

The sustainability indicators of the Regionalwert AG and their potential further use

by János Jákli and Peter Volz, Nov 2014

The Regionalwert AG (RWAG)¹ is a German citizen shareholder company through which citizens can support the sustainable development of their region. They buy shares (500€ each) of the RWAG which then invests this capital in small and medium sized socio-ecological enterprises in the regional agricultural and food sector along the value chain, from farm to fork. Currently, the RWAG is active in three regions in Germany.

The enterprises that are in a financial relation with the RWAG (e.g. through a limited partnership) operate with each other in a network. Together, they create synergies by addressing issues like food waste, nutrient cycles, marketing and distribution. RWAG facilitates access to land and to business structures for new entrants, with the support of existing network partners/members. Thus, the RWAG aims to build up a regional economy to establish a sustainable food supply chain and regional added value. Established in 2006, the Regionalwert AG in Freiburg (Southwest Germany) has gained the support of more than 500 mainly regional residents who are now shareholders with a total capital investment of 2,23 million €. Furthermore, this concept has aroused people's interest to found further Regionalwert AGs in other regions of Germany, and further afield in Austria and in Spain.

Apart from the objective to establish a regional and organic value chain, the RWAG advocates social, ecological and regional-economic performance indicators for businesses. The RWAG and its investors take a broader perspective on dividends: they are not limited to monetary dividends² but also include social and ecological values that have been preserved or promoted in the region.

However, the RWAG's current financial evaluation methods do not take into account social and ecological values despite their importance. Although sustainability indicators are reported on, this is done separately under the banner 'non-financial performance and services'. Once a year, partner businesses report to shareholders at the RWAG's Annual General Meeting of the RWAG. They report on 87 indicators in three categories: social, ecological, regional-economic. Thus, this report serves as a sustainability evaluation of the enterprises and also to communicate to shareholders the social-ecological return of their investment.

Overview of the sustainability indicators

There are 87 sustainability indicators which fall into three categories and span 12 dimensions. The indicators are both qualitative and quantitative:

Social	Ecology	Regional economy
1. Employee structure	4. Soil fertility	9. Distribution of value-added
2. Remuneration	5. Biodiversity	10. Value-added in the region
3. Quality of workplaces	6. Application of the EU-Eco-regulation	11. Commitment in the region
	7. Development of organic farmland	12. Dialogue in the value chain
	8. Resource use	

Table 1: RWAG Sustainability Indicators 2014

The indicators are reviewed on an annual basis. The feedback received from RWAG-network

1 "Regionalwert" means translated into English "regional value".

2 The RWAG hasn't distributed a monetary dividend so far.

partners and shareholders is used to improve them and also to ensure that they focus on the most salient and relevant aspects, and do not place an excessive reporting burden on the enterprises. Within the RWAG the indicators are also used to highlight certain aspects of production. For example, in 2014 the aspects “food waste” and “collaboration in logistics” were introduced with qualitative questions.

Short history of the RWAG sustainability indicators

In 2008 the Regionalwert AG and its shareholders collaborated with scientists and network partners to develop the sustainability indicators. This was supported by the “imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH” and the badenova AG&CoKG (the latter made a financial contribution). As a result three categories with 13 dimensions and 67 indicators were developed:

Employees	Ecology	Regional economy
1. Employee structure	5. Soil fertility	10. Distribution of value-added
2. Remuneration	6. Biodiversity	11. Value-added in the region
3. Fluctuation of employees	7. Development of organic farmland	12. Commitment in the region
4. Quality of workplaces	8. Resource use	13. Dialogue in the value chain
	9. Application of the EU-Eco-regulation	

Table 2: RWAG Sustainability Indicators 2008

Since 2008 the sustainability indicators in Table 2 above have been reported on by every business that has been part of the RWAG partner network for at least a year. In 2014, the design and data collection methods of the sustainability indicators were further developed and refined. For example, an on-line platform was created. This online-tool was tested with all the partner businesses in the same year successfully.

Outlook and Potential

Conventional financial accounting systems do not adequately consider the social, ecologic and regional-economic services of enterprises. Instead, they tend to list activities and investments that provide public goods or ecological services as costs for the respective enterprise.

The Regionalwert AG aims to change this prevailing paradigm through its sustainability indicators. The indicators have a potentially wider function than communicating information about social-ecological services to shareholders. They can serve as a basis for an integrative model accountancy. It is also crucial to find ways of measuring the value of these actions without falling into the trap of placing values on nature itself (what has been coined ecosystem services). The example of the CO² emissions valuation and trade shows the absurdity of placing a value on things that have an inherent value. There are better ways of accounting the values that have been created.

In the short term, the next step is to improve the RWAG’s sustainability indicators (e.g. measurement) and integrate them into partner enterprises’ accounting systems. In the medium to long term however, fundamental reforms to accounting regulations and practices are needed to include social, ecological and regional-economic aspects.

The Regionalwert AG is eager to pioneer such a sustainability-oriented accountancy system within and outside its network.