cost of food offered is the most important decision factor for the organization.

Evaluation tools

- The size of an organization is crucial for the ability 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. Most organizations provide beverages for their employees such as tea, coffee, or water. A conscious choice of offered beverages, e.g. from local producers, or fair trade, can help raise awareness for eating habits.
- Even if there is no kitchen at the workplace, positive incentives can be offered, e.g. discounts for local organic or vegetarian eateries or local health food stores. This has a positive effect in terms of occupational health care.

This aspect must be reported completely in **Compact** version.

C3.2 Travel to work

Passenger cars are a major polluter, accounting for 61% of total CO2 emissions from EU road transport. Another 13.4% is attributed to civil aviation, cf. European Statistics via Eurostat. Work-related travel represents a significant factor in reducing emissions of this kind.

Questions for compiling the report

- What means of transport do our employees use for commuting?
- What possibilities are there for employees to make their commute more environmentally friendly?
- What incentives does the organization provide to promote environmentally friendly means of commuting?
- How are employees enabled and incentivized to avoid unnecessary travel? (e.g. through home-office or remote meeting policies, compare C2)

Verification indicators

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

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. The organization communicates and shares experiences concerning the change to sustainable transportation with other organizations.

Experienced
An in-house incentive policy is implemented, so that the majority of employees use public transport, bicycles, car sharing, or take the option of working from home. This is supported through further measures: Parking spaces for employees are for car sharing only, accessibility is an important deciding factor for choosing company location or the location of new units, and company bicycles are provided.

Advanced
There is a consistent and sustainable organizational transport policy. If no public transport network is available pilot projects are implemented, for example actively organising car sharing, participation in external cycling initiatives, an eco-friendly company car policy, fuel-efficient driving training, financial incentives to use public transport, and designated bicycle parking.

First Steps
A sustainable organizational transport policy is in concrete planning: support for the use of public transport, education and motivation of employees to use sustainable mobility, etc. Bicycle storage facilities are available.

Baseline
The organization does not incentivise employees to travel long distances. The legal requirements are met, e.g. commute allowances.

Evaluation tools

Depending on the context (production site on the outskirts of town, office in the centre, remote 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
- Shuttle service by the organization
- Preferential treatment for car-pooling
- Provision of mobility budgets for environmentally friendly options, e.g. car sharing, public transport, bike sharing
- Provision of company bicycles and secure, covered bicycle parking
- Avoiding company cars, or investment/leasing of environmentally friendly cars
- Infrastructure for electrical mobility at organizational premises, e.g. charging stations for electric vehicles.

This aspect must be reported completely in **Compact** version.

C3.3 Environmentally aware organizational culture

Establishing environmentally friendly behaviour needs knowledge, guidance, and practice. Organizations that develop and maintain an in-house concept of environmentally friendly behaviour as part of their organizational culture accept their responsibilities and can help employees to change their habits.

Questions for compiling the report

- How would you describe your organizational culture with regard to environmental aspects?
- What role do environmental concerns play in staff training and recruiting?
- What measures to raise awareness take place within this framework?
- (FV) What strategy does the organization follow about the environmentally friendly behaviour of its staff (also in their private lives)?

Verification indicators

- Degree of employees' awareness of the organizational policy on environmental behaviour.
- Acceptance rate and estimated impact of voluntary offers for employees with reduced environmental impact.

Levels of evaluation

Exemplary
Systematic measures in place evidently improve the organization's environmental footprint related to employees and have an impact beyond the organizational sphere of influence. There are awareness-raising programmes for all employees offered by the organization, e.g. regular surveys or discussions on environmentally friendly behaviour, innovation labs, and innovative approaches to raising environmental awareness on a societal level are developed..

Experienced
Systematic measures are in place and accepted by employees and evidently improve the organization's environmental impact. The organization's environmental policy and voluntary offers for employees are actively developed and adapted, for example by training programmes, working groups, a designated environmental officer, etc.

Advanced
Systematic measures are in place and accepted to inform the employees about the organization's environmental policy and environmental issues, e.g. through training programmes, case-by-case inclusion of employees in environmental affairs, information events, information posters around the office, and addressing environmental matters in newsletters. First effects of pilot projects can be seen in reduced environmental impacts (estimated). The management consciously acts as a role model for environmental awareness.

First Steps
The organization has concrete plans of ways to increase environmental awareness and develops plans for environmentally friendly practices. The organization screens for suitable voluntary offers for their employees and is determined to improve their environmental impacts concerning employees.

Baseline
Organizational culture shows no apparent contradictions to environmentally sustainable practices. The legal standards for environmental education are met (e.g. waste and wastewater treatment, disposal of toxins). There are no offers to employees to deepen their environmental awareness at work.

Evaluation tools

Regular employee surveys can help to evaluate the overall recognition of the organization's environmental policy. Surveys can also help to design and implement environmentally friendly offers for employees that are likely to be used. Implementation is possible on many different levels and allows for creativity and innovation:

- Regular inclusion of staff in environmental decision-making and execution is important to anchor environmental aspects in the company culture. Examples are: Promoting environmental themes in the organization's suggestion box, further training, running environmental footprint workshops, organising excursions to deepen environmental awareness, or budgets for external environmental projects set up or proposed by staff.

- Setting an example within the organization is very important to create an environmentally aware company culture. For example, on an advanced level, executives of the organization do not drive environmentally harmful company cars.
- 'Green benefits' can also support employees to adapt environmentally friendly behaviours in their private lives. Examples are financial support for private actions like thermal insulation, contribution to the cost of housing instead of a company car, and discounts at partner organizations for environmentally friendly consumption.
- Recruiting procedures that take environmental awareness into account.

For **Compact** reporting organizations, the indicator " What strategy does the organization follow about the environmentally friendly behavior of its staff (also in their private lives)?" can be omitted. A full fleshed strategy is not necessary for Compact reporting. However, the question "How would you describe your organizational culture with regard to environmental aspects?" should be answered in detail in Compact reporting.

C3.4 Negative aspect: guidance on environmentally damaging practices

If environmentally harmful practices or a wasteful treatment of resources have been identified in an organization, its failure to address these issues ultimately harms society.

Question for compiling the report

- What internal disciplinary procedures are in place to address purposeful environmental damages by employees (e.g. to reduce work such as failing in correct reporting, waste disposal in specific containment, waste treatments, correct disposal for hazardous waste, etc.)?

Verification indicators

Is closely related to E3.

- Number and CO_2 footprint of leased or owned luxury business vehicles (>180gCO_2/km)
- Number and CO_2 emissions caused by short-distance flights
- Packaging choices of food and beverages offered for employees by the organization

Levels of evaluation

Negative points are set as follows:

- 10 negative points: there are luxury business vehicles (> 180 gCO_2/km).
- 10 negative points per organizational rule: there are business rules that encourage environmentally damaging practices, even though positive ones are available, e.g. flying instead of train travel.
- 5 negative points per instance: consumer goods for consumption at the workplace are being offered that use excessive packaging (coffee capsules, food packaging made of PET, drinks packed for single servings, etc.) despite possible alternatives.

- 10 negative points per prohibition: there are bans on the use of environmentally sustainable products, e.g. recycled paper.
- 10 negative 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.

This aspect must be reported completely in **Compact** version.

C4 Co-determination and transparency within the organization

For one-person organizations, C4 is not applicable.

The organization 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 organization. They increasingly identify with the organization, and the combined wisdom of the many is put to work.

An ECG organization…

- makes all essential and critical information transparent, easily accessible and understandable for its employees.
- has a management team that is based on the legitimization and evaluation of the 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 organization?
- What previous experiences have we gained from transparent communication and participation?
- What are the fears and reservations concerning increased transparency and co-determination?
- What are the advantages and potentials of increased transparency and co-determination?

C4.1 Transparency within the organization

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?
- (FV) How easy or difficult is it for employees to access the data? What physical, educational or other barriers are there? And why?
- What critical or essential data of the organization are not available to employees? Why not?
- What is done to make financial data easily understandable for all employees?

Verification indicators

- 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 accessible 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. The communication between organizational units, maybe in form of pilot projects, has increased.

First Steps
Transparency is discussed as a common good for all stakeholders of the organization, and 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), accounting, decisions on hiring and firing, investment planning.
- Essential data: all data necessary for making organizational decisions or those vital to the organization's objectives.
- The limits to transparency: the statutory rules on data protection, applicable legal data protection, confidential personal information of the employees, the organization's protected intellectual property. Data protection laws and internal rules should not be used as a general reason to deny transparency, rather the organization should establish internal transparency and public transparency with the data protection management wherever possible.

Compact reporting organizations can omit question "How easy or difficult is it for employees to access the data? What physical, educational or other barriers are there? And why?". However, the question "What critical or essential data of the organization are not available to employees? Why not?" should be answered in detail, as it also partially covers the omitted question.

C4.2 Legitimization of the management

Employees have dealings with their managers in the day-to-day running of the business. Employees are best placed to assess the competence of the management in implementing the organization's objectives. The more employees participate and the more possibilities they have to make changes, the greater the actual authority of the management and the motivation of employees to get involved.

Questions for compiling the report

- What action is taken as a result of employee feedback on managers?
- (FV) What is the appointment process for managers? Are members of management appointed from the CEO / higher management / HR in a top-down process or are they elected from their employees in a bottom-up process?
- What possibilities do team members have to participate in the appointment of managers? On what level of management? Why/why not?

Verification indicators

- The proportion of managers who are legitimated by staff through consultation, discussion, participation with demonstrable effect, and co-determination through election of management staff.

Levels of evaluation

Exemplary
All management members, including the executive board, are periodically elected and evaluated by employees. Employees can even deselect all management team members. Evaluation results give rise to measures for the management. There is a culture of management legitimization.

Experienced
Direct supervisors are periodically elected and evaluated by employees. Employees can even deselct direct supervisors. Evaluation results give rise to measures for the management. This has been in practice for several years.

Advanced
Employees are consulted or participate in the appointment of supervisors. Managers are assessed in regular surveys or discussions.

First Steps
The organization has decided to increase participation of employees in the appointment of management personnel and discusses ways to implement the decision. Concrete plans are in place to enable employees making informed decisions and actively participate in the appointment process.

Baseline
Managers are appointed without employee participation. Employees are regularly informed on management personnel decisions.

Evaluation tools

- "Periodical" election means re-election of the management after an agreed term.
- In terms of voting procedures, a "consensual" method is considered preferable to "democratic" (majority vote) decision-making methods. "Consensual" methods for decision-making seek the highest possible consensus among all parties involved, e.g. "consensus moderation" in sociocracy or "systemic consensus" using the Systemic Consensus Principle.

- The possibility to recall a manager from their function by employees is like the emergency brake on a train. Employees should have the possibility to propose this step during the management's term of office.
- Evaluation of managers should ensure both, the highest possible anonymity of employees, and contain as much information as possible to enable the management to implement measures based on the feedback.
- Start-up's and newly established organizations should have a participatory and transparent management policy, or work on it, as the number of employees increases.

Compact reporting organizations can omit the question "What is the appointment process for managers? Are members of management appointed from the CEO / higher management / HR in a top-down process or are they elected from their employees in a bottom-up process?", as for SME a procedural setup is quite a high burden. However, the question "What possibilities do team members have to participate in the appointment of managers? On what level of management? Why/why not?" should be answered in detail based on documented self-reflection of the organization.

C4.3 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 but in close collaboration with all organizational stakeholders concerned of decisions. On all other levels, employees have the possibility to co-determine the organization in a bottom-up principle. Co-determination also means collective responsibility. The right of employees to co-determine organizational decisions is based on a willingness to actively seek and learn information to make informed decisions. To this end the organization creates conditions to enable employees to make informed decisions and supports its employees. Employee co-determination is not about all decisions. It is about always maintaining the right balance between co-determination, operational efficiency, and effectiveness.

Questions for compiling the report

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

Verification indicators

- The proportion of decisions made through consultation / participation / co-determination (estimate 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 and co-determination among both, employees and the management.

Experienced
Where possible, decisions are made by employee consensus or by democratic decision-making. The organization monitors consequences of co-determination and improves actively on procedures to maintain or increase the level of co-determination by employees.

Advanced
Employees are consulted on or have a voice in essential topics and decisions. Participation procedures are in place, and co-determination is implemented in parts of the organization or as pilot projects.

First Steps
There is a clear commitment to employee participation. Concrete plans to increase co-determination are in place.

Baseline
Legal rights of co-determination of employees are respected and applied in practice.

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.
- Employee co-determination applies at all levels of the organization. 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 if at least 10% of the employees request a new decision).
- See C4.2 for information about consensual decision-making.

This aspect must be reported completely in **Compact** version.

C4.4 Negative aspect: obstruction of works councils

In many countries, works councils or staff associations are bodies set up to represent employees and protect their interests in the organization. Ideally, the works council and management meet and exchange regularly and work as equals. Decisions take into account the mutual interests.

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 (even if this would not be necessary by law)?

Verification indicators

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

Levels of evaluation

- Depending on the severity of the obstruction and the size of the organization, up to 200 minus points.

Evaluation tools

- No works council: if no works council is present and operational in the organization, the possibility for employees to exercise equivalent rights of co-determination should be reviewed. Anything less than a works council can be interpreted as an obstacle to co-determination.
- 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 organization has to prove that it did not obstruct the formation of a works council, or that there are credible supportive measures in place.
- An organization must be aligned with the ILO conventions about freedom of associations and the right to organise.
  - 1. Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).
  - 2. Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

This aspect must be reported completely in **Compact** version.

D1 Ethical customer relations

Customers are respected as human beings with needs and desires, rather than focussing on their function as potential sources of revenue. The aim is to fulfil the customer's 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 foregoing revenues or profit, where this is in the customer's best interest.

An ECG organization…

- takes care to respect customers as equals in a spirit of partnership.
- acts transparently and honestly with the aim of promoting its customer's welfare and fulfilling the needs of customers.
- designs products and services which are easy to access, useful, user-friendly, and ensures access to information and ease of access at the point of sale.
- refrains from using deceptive advertising techniques, including exaggerating a product's positive features, withholding information, and applying sales pressure.

Initial questions

- What are our values and principles regarding customer relations?
- How do we uphold these values within the organization from the product development phase to customer care?
- What obstacles and barriers do our customers experience in the process of purchasing and using our product or service?

D1.1 Respecting human dignity in communication with customers

Information provided about the organization 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 used to improve products, services, and organizational processes. Respectful and unobtrusive contact with customers to promote high-quality products and services lead customers to recommend the organization 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 organization ensure that the benefit to the customer takes priority over the pursuit of revenue?
- In what form is respect and human dignity considered in advertising and in the sales process?
- What is the procedure for responding to requests and complaints from customers?
- How does the organization ensure that a pragmatic approach is taken?

Verification 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 organization 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 organization's market positioning strategy. Innovative solutions to ensure respectful communication with customers are implemented in the long term. Budgets on marketing, sales and advertising are aligned to the organization's ethical guidelines. Sales targets are not set for individual employees.

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. Marketing and sales-related earnings reflect ethical guidelines.

Advanced

Clear and precise ethical guidelines on customer acquisition and customer care are in place and used by marketing and staff, e.g. in the form of pilot projects. The promotion of word-of-mouth marketing is encouraged and sales-related earnings incentivise ethical guidelines adopted by the organization.

First Steps

Active efforts are made to address genuine customer needs in products and services, and customer acquisition and customer care. Plans for training of staff are developed to foster customer-oriented advice and sales processes, and revenue schemes for sales-related earnings are reviewed.

Baseline

The organization 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 monetary benefit of the organization.
  - The organization therefore sells products and services that benefit the cus-

tomer. Products and services offered by competing organizations may also be recommended if the organization's own products and services do not meet the needs of the customer.
    - The remuneration of employees is at level of living wage and sales-dependent earnings are not incentivising unethical sales practices. Individual 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 organizations unless this is necessary for service provision.
    - Buy-now and pay-later options, if offered, are communicated with all consequences for customers including prominent discussion of real interest rates and payment terms and conditions.
- Customer service:
    - Access to customer service is barrierfree.
    - Customers are offered pragmatic solutions, such as the straightforward exchange of products and reimbursement of the purchase price.
    - Customers are not bound to the organization, its products or services, to gain illigitimate market shares. The freedom of customers to decide which product or service they buy, or re-buy, is not hampered by fraudulent misinterpretation.
    - Existing customers benefit from the same advantages as new customers.

Start-ups and new organizations as a special case:
In the case of start-ups, more active forms of advertising are considered to be neutral for the evaluation if they are appropriate, informative, and factual.

This aspect must be reported completely in **Compact** version.

D1.2 Barrier-free access

The term barrier-free access covers the utility and user-friendliness of the products or services, access to information and the 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?
- (FV) Which disadvantaged customer groups are targeted by measures to improve access?
- What action is taken to enable disadvantaged customer groups to access and use products and services?
- Exclusively for B2B: What is done to ensure that the sales conditions and services available for smaller organizations and organizations committed to the Common Good are at least equivalent to those for to bulk buyers, wholesalers or larger business customers?

Verification indicators

- Definition of disadvantaged customer groups relevant for the organization
- Revenue share generated with products and services addressing needs of disadvantaged customers

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. Feedback of customers shows evidence that disadvantaged groups are aware of the organization's contribution to inclusion and participation.

Experienced
Solutions are broadly used across the organization as an integral part of the business strategy. Solutions aim to overcome the most significant barriers faced by disadvantaged customer groups. Examples are social pricing and adequate measures to facilitate access. Marketing and customer feedback are taken into account in a standardised process.

Advanced
The sales team offers solutions specific to the needs of relevant disadvantaged customer groups and appropriate resources are dedicated to the care of these groups. This can have the form of a pilot project, for specific products or services, or for relevant communication channels or sales procedures.

First Steps
Relevant disadvantaged customer groups are identified. Customers have good access to information, and information is easy to understand. Plans to adapt sales processes of products and services accessible to disadvantaged groups are developed through feedback.

Baseline
The organization complies with legal requirements regarding disadvantaged customer groups.

Evaluation tools

Disadvantaged customer groups including people with mental, sensory or physical special needs, older people, people with another mother language, people experiencing socio-economic deprivation, people from a minority ethnic or faith background, or minorities regarding gender or sexuality. NGOs, non-profit organizations, 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 organizations that are especially committed to the common good are equal to those available to bulk buyers.

For **Compact** reporting the question "Which disadvantaged customer groups are targeted by measures to improve access?" can be omitted. A detailed answer to the question "What barriers exist with regard to the purchase and use of products and services?" is recommended for compact reporting organizations.

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 can be developed for our products or services?
- What advertising activities are carried out in addition to the provision of an informative homepage, neutral product information and instructions, and the dissemination of knowledge?

Verification indicators

- 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.

Internal to the organization:

- Bonuses for the conclusion of specific contracts or sales
- Fixed sales figures and annually increasing sales targets with penalties for individual employees
- Promotion of products regardless of the needs of customers or the market
- Taking advantage of customer deficiencies due to age, knowledge, economic status, or language barriers
- 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, extensive customer profiling, sharing of customer data without obtaining explicit consent, circumvention of data protection regulations

External to the organization:

- Making false statements, misleading promises, 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, or in other ways not respectful of human dignity.
- Presenting everyday products as status symbols or linking them with values that are only marginally relevant to the consumer's experience of the product.
- Mass advertising or extensive 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
- Deliberately incentivising 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 revenue

Evaluation tools

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

This aspect must be reported completely in **Compact** version.

D2 Cooperation and solidarity with other organizations

Cooperation and solidarity with other organizations operating in the same sector 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 market share expansion. This attitude permeates the organization's culture. Aspect D2.1 focusses on the cooperative attitude towards other organizations. Aspect D2.2 focusses on solidary action between organizations.

An ECG organization…

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

Introductory question

- What is our understanding of a cooperative and caring attitude towards external organizations in general, and also towards other organizations operating in the same sector?

D2.1 Cooperation with other organizations

A cooperative ethos and behaviour are manifested in a friendly, open and fundamentally respectful attitude towards organizations operating in the same and similar sectors. Cooperating organizations share a common objective and strive to achieve this objective through cooperation to create a win-win situation for all involved. Organizations work together on solutions, products and services that recognise and meet the needs of customers, users, members, and target groups with the overall aim of ensuring that everyone can reap the benefits.

Questions for compiling the report

- With which organizations operating in the same or similar sectors is cooperation already developed and what are the objectives of this cooperation?
- (FV) With which organizations operating in the same or similar sectors is cooperation envisaged in the future and in which areas?
- In which areas is knowledge and information shared with other organizations operating in the same or similar sectors?
- Which measures to improve industry standards have been/are being implemented or are at the planning stage?

Verification indicators

- How much time and/or resources are spent on developing products or services in cooperation with others operating in the same or similar sectors in proportion to the total time spent on developing the organization's products and services (in hours per year or as a percentage share)?

- (FV) What percentage of time spent / revenue generated can be attributed to partnerships with the following organizations?
    - (FV) Organizations with the same target group (potentially also in the same region)
    - (FV) Organizations that operate in the same industry, but whose target group is in a different region
    - (FV) Organizations operating in the same industry and in the same region, but with a different target group
- In which of the following areas is the organization active?
    - Cooperation with civil society initiatives to improve environmental, social and/or quality standards within the industry
    - Active contribution to improving legal standards within the industry, i.e. responsible lobbying
    - Cooperation with initiatives to improve environmental, social and/or quality standards within the industry

Levels of evaluation

Exemplary

As a principle, products and services are offered in cooperation wherever possible. Knowledge and information are fully accessible to fellow organizations operating in the same sector. The organization contributes actively and regularly to the improvement of industry standards towards sustainable practices and actively implements standards.

Experienced

Initial cooperation has taken place with organizations operating in the same sector. Knowledge and information are made available to organizations in the same sector, and cooperation also serves to improve industry standards. Positive effects of cooperations are evident, at least in some areas.

Advanced

Initial cooperations have taken place with organizations from other industries or with those operating in the same sector but based in another region. Active efforts are made to establish contact with other organizations. Knowledge and information are shared with organizations operating in other industries.

First Steps

A fundamentally amicable relationship is maintained with other organizations. There is a general willingness to cooperate and requests to establish cooperation with others in the same or similar sectors are planned. Knowledge and information are made available on request.

Baseline

The organization neither acts unduly against the interests of other organizations nor in their favour and it does not take advantage of others. The organization confirms compliance with anti-trust laws and applicable competition regulation.

Evaluation tools

The evaluation considers whether there is cooperation with organizations aiming at the same (regional) target group or with those operating in different sectors and regions and thus aiming at a different target group. Experienced and exemplary organizations cooperate with both, organizations with the same target group and organizations with different target groups.

Cooperation can take place at various stages of the value chain: research and development, 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 organization's purpose. Examples are publications on the organization's website and in brochures 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 and improving industry standards with regard to sustainability.

Cooperation can aim to raise industry standards through
- external audits
- certification (labels)
- independent monitoring
- participation in initiatives within the industry and/or region (regular meetings of sector associations) to improve the range of sustainable products and services offered
- participation in collective action initiatives to minimise the risk of corruption

The Verification Indicator "What percentage of time spent / revenue generated can be attributed to partnerships with the following organizations?" and subsequent details can be omitted in **Compact** reporting. However the indicator "How much time and/or resources are spent on developing products or services in cooperation with others operating in the same or similar sectors in proportion to the total time spent on developing the organization's products and services (in hours per year or as a percentage share)?" should be reported in detail to evaluate of the oganization's awareness for cooperation and solidarity.

D2.2 Solidarity with other organizations

Solidarity with other organizations is demonstrated through a spirit of partnership and mutual support free from self-interest, where organizations 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 organization in need or passing on orders or contracts. This assistance is not conditional on a reciprocal return or compensation. The focus is on helping the organization in need to help itself while allowing it to retain responsibility and ownership.

Question for compiling the report

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

Verification indicators

(FV) How many workers or staff hours have been made available to other organizations…
- (FV) operating in other industries to support them in the short term?
- (FV) operating in the same industry to support them in the short term?

(FV) How many orders or contracts have been passed on to organizations…
- (FV) operating in other industries to support them in the short term?
- (FV) 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 or services made available to organizations…
- 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 organizations are implemented as part of the business model. The organization'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 organizations to support them in their activities or help them through emergency situations. Helping and sharing with others 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 organizations to support them in their activities or help them through emergency situations. Helping and sharing with organizations in other industries is seen as good practice.

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

Baseline
The organization does not help other organizations as a principle.

Evaluation tools

Assistance can take many different forms, depending on the organization's 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 organization.

For **Compact** reporting it is sufficient to answer the indicator "What is the total amount of funds or services made available to organizations" with an analysis of sector and time scope, i.e. "operating in other industries to support them in the short term?" and "operating in the same industry to support them in the short term? (total, percentage share of revenue/profit)". A more detailed analysis regarding the dedicated staff and contracts is not necessary for Compact reporting.

D2.3 Negative aspect: abuse of market power to the detriment of other organizations

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

Questions for compiling the report

- In what areas could the organization be hindering or harming other organizations, or is otherwise disrupting their activities?
- (FV) How much importance is attached to gaining market share and what attitude is taken towards market leadership?

Verification indicators

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

Levels of evaluation

- The organization exhibits predatory behaviour towards other organizations, placing strong emphasis on its own superiority and makes judgmental comparisons with others. The primary focus is on serving the interests of the organization itself and not on meeting customer, user, member needs in the best way possible.
- Other organizations are discredited, sometimes indirectly, or purposefully presented disadvantageously.
- Maximisation of market share at the expense of others or to the detriment of consumers, users, members, or producers is enshrined as a strategic organizational objective. The aim is to displace other organizations and reduce their market share.
- Numerous patents are obtained for the organization's own product ideas which are not further pursued or used. This conduct has the potential and intention to limit the capacity for development, research, and innovation of other organizations.

- The company abuses a dominant market position to the detriment of customers through predatory pricing, (secret/covert) pricing agreements, and cartels.

Up to 50 points may be deducted per sub-aspect. The maximum are 200 negative points in total.

For **Compact** reporting the question "How much importance is attached to gaining market share and what attitude is taken towards market leadership?" and the indicator "Is the maximization of market share at the expense of other organizations, customers, users, members, or producers a component of the organizational strategy?" can be omitted.

D3 Environmental impacts of products and services during use and end-of-life

The use and end-of-life treatment of products and services often have negative impacts on the environment. These impacts should be reduced as far as possible. Environmental impacts created by customers or consumers (energy consumption, emissions, etc.) during use, and end-of-life treatment of products and services are considered in this theme. The design phase of products and services is fundamental to reduce or eradicate environmental impacts related to usage and end-of-life treatment. The categorization of environmental impacts as either fixed or variable impacts is used to discern if impacts are reported and evaluated in D3 or in E3. Variable impacts that are only incurred when customers use the service, are to be reported in D3. Fixed impacts that are incurred even if the service is not actively used, are reported under E3. Examples are provided in the aspects.

An ECG organization…

- provides comprehensive information about the environmental life cycle of its products and services, including during use and end-of-life phases.
- aims to fully understand the environmental impacts of their products and services during use and end-of-life, and aims at minimising them to the greatest possible extent.
- offers products and services with fewer negative impacts on the environment during use and end-of-life treatment than existing alternatives.
- uses business models that focus on product and service (re-)design in order to minimise or completely avoid negative environmental impacts, also known as Product Lifecycle Management.
- investigates how customers use products and treats them at the end of the usage period, and seeks to exert a moderating influence (working towards sufficiency).

Initial questions

- How do our customers use and discard our products and services (purpose, frequency, duration, manner)?
- What environmental impacts result from the use and end-of-life treatment of our products and services?
- What comparable alternatives to our products and services exist, and what are their environmental impacts?
- How is our business model assessed when reflecting on the environmental impact of our products and services?
- How can we improve the design of our products and services to reduce or eradicate negative environmental impacts?

D3.1 Circularity and eco-efficiency of products and services: the environmental cost-benefit ratio

The use of products and services should be as eco-efficient and circular as possible. The term circularity is used to describe a product or service designed based on the imitation of natural systems. In the natural world energy and nutrients are perpetually transformed and circulate, and one organism's waste becomes food for another. Circularity on a product level considers a product at the end-of-life phase as a resource for another product or use, and hence reduces the impact on the environment. The term eco-efficiency describes the best possible ratio of utility and/or satisfaction of needs and negative environmental impacts.

Questions for compiling the report

- (FV) How does the organization assessment environmental impacts resulting from the use and end-of-life treatment 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?
- How easily and completely can products be disassembled, decomposed, and components separated, at the end-of-life of the product?
- Does the design phase of your products and services consider the environmental impact of usage and end-of-life?
- Does the business model have a circular approach?
- What strategies and measures by the organization reduce the environmental impacts resulting from the use and end-of-life treatment of products and services?

Verification indicators

For products and services

- Self-set indicator(s) (KPI on improvement of environmental footprint of products/services according to what is relevant for the sector), for instance, water, carbon emissions, resource and energy intensity during average use and typical end-of-life treatment of the product and service compared to the average product and service on the market*
- Offset expenses and kind of compensation measures

For products

- Average lifetime of the organization's products compared to the average lifetime of comparable products: at least for the 3 bestseller products, or at least for the 3 products with the most severe negative environmental impacts
- (FV) Percentage of the total number of the organization's products that are easily repairable
- (FV) Percentage of the total number of the organization's products that can be easily dismantled, disassembled, or separated by components at their end-of-life
- (FV) Percentage of the total number of the organization's products that (including packaging)
    - can be returned (specify if collection is directly managed or externalized by the organization)
    - are recycled or up-cycled
    - are downcycled
    - are bio-degraded or composted
    - are re-used (without loss of value)

For services

- Emissions for accessing the service*

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 are offset. The organization can demonstrate maximum recovery rates for re-use and recycling.

Experienced
There is a strategy for the long-term adaptation and optimization of the product portfolio and business model with regard to environmental effects. Measures are in place to promote the reduction or offsetting of environmental impacts, including extensive recovery programmes, e.g. re-purchase or free return of products at the end-of-life for re-use or recycling. Most products and services have a lower environmental impact than comparable alternatives.

Advanced
Comprehensive data on environmental impacts are available for the majority of products and services. There is a strategy and measures in place to reduce the environmental impact in form of pilot projects or for product groups. The measures are suitable to achieve a lower environmental footprint of products and services than comparable alternatives.

First Steps
Initial calculations and/or estimates of environmental impacts have been made. Plans to reduce environmental impacts and offset unavoidable impacts are developed. Some products and services have a lower environmental impact than comparable alternatives.

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

Evaluation tools

- Indicators marked with "*" can in detail be obtained by a Life Cycle Assessment (LCA) of the product or service. This assessment can be resource intensive and not all organizations may be able to carry out a LCA. Considerations about the relevance of an LCA for decision-making and improvement of the business strategy should be made. LCA is highly recommended, especially for products or services where a high environmental impact is estimated or referenced by alternative comparisons. Impacts considered are water consumption, carbon emissions, energy intensity, toxic substances, or severe impacts on biodiversity. See also the introduction chapter 3.4 „life cycle perspective".

- Appropriate measures include the use of eco-design criteria or similar standards when designing and developing products and services.
- Information can be in absolute values or relative comparisons with similar products and services (environmental accounting, life cycle assessments, etc.) or, where appropriate, estimates or conclusions from scientific studies.
- Services do not have a life cycle in the conventional sense.
- Environmental impacts are categorised as either fixed or variable, and reported and evaluated in D3 or in E3. Variable impacts that are only incurred when customers use the service, are to be reported here in D3. Fixed impacts that are incurred even if the service is not actively used, are reported under E3. For example:
    - In the case of a taxi company, impacts incurred as a result of "dead" mileage between fares, 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 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 non-material 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 reported under E1.
- In the end-of-life phase,
    - down-cycled means that the product or packaging's components or materials lose value when re-used or recycled;
    - up-cycled means that the product or packaging's components or materials acquire value when re-used or recycled;
    - recycled means that the product or packaging's components or materials keep the same value when re-used or recycled.

For **Compact** reporting, the indicator "Average lifetime of the organization's products compared to the average lifetime of comparable products: at least for the 3 bestseller products, or at least for the 3 products with the most severe negative environmental impacts" must be reported. Only for these 3 bestseller products, or the 3 products with negative environmental impact, the end-of-life treatment must be detailed also according to the indicators "returned, recycled or up-cycled, downcycled, bio-degraded or composted, re-used (without loss of value)".

D3.2 Sufficiency: moderate use of products and services

In addition to designing individual products and services more efficiently, it is essential to promote moderate overall use. Ultimately, this is the only effective way to reduce environmental impacts at a societal level. Reducing consumption requires organizations to re-think their activities more profoundly than improving efficiency and circularity. Reducing consumption runs contrary to the prevailing growth paradigm. At the same time, customers should be enabled to make responsible decisions on what proportion of their theoretical personal budget of environmental impacts they wish to invest in a product or service. Sufficiency can be included in business models using sufficiency concepts, for example reduction, abstention, substitution, re-sizing, sharing, de-materializing (digitalisation), multi-purposing, or other ways to reduce resource and energy consumption.

Questions for compiling the report

- How does the business model promote sufficiency or moderate use?
- How is sufficiency or moderate use of products and services addressed within the organization?
- (FV) What strategies and measures are in place to promote moderate consumption and sufficiency-oriented use of the organization's products and services?
- Are products and services designed to foster moderate use and how is this communicated to customers?

Verification indicators

For products and services

- % of the total number of the organization's products that support an individual lifestyle based on the principles of sufficiency

Levels of evaluation

Exemplary

The promotion of moderate consumption is a key component of the business model and the organization'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 organization's strategy and activities aim to adapt the product portfolio in the long term to promote sufficiency. In its communication, the organization 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. The company provides customers with background information on environmental impacts and raises awareness on the issue of moderate use.

First Steps

The organization explores ways of promoting sufficiency and the moderate use of products and services. The organization provides customers and consumers with basic information on the environmental impacts of its products and services with the aim of raising awareness for moderate use.

Baseline

The organization does not actively promote sufficiency, but it also does not incur disproportionate environmental impacts. The organization complies with legal requirements regarding the environmental impacts of its products and services in communication with customers 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 within planetary boundaries of overall human consumption. Consumption or overall use can be considered moderate if these limits are not exceeded. Fostering moderate consumption can be achieved directly for the organization's products and service and through the promotion of the key concepts such as recyclability and re-usability, durability and repairability.
- Potential measures include:
  - price advantages and incentive schemes to encourage repair, re-use 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, materials with reduced environmental impact
  - information on more environmentally friendly alternatives (including products and services of competitors) and incentives to buy these 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.
- Sufficiency-oriented business models take into account the principles of exchange, sharing and repair (during use) and recycling, re-use and reprocessing (in the end of life phase), and promote the four D's of sufficiency: de-cluttering, deceleration, disentanglement and de-commercialisation.
- Products 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 end-of-life treatment (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 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.
  - Sufficiency-oriented customer relation strategies could for example mean actively informing customers of more environmentally friendly alternatives (including those provided by competitors).
  - If information on environmental impacts is used only to increase overall consumption and use, this counteracts sustainability because it results in a net increase of environmental impacts. For this reason, communication regarding environmental impacts should also promote the concept of sufficiency.

For **Compact** reporting, the question "What strategies and measures are in place to promote moderate consumption and sufficiency-oriented use of the organization's products and services?" can be omitted. However, the question "Are products and services designed to foster moderate use and how is this communicated to customers?" must be answered in detail to evaluate the awareness of sufficiency in the business model.

D3.3 Negative aspect: neglect of disproportionate environmental impacts of products and services

Disproportionately negative environmental impacts during the use and end-of-life treatment of products and services are evaluated in this aspect. Disproportionate negative environmental impacts collectively result in exceeding planetary boundaries. Products and services of the organization that knowingly (for example because it is the business strategy of the organization) contribute to collective over-consumption are considered here.

Questions for compiling the report

- Does the organization use pricing policies, incentives, or planned obsolescence to promote excessive use or rapid re-consumption? If so, describe in which circumstances and if such actions are actively encouraged or tacitly condoned.
- (FV) What products and services have the potential to exceed planetary boundaries if used once or a few times by each person in the world?
- What products could contribute to exceeding planetary bounds if current levels of use are maintained or increased?

Verification indicators

- % of the total number of the organization's products and services that purposefully counteract principles of sufficiency, eco-efficiency, and circularity, or
- estimated share of sales generated by practices that can be attributed to unduly stimulated overconsumption

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 organization, a total of up to 100 points can be deducted. As orientation, 50 minus points are deducted for each of the following aspects:

- excessive sales of products and services resulting from price dumping policies, incentive schemes, planned obsolescence, or other sales practices that unduly stimulate overconsumption
- more than half of the organization's products and services counteract principles of sufficiency, eco-efficiency, and circularity.

Evaluation tools

- Products and services are considered to have disproportionate impacts when the combination of environmental impacts per use and current usage patterns, extrapolated to the entire human population, result in exceeding a planetary boundary.
- Products and services counteract principles of sufficiency, eco-efficiency, and circularity if they purposefully employ or support
  - planned obsolescence (technical, psychological obsolescence, etc.)
  - rapidly changing fashion trends
  - 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)
  - products that stimulate sales of supplementary products to ease or ensure functioning

For **Compact** reporting, the question "What products and services have the potential to exceed planetary boundaries if used once or a few times by each person in the world?" can be omitted.

D4 Customer participation and product transparency

Customer participation and feedback provides useful input on potential socio-environmental and sustainable product improvements, product and service innovations, and the development of demands and the market. Customers can share their experiences directly with the organization or communicate with each other. Organised consumer communication increases the influence of customers in the market and organizations with active customer participation policies and transparent product information help leverage the Common Good. Transparent information on the material composition of products, price components, and how customers can participate allows consumers to make informed decisions. In D4 the organization reports on the level of transparency about products and services towards customers for the environmental effects reported in D3, the solidarity and social justice reported in D2, and the contribution to human dignity reported in D1.

An ECG organization…

- encourages direct contact with its customers and involves them in product development.
- uses dialogue with customers to make products and services more sustainable and customise their products to the consumer needs.
- enables customers to participate in product design and improvement through comprehensive product transparency, including the supply chain.

Initial questions

- What methods for co-determination and shared decision-making do we offer 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?
- How do we communicate our pricing strategy?

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

Participation gives customers a voice and requires unfiltered communication right up to the management level. A participatory approach to product and service development and market research allows customers to contribute their ideas and wishes and thus helps improve existing products, develop new products or facilitate product distribution among customers. Market research optimises the way in which customer needs are met and increases the capacity of customers to make decisions in their own interest.

Questions for compiling the report

- Are products and services developed in cooperation with customers?
- What specific methods for co-determination and shared decision making are offered to customers and how are these communicated?
- (FV) How are customer preferences for participation assessed?
- What is the objective of market research activities?

Verification indicators

- Expenditure on market research in the reporting period
- Share of product and service innovations that have arisen with the participation of customers
- (FV) Number of product and service innovations due to customer participation that contribute to greater social and environmental sustainability

Levels of evaluation

Exemplary
A customer advisory council or a similar forum for dialogue and participatory development has been set up. Constructive feedback is part of the innovation and development process of the organization's products and services. Market research also considers ways to include other stakeholders than customers in participatory customer relations.

Experienced
The organization practices an open and transparent form of customer participation that leads to innovation and common-good-oriented improvements. The feedback process and market research aims to identify real customer needs. Standardised ways for customer participation are in place.

Advanced
Customer feedback is integrated in form of pilot projects or for specific products and/or services to further develop the co-determination strategy in the organization. The organization documents and evaluates the share of innovations and improvements due to customer input and new developments take the genuine interests of customers into account. Market research focusses on customer needs and practical ways for participation.

First Steps
Concepts to deal with customer feedback systematically are in place. Ways to integrate customer feedback in the organization are in development. Occasionally customer feedback is proactively campaigned to improve the usefulness of specific products and/or services. Part of the marketing budget is reserved for market research to improve customer participation.

Baseline
Customer participation is reactive to customer feedback, according to legal requirements. Market research aims primarily on increasing the market share.

Evaluation tools

The focus is not on complaint management. Rather, the organization understands that customers are the experts in using their products and services and are hence an important source of knowledge and innovation. Customer participation involves establishing clearly defined communication strategies and providing the opportunity to communicate with dedicated employee roles that welcome feedback, suggestions, and criticisms from customers. Practical examples include passive and active customer relation management and market research. * Hotline, Email, or social media accessibility of customer relations personnel * Dedicated contact person(s) in the organization for suggestions, innovation ideas, improvements by customers * Standardised processes for feedback: input screening, categorization, transfer to relevant persons/roles, response to customers on feedback handling * Market research on consumer preferences and acceptance of different participation formats (polls, questionnaires, events, employment of market research agencies)

A participatory approach to product development takes customer ideas and suggestions into account. Sustainability-oriented customer groups and stakeholder groups can be informed and engaged to assist with the development and dissemination of sustainable product innovations. Market research is considered exemplary if it also explores opportunities for improving the quality of products and services from an environmental and social perspective, e.g. longevity or re-useability.

For **Compact** reporting the question "How are customer preferences for participation assessed?" and the indicator "Number of product and service innovations due to customer participation that contribute to greater social and environmental sustainability" can be omitted. However, the question "What specific methods for co-determination and shared decision making are offered to customers and how are these communicated?" should be addressed in detail.

D4.2 Product and service transparency

Product and service transparency enables customers to make accurate judgements on the environmental, social, human and animal health impacts of products and/or services and levels of sustainability in the production process.

Transparency fosters fair pricing and facilitates discussions with partners in the value chain, including the interested public. Organizations understand their customers as business partners that have a right to know whom they are supporting, and what they are buying with their purchase decision.

Questions for compiling the report

- How publicly accessible and transparent is product information to customers?
- What information is provided on the material composition, environmental characteristics and health impacts of products and/or services?
- (FV) What are the steps of the value chain and possible risks of usage in services?
- What information is provided on pricing along the value chain?

- How are socio-environmental impacts caused by products and services communicated by the organization?
- (FV) How are externalised impacts communicated e.g. carbon emissions per product?

Verification indicators

- Proportion of products with fully disclosed material composition (%-estimate of all products and revenue share of products)
- Proportion of services with detailed publication of socio-environmental impacts in process steps (%-estimate of all services and revenue share)
- Proportion of products and services for which price calculation breakdowns are made available to the public (% of all products and services)

Levels of evaluation

Exemplary
All available information on products and services is fully disclosed under the transparency policy of the organization on socio-environmental impacts. The organization fosters transparency with business partners to enable their customers to make informed decisions. The price strategy is transparent and all price components are disclosed.

Experienced
The proportion of products with fully disclosed material composition and impacts of services is up to 60% either by volume or revenue value. There is a transparency policy for most products and services in place and a proactive information strategy about socio-environmental impacts is implemented.

Advanced
The proportion of products with fully disclosed material composition and impacts of services is up to 30%, or for the most relevant three products and services in terms of revenue. This can have the form of pilot projects or specific products/services. Transparency about price components is available for these products.

First Steps
The proportion of products with fully disclosed material composition is evaluated or for the most relevant product in terms of revenue. Information on the socio-environmental impacts of services is gathered for the most relevant service in terms of revenue. A concept for the publication of price components has been developed.

Baseline
The organization complies with legal declaration requirements. The organization declares hazardous substances and harmful side effects for consumers or the planet for products.

Evaluation tools

In D4 the organization reports how transparent it shares the information of its socio-economic impacts with customers. The impacts the organization's products and services have are evaluated in D3. If a Life Cycle Analysis was carried out by the organization, detailed information is available. For products relevant information can include

- the ingredients, materials, components, energy intensity
- information about origin of materials and environmental impacts in countries of origin
- information about the process steps and associated impacts (CO_2 emissions, water footprint, toxins,…)
- information about international value chains and risks for users/customers and the environment (mining, shipping, storage, logistics, pre-processing, intermediate products). For services relevant information can include
- purchased or leased products and materials necessary to perform the service
- energy intensity of the service and associated socio-environmental impacts
- digital resources to perform the service (e.g. server capacity, electricity consumption)
- direct and indirect impacts of mobility to perform the service
- direct and indirect impacts of service delivery location

Information can be shared and disclosed in different ways
- Service and product information attached to the product (e.g. manuals, information written on packaging, information on the product itself, labels and Nutri-score)
- Service and product information attached to the organization (e.g. website, online-shop, product presentation)
- Service and product information as appendix to sales contracts, subscriptions, season tickets, or other legal contracts establishing a customer relation with the organization
- Service and product information in centralised repositories, listings, databases available to the public
- as regular client/customer information if the product's socio-environmental impacts change
- with product updates, regular maintenance, legally mandatory inspections

Information on the pricing strategy can be disclosed in different ways
- to avoid competitive disadvantages, B2B disclosure is not mandatory
- end-consumers should be delivered information, for example
    - accompanying the invoice
    - accompanying the purchase contract of the product or service
    - as part of the terms and conditions of service
    - with offers to prolong or renew subscriptions, acquisitions of new customers

Externalised costs or impacts are not paid by the organization but are incurred externally and impose a burden on the community or on nature. It can be difficult to estimate externalised costs. The transparency policy of the organization should enable customers to understand what impacts the products and services have, how the organization handles these impacts (e.g. CO_2 compensation) and how this reflects in the price of the products and services.

For **Compact** reporting, the questions "What are the steps of the value chain and possible risks of usage in services?" and "How are externalized impacts communicated, e.g. carbon emissions per product?" can be omitted. However, the question "How are socio-environmental impacts caused by products and services communicated by the organization?" must be analyzed in detail for the evaluation.

D4.3 Negative aspect: non-disclosure of hazardous substances

Products may contain substances that damage the health of consumers or harm the environment. Products and services may have harmful effects even when used as intended. Harmful effects of substances often depend on the dose and/or time of exposure for humans and animals. Substances and side effects of use carry risks that consumers need to be informed of.

Questions for compiling the report

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

Verification indicators

- Proportion of products and services containing hazardous substances and health risks that are not publicly and transparently declared (%-estimate of all products or revenue share of products)

Levels of evaluation

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

- Hazardous substances are not declared for up to 5% of products or 5% of revenue share (at least 50 points, increasing depending on the degree of risk).
- The organization does not inform consumers of possible harmful side effects of products or services for (at least 50 points, increasing depending on the degree of risk).

Evaluation tools

Hazard pictograms and safety labelling for hazardous substances are standardised ways, often required by law. Information on maximum doses and exposure periods should also be transparently communicated by the organization. Consequences of improper use, transportation, storage, or disposal for human and animal health should be prominently contained in information. For service providers, e.g. cleaning services, chemical treatment of materials, the content of substances used and their environmental impacts should be declared to customers.

This aspect must be reported completely in **Compact** version.

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

The ultimate purpose of an ECG organization is to produce and offer products and services that make a contribution to the Common Good. Products and services should be necessary for a simple and satisfactory way of life that is physically and mentally healthy. Products and services that directly contribute to the Common Good are produced in a socially responsible manner that is environmentally sustainable. In addition, ECG organizations offer solutions to some of the greatest challenges societies face, for example, overcoming poverty, providing high quality nutrition, education, and health for all people, and addressing social inequality. In the initial section of the handbook on Purpose the organization focuses on its reasons for existence and being in business. These permeate all matrix themes, both at the level of internal processes, at the level of the relationship with all stakeholders and at the level of products and services. In E1 the focus is on products and services. More specifically, E1.1 explores how products and services of the organization satisfy human needs and respond to "glocal" (global and local) challenges. In E1.2 concrete impact indicators of core business activities of the organization are reported, in order to measure the organization's effectiveness in bringing the desired positive change. Therefore, E1.2 has to do with the impact of the implementation of the purpose through products, services and core business activities, whereas the introduction section on Purpose has a focus on reporting the deeper sense of the organization for all the themes and aspects of the matrix.

An ECG organization…

- 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 socio-economic groups.
- promotes the health and development of individuals and communities with its products and services.
- avoids products and services that carry social, environmental or health risks.

Initial questions

- How do we understand the Common Good in our organization?
- 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 Basic needs and contribution to a good life

Many products and services are short-lived luxury items that are of negligible benefit to customers. Overconsumption burdens the environmental resources of our planet, and is detrimental to physical and mental human health. Offered products and services should meet human needs efficiently and contribute to conscious behaviour and consumption choices. Products and services that focus on the social distinction of groups or highlight economic differences, are detrimental to social cohesion and functioning communities. Business-to-business organizations should also reflect on the ethics of the supply chain, final products and services or sectors they indirectly contribute to through offering them their products and services.

Questions for compiling the report

- Which of the nine fundamental human needs (see below) are served by the organization'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 mitigated with our products and services?
- For B2B: what final products, services or sectors do our products and services contribute to?

Verification indicators

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

- …% fulfil
  - Basic needs
  - Status symbols and/or luxury items
- …% serve the development of
  - people
  - our planet / the biosphere
  - communities and social coherence
- …% that address social and environmental problems in accordance with UN Sustainable Development Goals (SDG's)
- …% of products and services that have
  - Multiple or singular benefit
  - Inhibiting or pseudo-benefit
  - Negative benefit
- Sales of products and services that contribute to final products and services of client-organizations which are unethical or inhumane as a percentage of overall sales

Levels of evaluation

Exemplary
Up to 100% of products and services fulfil basic needs for a healthy and good life in an environmentally-friendly way. The majority of products and services contribute to solve social and/or environmental problems in accordance with UN Sustainable Development Goals. Innovative, visionary approaches to the biggest challenges facing humanity (SDG's) are addressed and proactively approached. B2B: Customers are actively supported and prioritized based on the benefits they offer in their products and services. No products or services sold contribute to final products and services of client-organizations which are unethical or inhumane.

Experienced
Up to 80% of products and services fulfil basic needs for a healthy and good life in an environmentally-friendly way. There is evidence that products and services meet the basic need of personal development, support social coherence, and are beneficial for the environment in line with SDG's. B2B: Customers are encouraged and supported to also fulfil these requirements. A maximum of 5% of products or services sold contribute to final products and services of client-organizations which are unethical or inhumane.

Advanced
Up to 50% of products and services fulfil basic needs for a healthy and good life in an environmentally-friendly way. A healthy development of humans in line with SDG's is promoted actively, for example in campaigns or pilot projects. Less than 5% of products or services provide pseudo, negative or unsustainably inhibiting benefits. B2B: There is a clear roadmap for phasing out sales to client-organizations which are part of an unethical or inhumane supply chain. Reduction of these kinds of sales is already under way.

First Steps
Products and services are scrutinized for pseudo benefits, negative benefits and inhibiting benefits. Less than 10% of products or services provide pseudo, negative, or detrimentally inhibiting benefits. Plans to increase the benefit of products and services are developed. B2B: The organization has mapped the ethics of products and services of client-organizations that B2B products and services contribute to.

Baseline
Products or services are not explicitly addressing basic needs or provide predominantly pseudo, negative or inhibiting benefits. Products and services are not explicitly environmentally sustainable and do not foster social coherence. Environmental and social legal regulations for the products and services are not violated, and individuals or groups are not explicitly disadvantaged. B2B: There is no information or reflection on the ethics of B2B products and services that the organization supplies.

Evaluation tools

When evaluating the organization's products and services, a classification is helpful. Products that satisfy the basic needs for a simple and good life are preferable to products that are dispensable luxury. Basic needs are individual, but generally the following can be considered fundamental human needs (M. Max-Neef and M. Rosenberg):

1. Subsistence: e.g. health, well-being, nutrition
2. Protection: e.g. safety, defence, support
3. Affection: e.g. love, social adherence
4. Understanding: e.g. empathy, exchange, communication
5. Participation: e.g. comfort, co-determination, personal impact
6. Leisure: e.g. recreation,
7. Creation: e.g. genuinely making, producing, design, contribution
8. Identity: e.g. self-reflection, distinction
9. Freedom: e.g. autonomy, decision competence, independence, regulation

- The type of benefit provided to the customer should also be evaluated. Products and services with multiple benefits are rated highest, followed by those that provide a singular benefit, those that provide an inhibiting benefit, and lastly, those that provide a pseudo benefit. Negative benefits are reported within negative aspect E1.3.
  - Multiple benefit: Products or services serve several human needs simultaneously.
  - Singular benefit: Products or services serve a single benefit, e.g. a sports event may only have the benefit of being a leisure activity.
  - Inhibiting benefits: Products or services serve one benefit at the expense of another. For example, TV shows satisfy the need for recreation, but can inhibit creativity and inventiveness.
  - Pseudo benefits: Products or services do not really address a need, but merely alleviated it or provided a substitute. If only symptoms are relieved, without a real contribution of the product or service to meeting the human need, a pseudo benefit is created that is not satisfactory and not sustainable.
  - Negative benefit: Products or services serve that make it more difficult to satisfy basic needs individually and collectively. For example, nuclear power stations, weapons, gambling machines, or violent video games.
- Social Challenges: see UN Sustainable Development Goals under Additional Information.
- Business-to-business (B2B): organizations that sell or provide products and services to other organizations as their customers. The question the organization should pose is "does this customer facing organization create inhumane or unethical products with the support of my products or services?"
- Unethical or inhumane supply chains or products and services of client-organizations are the ones listed in E1.3 evaluation tools.
- For B2B, in E1.1 the contribution to the downstream supply chain is considered, while considerations on the upstream supply chain (suppliers) is considered in A row themes.

This aspect must be reported completely in **Compact** version.

E1.2 Social impact of the organization's products and services

As well as offering a benefit to their customers, the products and activities of ECG organizations offer socio-cultural solutions to some of the greatest challenges humanity faces. For example, overcoming poverty, ensuring high quality nutrition, education and health for all, or addressing social or environmental shortcomings. In this aspect, organizations are invited to reflect and report on the tangible and intangible social impact related to their products, services and core activities. The organization is led in the definition of concrete impact indicators of its core business activities in order to be able to measure its effectiveness in bringing the desired positive change. Therefore, in this aspect the organization reports the impact of the implementation of the purpose through products, services and core business activities.

Questions for compiling the report

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

Verification indicators

- Type and number of activities and measures put into place per year
- Number of people reached
- Self-set outcome or impact indicator

Levels of evaluation

Exemplary
The organization sees itself as a relevant driver bringing solutions to the greatest challenges humanity faces. Creative new approaches to encourage changes in behaviour have been adopted. Consumer behaviour (including that of non-customers) is changed due to the organization's activities, and impact indicators collected and monitored over time demonstrate it. The organization is known as expert in their industry for sustainable solutions and active engagement to improve society.

Experienced
Pilot projects have been evaluated and are extended or adapted due to lessons learned in the past. People's knowledge, attitudes and behaviours (including those of non-customers) have started to change. Social impact indicators continue to be periodically collected and monitored.

Advanced
First measures and actions are implemented, possibly in the form of pilot projects. Indicators for measuring the social impact of products, services and core business activities in general are developed and baseline data on current social impacts are collected periodically.

First Steps
The organization is aware of the positive or negative impacts of its core business activities, products and services on society and plans the next steps for improving its societal impact through its core business. The organization is committed to analyse and monitor the impact its products and services have.

Baseline
The organization does not take an interest in the positive or the negative effects its core business activities have on society. Relevant legal regulations are met.

Evaluation tools

Social impact of products, services and core business activities in general encompasses both customers and other people that is reached who is not directly associated with the organization, such as local residents and communities or national and international NGOs.

Social impact of the core business activity, of products and services might be related to:

- a change in the attitude or behaviour of a certain target group (i.e. repairing instead of buying new, recycling instead of throwing away, buying directly from farmers instead of from supermarkets etc.)
- extended and deepened knowledge on specific issues to make good and informed choices
- an improvement in the life of customers and/or of their communities of reference. For example, thanks to a product/service offered by the organization, the autonomy of a person with disability increased, the care-giver indirectly gains some relief, and social costs due to depression and stress decrease.

Measures and actions to improve the organization's societal impact through its core activities might include:
- innovative ways to be more informative about core-business related issues and impacts through smart packaging, conferences, webinars, workshops, collaborations with civil society initiatives, etc.
- a re-design of some products, services or the business model
- Output, outcome and impact indicators exist:
- Output indicators can demonstrate that an activity has been done (e.g. 10 people participated in a workshop on the benefits of organic farming)
- Outcome indicators demonstrate that change has occurred (e.g. 10 people started to buy organic instead of conventional food)
- Impact indicators demonstrate that change occurred due to the measures taken by the organization (e.g. 10 people started to buy organic food thanks to taking part in a workshop). Sometimes impact is difficult to measure, because change often occurs due to many things and is rarely mono-causal. However, it is often possible to show that the organization also contributed to the change (e.g. 5 people report in a survey that the workshop on organic farming led them to try out organic products). Both Outcome and Impact indicators can be good indicators to demonstrate that change occurred, while output indicators are often not enough to measure underlying cause and effect in changed behaviours.

Examples of verification indicators:
- Number of people reached, for example readers or visitors.
- Self-set outcome or impact indicator, for example number of people who changed behaviour / attitude or who improved their knowledge on a certain topic, or for which life conditions or wellbeing have improved.

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

For **Compact** reporting the questions "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 organization? Through what measures?" and "How can the effectiveness of the organization in bringing change be measured?" can be omitted. However, the reporting on question "What do the measures achieve specifically? For example, an increase in knowledge, changes in attitude or behaviour, or changes in lifestyle." should address each verification indicator in detail.

E1.3 Negative aspect: unethical and inhumane products and services

We describe products and services as unethical or inhumane if they have a negative impact on:
- Life
- The physical and mental health of all living beings
- People's freedom
- Nature

Questions for compiling the report

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

Verification indicators

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

Levels of evaluation

Corresponding negative score for sales figures for unethical products and services and/or proportion of customers who manufacture or sell such products

- up to 2% correspond to 100 negative points
- up to 5% correspond to 150 negative points
- over 5% correspond to 200 negative 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 anti-personnel mines.
    - Exception: weapons with 90% or more use by official security forces (e.g. police) or for licensed hunting
- The construction and operation of nuclear power stations, nuclear reprocessing plants or nuclear waste disposal, the incineration of radioactive material and uranium mining
    - Exception: dismantling of phased-out nuclear power stations, products for safe treatment, recycling, re-use or risk alleviating technologies for nuclear waste
- Manufacture and use of genetically modified plants and seeds, 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 of alcohol, drugs, tobacco and tobacco products
    - Exceptions: wine, beer and alcohol products for 'social drinking', and drugs for medical purposes
- The production and distribution of pornographic products and violent computer games
- Products that have been tested on animals
    - Exception: legal requirements (e.g. medical drugs, cosmetics, or detergents)
- Gambling: betting and manufacture or distribution of gambling devices
- Research on developed human genetic cells (embryonic state)
- Raw material production with long-lasting or harmful environmental impact, e.g. shale gas and oil sand extraction

- Construction or operation of plants that emit toxins or electro-magnetic radiation (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
    - Exceptions: animal products from animals farmed at animal welfare standards of the EU organic regulations

The following behaviours are considered unethical or inhumane:
- Failure to deal with human rights violations
- Use of child labour
- Animal suffering and abuse (e.g. live stock transportation, medical experiments where more humane technological alternatives are available "in silico")
- Air transport of passengers or cargo representing more than 10% of revenue
- Media, in which more than 75% of content is either non-educational, culturally insensitive, or violent entertainment

This aspect must be reported completely in **Compact** version.

E2 Contribution to the community

Every organization 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 organizations can provide that can either promote or harm society and its structures.

An ECG organization…

- 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 organization 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 Voluntary contributions that strengthen society

Many organizations 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 organization put into charitable works? (list of all activities and their monetary value)
- How does the organization's individual gain from these activities compare to the benefits they provide to society as a whole?

- (FV) What lasting changes do the charitable works of the organization make, or are they mainly relieving symptoms?
- (FV) How established are these activities? What experience does the organization already have with each one? How firm is its commitment?
- What is its overall strategy or vision with regard to charitable works?
- How high are voluntary corporate expenditures (voluntary payments, VP) for the general public and what proportion do these have in comparison to the national statutory levies (taxes, social security contributions, etc.)?

Verification indicators

- Voluntary payment (VP) in kind to the community minus the benefit this provides to the organization as a % of national statutory levies
- Sum of taxes according to tax declaration or tax estimate
- Sum of Social Security Contributions (SSC)

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 and higher than five percent of national statutory levies.

Experienced
The organization has been involved in extensive charitable works in several areas over many years. There is evidence of effect and VP is higher than two percent of national statutory levies.

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 and are higher than national statutory levies up to two percent above.

First Steps
National statutory levies are known in detail, but an assessment of the relationship to social commitment is not available Individual voluntary contributions are made, but without evaluating their impact.

Baseline
No voluntary payments (VP) are made to the community over and above the national statutory levies.

Evaluation tools

To calculate the indicator **national statutory levies** the sum of mandatory social security contributions (SSC) and the total taxes paid in the reporting period per annum in monetary units is the basis. The voluntary contribution in monetary units in the reporting period per annum should then be a percentage of that amount of SSC and taxes paid. According to the level of evaluation the higher the voluntary payments in relation to mandatory payments are, the higher the evaluation level. The monetary value of the national statutory levies is reported in the organization’s yearly tax declaration, e.g. most recent tax declarations or tax expectations of the organization.

Social security contributions as defined by OECD are compulsory payments paid to general government that confer entitlement to receive a (contingent) future social benefit. They include: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers. Such payments are usually earmarked to finance social benefits and are often paid to those institutions of general government that provide such benefits. Total taxes paid are payments mandatory in the organization's country, e.g. corporate and capital income taxes, taxes on labour income, taxes on consumption.

The more an organization 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:the hourly rate should be used that the person who is made available in the voluntary project would also receive in the company for their operational tasks - this is to be documented in the list of all activities and their monetary value. Evaluation is based on the company's overall performance. Charitable works might be limited in some types of organization, 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 evaluated at a higher level (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.

For **Compact** reporting the questions "What lasting changes do the charitable works of the organization make, or are they mainly relieving symptoms?" and "How established are these activities? What experience does the organization already have with each one? How firm is its commitment?" can be omitted. However, the question "What is the organization's overall strategy or vision with regard to charitable works?" should be answered in detail for Compact reporting.

E2.2 Negative aspect: inappropriate non-payment of tax

Inappropriate non-payment of tax refers to all legal and illegal practices whereby a organization 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 in 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).

Questions for compiling the report

- What risks are there within the organization 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 organization 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 organization put into place to tackle these risks?

Verification indicators

- Is the organization part of an international group, does it do business with other international partners, or does it participate in the digital economy? If so, the organization should publish the names of all subsidiaries, affiliated companies and business partners overseas who receive a considerable share of 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, pay roll 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 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, or between partner companies in countries with lower tax rates.

- Investment of funds is carried out in countries with lower capital tax rates.
- Organization headquarters or branches have been relocated, deals have been agreed 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 organization. Small and medium-sized businesses whose operations are largely regional, have little potential for inappropriate tax avoidance. The larger a organization 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 organization'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.

For **Compact** reporting, the question "Are international financial transactions transparent? Is there country-specific reporting?" can be omitted.

E2.3 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 by-passing 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.

Question for compiling the report

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

Verification 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?
- (FV) 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 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 two-person oversight principle
- lack of contractual clauses to prevent corruption (in work, supplier or client contracts

Evaluation tools

Every organization 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
- Multiple person oversight 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)

For **Compact** reporting, the question "Has a budget been specifically allocated for social ventures? (see under positive aspect: effective ways of contributing to the strengthening of society)" can be omitted.

E3 Reduction of environmental impact

Organizations can make a substantial contribution to reduce environmental impacts by changed production, manufacturing, and operation processes to counteract the transgression of planetary boundaries. In the life cycle, the impacts reported concern all phases of economic activity, from purchase of primary products, processing, to the delivery of the final product or service to the client. The focus lies on impacts and changes within the organization's reach and responsibility. Product design can also help to reduce these effects.

An ECG organization...

- describes the life cycle of its products and services, collects data, and documents their environmental impact. The lack of a description of the life cycle leads to devaluation.
- actively adresses 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 with other stakeholders in the industry.

Initial questions

- How do we recognise, analyse and avoid 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

In the interests of an ecologically sustainable economy, every organization is required to carry out an ecological impact assessment. The aim is to reduce the consumption of resources and emissions, as well as restricting the use of hazardous substances, technologies and processes. An established environmental management system should serve to define strategies and responsibilities in a transition plan, plan and implement measures and review their effectiveness.

Questions for compiling the report

- What negative environmental impacts do the company's production and work processes have?
- What options do we have to control and/or influence environmental impacts? (See also section 3.3 "Life cycle perspective")
- What data on the environmental accounts is published?

Verification indicators

The environmental accounts in the following table must be reported in accordance with the organization's field of activity and the transition plan.

- This data must be reported, including the source and accuracy of the data. In the case of estimates, "estimated" must be added.
- In addition, separate targets must be defined as part of the transition plan towards zero emissions.

The respective measured values could also be assigned to operationally relevant parameters (e.g. kg CO2 per employee or in relation to turnover). The references can then be used to check whether the "reduction" target has been achieved.

Environmental account	Metrics	Remark
Emissions with an impact on the climate(1)	each in kg or t CO -eq2	Scope(2) 1 and 2
Transport, own vehicle fleet	km and tonnes of CO2 -eq	Scope(2) 1
Authorised transports	km and tonnes of CO2 -eq	Scope(2) 3
Fuel consumption	litres and t CO2 -eq	
Power consumption	kWh and t CO2 -eq	Scope(2) 1 and 2
Gas consumption	kWh and t CO2 -eq	Scope(2) 1 and 2
Energy for building air conditioning (heating or cooling)	kWh / °C	Specification of the target room temperature, if necessary also use of heating degree day (HDD) figures which measure energy demand to heat a building
Consumption of drinking water and rainwater	m^3	Infiltrating rainwater is not taken into account
Chemical consumption (toxic, non-toxic), emission or use of toxic substances	kg	A list of chemicals with the associated safety data sheets is mandatory
Use of other consumables	kg	Reference: Documentation in A3
Contribution to light pollution	Lumen or kWh	Measure of generated external light pollution at night(3)
Particulate matter and inorganic emissions	$\mu g/m^3$ and m^3/year	
Land use	m^2	Show proportion sealed / not sealed

(1) According to the Kyoto and Greenhouse Gas Protocol, climate-impacting emissions are: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2 O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3)))2) Scope 1…3 in accordance with the provisions of the Greenhouse Gas Protocol. If specific reports are to be made in this regard, then the breakdown into climate-impacting gases must be made accordingly. (3) For time switches during the lighting period, the time average should be used.

Levels of evaluation

Exemplary
The organization publishes this data and uses the results to cooperate with others in the sector. It achieves a maximum of four evaluation points (see table in "Evaluation tools").

Experienced
The organization also determines all data for the standard impact categories, achieves a maximum of 12 evaluation points (see table in "Evaluation tools") and has long-term and successful reduction or substitution strategies.

Advanced
The organization is aware of its resource use and emissions as well as its environmental footprint. It evaluates the footprint, collects corresponding key figures and identifies optimization strategies in a transition plan to "net zero emissions".

First Steps
The organization takes initial steps to identify/analyse significant environmental impacts with clear responsibilities and a reporting system.

Baseline
Environmental impacts are not known, no key figures are available and no measures were taken.

Remark There are tools for determining an ecological footprint, some of which are subject to a charge. It does not matter which tool is used - continuous balancing of environmental accounts is also permitted. However, you should always stick to the chosen method and document the transition in the event of a change.

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	Metrics	Rating points
Climate change: CO2 - equivalent of the gases emitted	tonnes per employee	Up to 1t/MA: 0 WP; Per tonne above: +1 WP each
Particulate matter and inorganic emissions	µg/m³ and m³/year	< 2 µg/m3 : -1 WP; < 10 µg/m3 : -0.5 WP; < 20 µg/m3 : -0.1 WP; ≥ 20 µg/m3 : 10 WP
Depletion of the ozone layer: emissions of chlorofluorocarbons	kg CFC-11 equivalent	if available: +1 WP
emissions that contribute to acidification	mol H+-equivalent	if available: +1 WP

Emissions that promote the photochemical formation of ozone (organic compounds, NOx, SOx)	kg NMVOC equivalent (volatile organic compounds other than methane)	if available: +1 WP
Ionising radiation	kg U 235 equivalent	if available: +1 WP
Toxicity: Emission of toxic substances	CTU - comparative toxic unit	if available: +1 WP
Eutrophication: Fertilisation in agriculture	Land (mol N-equivalent); Water (kg P/N equivalent)	Organic farming: 0 WP; Non-organic agriculture: +1 WP; otherwise only if available: +1 WP
Land use (in the context of activities such as agriculture, forestry, road and housing construction, mining, etc.)	Soil quality index(1) (dimensionless)	if deterioration compared to previous year: +1 WP
Resource depletion: water and mineral consumption	Water in 1000 m / MA3; mineral, fossil: antimony equivalent	+ 1WP / 1000m3 if available: +1 WP

- An impact is significant if it is one of the three largest environmental impacts in the organization or if 50% of the specified threshold values are reached or exceeded. The threshold value is the specified value at which 0 points are awarded (or 0 if no threshold value is explicitly specified).
- The EU directives on industrial emissions (2010/75/EU) and the pollutant register (EC Regulation EC 166/2006) must be observed. Organizations that have to report here cannot be exemplary.
- The lack of a description of the life course leads to a devaluation by one scale point (see chapter 1.5)

(1) Soil quality index based on the LANCA model (De Laurentiis et al., 2019) and the LANCA characterisation factors version 2.5 (Horn and Maier, 2018). (Proportions and changes in biotic production, erosion resistance, mechanical filtration and groundwater replenishment).

This aspect must be reported completely in **Compact** version.

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

(FV) How good is the environmental performance of the organization's manufacturing processes compared to:

- (FV) state of the art or current industry-wide standards?
- (FV) organizations in the same business sector or region?

Verification indicators

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

Levels of evaluation

Exemplary
The organization is well above average in terms of significant environmental impact (innovation or industry leader). The measures are identified in the policy, vision and mission as "continuous improvement"

Experienced
The organization is above the industry average in terms of significant environmental impacts with clearly identifiable measures for improvement. The measures are identified in the policy as "continuous improvement".

Advanced
The organization has taken clearly identifiable measures to reduce its environmental impact that are better than industry standards.

First Steps
The organization is aware of the state of the art and industry standards. Measures to reduce the environmental impact are planned.

Baseline
The organization does not know the state of the art or the industry standards or has not yet carried out a comparison with others in the same sector.

Evaluation tools

For smaller organizations without significant production processes, the need for information is lower. For an assessment, at least quantitative data on energy consumption (electricity, gas), mobility expenditure (approximate number of kilometres, means of transport - see also C3) and resource consumption should be used.

This aspect can be omitted completely in **Compact** version.

E3.3 Negative aspect: infringement of environmental regulations and disproportionate environmental pollution

If the organization's activities have a disproportionate impact on ecosystems or if they infringe environmental regulations, social damage is caused, which is not matched by adequate benefits. This should also be criticised in particular, if this procedure were illegal at other locations of the organization.

Questions for compiling the report

- What operating licences and associated operating conditions exist, and are the conditions complied with?
- (FV) How is compliance with relevant laws and regulations monitored?
- (FV) Is there a breach of environmental regulations in the reporting period and if so, how high is the potential damage?

- (FV) Have there been any complaints or disputes with residents with regard to environmental pollution?
- (FV) Are there any disputes with other stakeholders? (civil society initiatives, NGO's, etc.)
- (FV) How do regional technical and legal standards compare to other locations of the organization?

Verification indicators

- operating licence(s) if required for the production processes
- directory of relevant laws and regulations
- register of hazardous substances
- breaches of environmental regulations

Levels of evaluation

A maximum total of 200 points are deductible for the following infringements:

- There is no directory of operating licences, laws and regulations, and no list of hazardous materials: deduct a maximum of 10 points
- There are verifiable complaints on site: 10 points deduction
- There is a violation of environmental regulations. This is being processed: 10 to 60 points deduction
- A violation of environmental regulations is known. Measures have been initiated, but the processing time does not correspond to the hazard potential: 60 points deduction
- A violation of environmental regulations is known, but no action has yet been taken: 100 points deduction
- Specific damage is already known on site: 30 to 60 points deduction
- An environmental violation is legal on site but illegal at another location of the organization: 100 points deduction

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

The assessment of the risk potential of the breach of environmental regulations is calculated according to the ratio of damage to the monthly value of the organization's production.

- Minor damage (< 5%) is deducted from 10 points.
- The greater the hazard potential, the higher the point deduction (60 points are reached at 100%).
- Personal injuries are always rated as major.
- Local complaints are publicised, e.g. through newspaper reports or submissions to the municipality.

For **Compact** reporting, only the question "What operating licences, associated operating conditions and environmental regulations exist, and are the conditions complied with?" must be answered. If the conditions are complied with and the organization confirms that, the evaluation of that aspect can be omitted. If not, this negative aspect must be reported.

E4 Transparency and co-determination

Transparency and co-determination values are the foundation of an enlightened, democratic, open, and pluralistic society and are intended to promote a life-enhancing coexistence. The implementation of these values should primarily avert harm to the public and avoid decisions being made based on limited information and facts, inadequate exchange of arguments, or restricted participation of affected stakeholders. Involved stakeholders include local residents, local authorities, committed non-profit organizations, future generations, and all nature, including animals, plants, biodiversity, and landscapes.

An ECG organization…

- is transparent about its actions and shares information of legitimate interest to the public.
- promotes democratic education and operational democratic competence, implements democratic values and diversity, and excludes discrimination and racism in their own governance.
- fosters awareness and responsibility for global effects of individual behaviour.
- assumes responsibility within their reach and engages to avoid the reproduction of human rights violations (e.g. unfair agreements between economically unequal states, violations of human needs, infringement of free choice and co-determination).
- recognizes potential dangers and risks of digitalisation and artificial intelligence.
- transparently informs about corporate actions, responds to individual information requests and objections.
- actively seeks dialogue with stakeholders, including initiatives and non-profit organizations that represent the interests of stakeholder groups who cannot raise objections themselves (such as disadvantaged people in other countries and continents, children and adolescents, future generations, animals, and nature).
- takes into account legitimate interests of affected groups in business decisions, especially of humans and animals.
- engages in initiatives to foster co-determination of affected people, both locally regarding the organization's direct impacts, and internationally, regarding indirectly affected stakeholders.

Initial questions

- How does the organization develop and present their attitude towards transparency and co-determination?
- How transparent, honest, complete, unambiguous, and factual is the information policy, for risk assessments and potential harmful effects on global society and the environment?
- How are the effects of entrepreneurial actions explained and communicated?
- How is co-determination implemented in the organization's decision processes to meet the legitimate interests of local residents, affected stakeholder groups, future generations, and nature?

E4.1 Transparency and Democracy Education

Transparency creates trust and enables others to participate and make informed choices. A transparent organization provides comprehensive insight in its activities to relevant societal stakeholders. It systematically acquires new insights from different perspectives, provides complete and neutral information, actively seeks exchange of arguments and scrutinizes criticisms. Democratic decision-making and governance ensure that individuals and interest groups are involved in creating the environment we all share. To engage in democratic decision-making, stakeholders need competences, resources and accessible possibilities to deliver their opinion. Democracy education fosters the capacities of stakeholders to form an opinion, come to informed choices and engage in decisions of local, regional, or global societal interest. Democratic societies and democratic structures in organizations should be guided and inspired by Markus Gabriel's statement "Democracy must be capable of truth and love of truth."

Questions for compiling the report

Transparency

- What important and critical information is collected for stakeholders (scope and depth)?
- In what form is information published and disseminated (type of publication)?
- Are reports, assessments, or information formats reviewed by an independent body?
- How easily accessible is this information for the public? Democracy Education
- Are employees and indirect stakeholders aware of democratic structures in the organization?
- What applications for democracy education can be identified?
- (FV) What are the goals of organizational democracy education and how are these achieved?

Verification indicators

- Publication of standardised reporting schemes, e.g. ECG balance, GRI, ESRS, SDG reporting
- Democratic structures in the current Code of Conduct (CoC)
  - how are rules in the CoC defined, e.g. participative, committee decision?
  - how are democratic structures implemented in the CoC, e.g. defined rules and procedures?
  - how is compliance monitored, e.g. questionnaires, sanction policy?
- Integration of democracy promotion in vocational education

Levels of evaluation

Exemplary

The organization reports on its activities and engages in extended transparency efforts. It joins forces with democratic initiatives, NGO's, and other regional or global stakeholder representatives to increase transparency in its industry. It leads by example and offers help to other organizations in its sector to develop their transparency strategy and democratic structures. Exemplary successes of democracy education have positive effects beyond the organization and region.

Experienced

The organization systematically reports on its activities following its publication strategy and consolidated Code of Conduct. Externally audited reporting schemes have been carried out and are evaluated to further improve the publication strategy. Measures for democracy education for stakeholders are established, and evidence for systematic co-determination is present. Results of implemented measures are analysed and serve as evidence to further develop the transparency strategy and co-determination of stakeholders.

Advanced

The organization has developed reports on its activities following its publication strategy and consolidated Code of Conduct. Externally audited reporting schemes are in preparation, at least for parts of the organization and necessary analyses are made. Measures are implemented to promote democratic decision-making and relevant functional roles are established for easily accessible democratic involvement of indirect stakeholders. First measures for democracy education are being implemented to promote democratic competencies at all levels.

First Steps

The organization recognizes the relevance of transparency and develops a publication strategy for activities as part of its Code of Conduct. The organization begins with initial analyses, planning and develops an implementation strategy for reporting in externally audited reporting schemes. Fields of action for democracy education are identified and plans are in place to implement democracy education.

Baseline

The organization complies with legal requirements for transparent publication of activities and respects democratic procedures in its Code of Conduct. Additional reporting online or in other easily available formats is not available and no plans to increase transparency exist. Democracy education is considered irrelevant.

Evaluation tools

The stakeholders in E4 concern all relevant stakeholders for the organization that are not explicitly analysed in the matrix. For example, nature including animals and plants, societal groups that are not directly related to the organization, and future generations. These indirect stakeholders are often represented by interest groups or associations, who claim rights on behalf of those who do not have an own voice.

All levels of evaluation can be applied in regional contexts and global contexts. Depending on the size of an organization, the number of countries of economic activity and the market power, organizations have different ways to implement transparency and co-determination.

- For a "small" exemplary organization in terms of turnover and number of employees, the evaluation would be based on local or regional efforts, e.g. engagement in the local industry union and exchange with peer organizations.
- For "large" organizations with branches in several countries, reporting can concern a subsidiary or the whole organization. The scope of the report is aligned to the organization, but reported contents are the same. Examples for subsidiaries could be engagement with the parent company to establish transparency standards for all subsidiaries and cooperation with peer-subsidiaries. Parent organizations should themselves adhere to the same rules, and monitor and evaluate compliance with internal regulations and a general code of conduct. Active democracy education in the parent organization and its subsidiaries enables participation. Co-determination fosters acceptance and implementation of transparency measures, for example internal assessments, a consolidated publication strategy and systematic external audits.

A code of conduct defines binding internal rules an organization agrees upon. For the evaluation, relevant parts of the code of conduct can include

- transparency strategy, e.g. publication strategy, data mining strategy
- co-determination standards, e.g. multi-language offers to allow participation, deadlines and formal procedures of participation

Some areas of activity can impact more persons than those directly affected, and directly or indirectly shape the environment all humans and future generations have to live in. These areas of activities need special attention in terms of transparency and openness to societal discussion and co-determination. Organizations operating in the following fields should prove consciousness of the potentially disproportionate impact on societies their activities can have.

- artificial intelligence
- biotechnology, Crispr Cas, work with genetic manipulation
- global organizations
- livestock farming and processing of animal products
- construction and offshore construction, including infrastructure
- production processes associated with hazardous substances or strong environmental impacts, e.g. natural gas fracking, intensive monoculture agribusinesses, wood production and deforestation, etc.

The question "What are the goals of organizational democracy education and how are these achieved?" can be omitted in **Compact** reporting.

E4.2 Co-determination

Organizations play a significant role in addressing global challenges and should use their influence to make a positive contribution towards a life-serving society, achieving the UN Sustainable Development Goals (SDG's), and global solidarity and justice. Democracy education (with peer organizations, trainees, employees, and executives) and its practical implementation in organizations are crucial to this. Educational programs can promote awareness, enhance understanding and appreciation of the concerns of indirect stakeholders, for example children, sentient animals, biodiversity. Awareness of the needs of indirect stakeholders fosters a sense of responsibility for our actions and impacts. Education and training helps to respect the interests of indirectly affected people and living beings, learning about the needs of those who cannot speak for themselves, and the practical implementation of their rights in democratic decision-making processes. The goal of participation and co-determination is a globally responsible behaviour of the organization to avoid suffering, conflicts, additional costs, and deterioration of future prospects.

Questions for compiling the report

- How can people and organizations engage in dialogue and participate in open, power-free, and sanction-free argument exchange?
- (FV) How does the organization ensure that the legitimate interests of stakeholders that do not have contracts with the organization are considered?
- (FV) What efforts does the organization take to foster democratic structures with the aim of respecting human rights globally?

Verification indicators

- Procedures for co-decision-making by stakeholders beyond statutory participation rights for
  - (FV) operational decisions (how things are done)
  - (FV) fundamental decisions (what things are done)
- Infrastructure for dialogue (e.g., ethics forum, ethics committee) present: yes/no? For what kind of decisions?

Levels of evaluation

Exemplary
The organization has an institutionalised form of co-determination for operational and fundamental decisions. The organization shares its learnings and methodological approaches for participation in the sector and helps peer organizations to develop their participation structures. It assumes responsibility beyond its direct influence and integrates interests of indirect stakeholders in its policies and plans. Beyond its direct responsibility, on a societal and political level, the organization helps develop democratic structures to promote human rights and rights of indirectly affected stakeholders.

Experienced
The organization has implemented systematic ways for active participation of indirect stakeholders in decision-making processes. Continuous, interdisciplinary (politics, science, ethics, sociology, and environmental sciences) communication is in place to appropriately consider the interests of indirect stakeholders and involve their interests. Procedures for participation concern most operational decisions and are part of the decision-making process for fundamental decisions.

Advanced
The organization actively seeks contact with representatives of relevant indirect stakeholders, e.g. consultations, invitations, public hearings. At least for specific projects or parts of the organization, representatives of indirect stakeholders are asked for their opinions, views, and suggestions with the aim to receive feedback and input. Plans to systematically assess who relevant indirect stakeholders are, and how their interests can be involved in the decision-making processes for operational and fundamental decisions are developed.

First Steps
The organization recognises that their activities affect other stakeholders. A first inventory of typical indirect stakeholders relevant in the sector is present. The organization provides public information, and relevant indirect stakeholders or representatives of affected groups and beings can engage in dialogue. Results are documented and evaluated with the aim to foster understanding and deepen cooperation.

Baseline
The organization complies with legal requirements and respects mandatory procedures for objections. There is no communication or procedure for stakeholders to engage in dialogue with the organization's decision-makers and no co-determination of stakeholders beyond legal duties.

Evaluation tools

- Indirect stakeholders are those who typically do not have direct means to voice their interests, e.g. affected people in other, distant countries, low income groups, people without access to education, young people, sentient animals, or other disadvantaged groups with legitimate interests. Dedicated associations, NGO's, citizen initiatives, or interest groups represent indirect stakeholders and help integrate these perspectives and needs.

- Interdisciplinary collaboration is important. Various disciplines such as politics, science, ethics, sociology, and environmental sciences work together to consider the interests of stakeholders who are not contractually tied to the organization. Solutions should be developed that ensure the protection and consideration of these interests.
- Participatory approaches give affected groups the opportunity to participate in decision-making processes directly or through representatives. This can take the form of consultations, public hearings, public discussions, workshops, participation procedures tailored to specific groups (e.g. youth, elderly, non-native speakers, scientists), ethics committees, or other forms of participation. These mechanisms enable those affected to voice their concerns and directly influence decisions. Relevant for the evaluation are:
  - the scope of involved stakeholders (local, national, global interests)
  - the degree of co-determination (information, contact, consultation, participation, co-determination)
  - methods and weighting of arguments and interests
  - degree of responsibility and demonstrable implementation of measures to improve quality of life of indirect stakeholders
  - how the organization assesses and assumes its responsibility in the context of global economic differences and inequitable power of stakeholders
- Co-determination by representatives means active participation and co-determination of fundamental and operational decisions, for example policies, strategies, investments in projects, and can have the form of weighted votes or direct participation/co-determination in organizational committees or commissions.

For **Compact** reporting, the questions “How does the organization ensure that the legitimate interests of stakeholders that do not have contracts with the organization are considered?” and “What efforts does the organization take to foster democratic structures with the aim of respecting human rights globally?” can be omitted. The verification indicator “Procedures for co-decision-making by stakeholders beyond statutory participation rights ” must be reported but not be further detailed for decision types. The verification indicator “Infrastructure for dialogue (e.g., ethics forum, ethics committee) present: yes/no? For what kind of decisions?” that must be reported allows for an evaluation in general terms.

E4.3 Negative aspect: lack of transparency and deliberate misinformation

Organizations and companies have a responsibility to provide information to society transparently and comprehensively. If an organization deliberately publishes false information about itself, its plans, its understanding of facts, or its mission, it harms society and impedes informed choices and discourse. Harm can be caused by:

- deliberate misleading through mis-information, non-disclosure of relevant facts, illegitimate interpretation of facts
- biased reporting of risks to the detriment of the public, future generations, and nature
- neglect of scientific findings or empirical facts

- promotion of stereotypes, resentments, group-based misanthropy, or prejudices
- gather and disseminate information with the aim of manipulation or tailored opinion forming
- prevent dissemination or discredit information for strategic reasons

Questions for compiling the report

- Does the organization in practice live up to its own standards (e.g. Code of Conduct, transparency, co-determination)
- Does it disseminate misinformation?
- Does it take into account the latest scientific thinking?
- Does it violate human rights?
- Is it transparent about the use of technology (e.g. artificial intelligence, biotechnology) and which decisions are technology-assisted or technology-based?
- Are there signs for structural discrimination of indirect stakeholders?
- Is the organization transparent about the scientific, political, economic, (if applicable religious) resources it uses and values it promotes?

Verification indicators

- Legal charges against the organization related to
  - human rights violations
  - corruption laws, administrative laws
  - insufficient reporting according to applicable law
  - constitutional law offences
  - offences of applicable international agreements and ratified declarations (e.g. child labour, environmental protection agreements, applicable resolutions in intergovernmental bodies)
- Conformity to the organization's transparency strategy (e.g. from the Code of Conduct: what information is disseminated how and what is the desired outcome)

Levels of evaluation

A negative score should be preceded by a thorough assessment and discussion with the organization. It can be difficult to assess the quality of information and identify the intention behind its dissemination. An organization should respond to questions and doubts willingly, transparently, and completely openly. The following actions can be assigned a negative score:

- legal charges or formal complaints in the balancing period under consideration and the organization's reaction to them
- non-conformity to the organization's Code of conduct
- deliberate misinformation or non-disclosure of relevant facts
- active prevention or impediment of investigations
- non-cooperation with legal or corporate authorities (e.g. investigations)
- wrong labelling of information as scientific, fact-based, or evidence without appropriate proof
- opaque sources of information and deliberate misleading (e.g. non-authorised use of publications)

- deliberate impediment of societal and global democratic structures (e.g. specific project labelling to avoid public consultations)
- infringement of procedural regulations (e.g. time periods for consultations of public opinion)
- deliberate misinformation to harm political, economic, or social opponents
- support for non-democratic religious or political parties, organizations, or associations that publicly promote extremist, misanthropic, or group-based discrimination

For **Compact** reporting, the question "Are there signs for structural discrimination of indirect stakeholders?" can be omitted.

Closing Remark

Preparing a Common Good Report is a process helping you to analyze, document, and develop your organization.

Professional ECOnGOOD consultants can accompany you in the process.

Audit of your Common Good Report as external assurance helps you to contextualize your self-evaluation and strengthens trust of users in your sustainability information.

For the Additional Information Document for preparing a report, consultancy services, auditing of reports and the ECOnGOOD community of organizations please consult:
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Notes