

WEBINAR & PANEL DISCUSSION ORGANIZED BY GCSL & CCRS

Key Embeddedness Indicator: A new tool to determine a company's contribution to SDG 8

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Project consortium

Partners:

ABB Management Services Ltd

Zürcher Kantonalbank

SwissHoldings

UN Global

Compact Network Switzerland & Liechtenstein

Cyverse AG

BHP Brugger und Partner AG



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Confederaziun svizra

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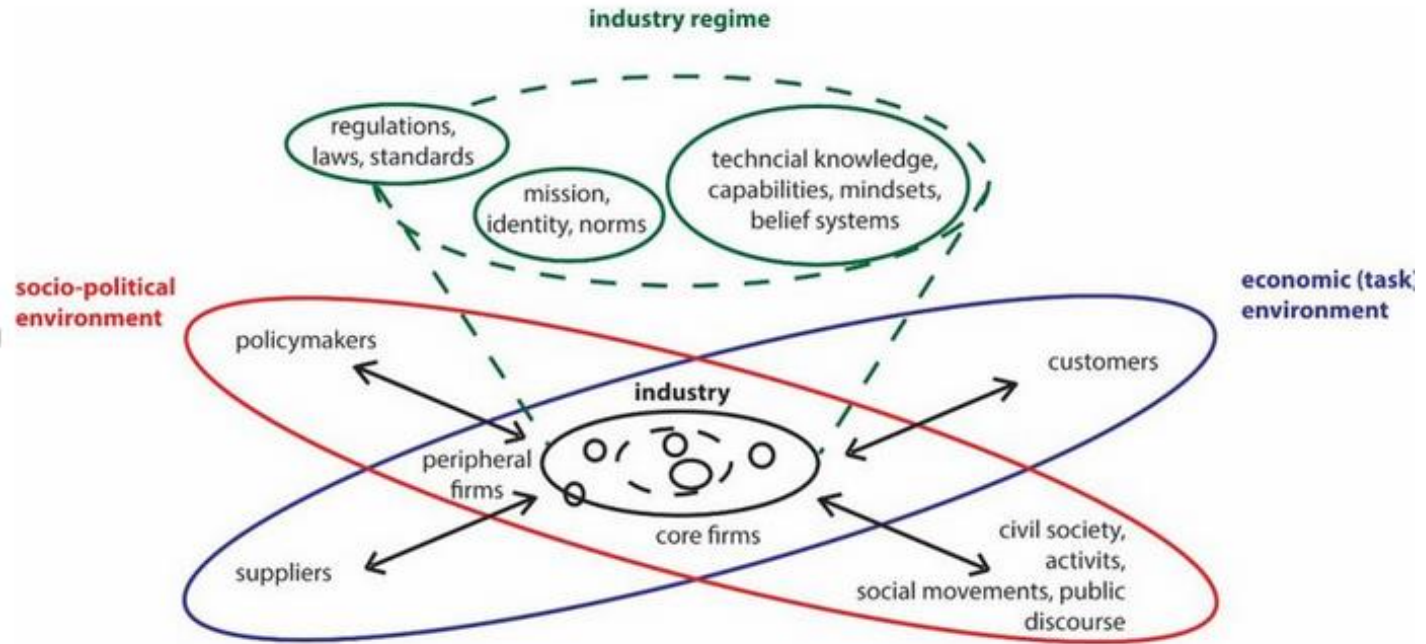
2020-2021

Outline of the presentation

1. Introduction
2. Positioning the KEI tool
3. Insights into the KEI tool
4. Role of case studies

1 INTRODUCTION

Principled Embeddedness

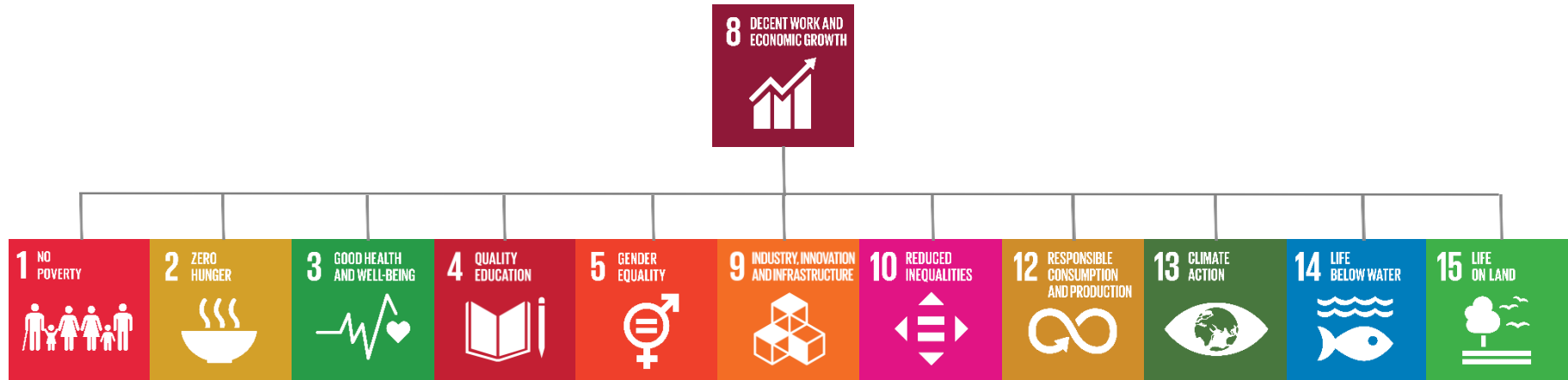


Mühlemeier (2019)

- To ensure long-term license to operate
- Creating positive contributions to inclusive growth

Why the focus on SDG 8 ?

- **Responsible entrepreneurship** → inclusive economic and sustainable change and scalable innovation → **business as part of the solution**
- Creating **business opportunities** and institutional and technological innovations that benefit **companies, communities** and the **environment**
- SDG 8 is **interrelated with many SDG's** and covers besides **social** also many **environmental** and **economic** aspects



Project goals

- **Platform for internationally active companies to capture contributions to decent work and inclusive development (SDG 8) and make them comparable, meaningful and credible:**
 - using existing company data, improving it through expression in relative terms
 - putting company data into context (industry, country) to deduce contribution
 - building scoring/rating system with benchmark, targets; and no goes
- **Suitable business model to maintain, improve & expand the KEI-tool long-term**
- **To inform sustainable finance**



2 POSITIONING THE NEW TOOL

Tool requirements

➤ General requirements for sustainability assessment tools

- Traceability and transparency
- Standardization
- **Credibility**
- **Measurability and comparability**
- Practicability



Sustainability ecosystem - players

Data providers (market)

- Bloomberg
- MSCI
- Thomson Reuters / Refinitiv
- S&P
- FTSE Russel

Data providers (ESG)

- **RobecoSAM**
- ISS-oekom
- Vigeo Eiris
- CSRHub
- Sustainalytics
- **Inrate**

Data Providers (specialists)

- CDP
- **RepRisk**
- Trucost

Companies (in-house)

- **ZKB**
- **Novartis**
- **CS**
- **UBS**
- **Renaissance**
- Natixis

Standardsetter

- GRI
- SRS
- SASB
- IFRS
- IIRC
- ISO

Movements & Initiatives & Academia

- **VBA**
- Gemeinwohlbilanz
- **B Lab**
- Harvard B. School
- SHINE at MIT
- Leuphana Univ.
- **CCRS**

Business Consultants

- EcoVadis
- **SMART**
- PwC
- EY
- KPMG

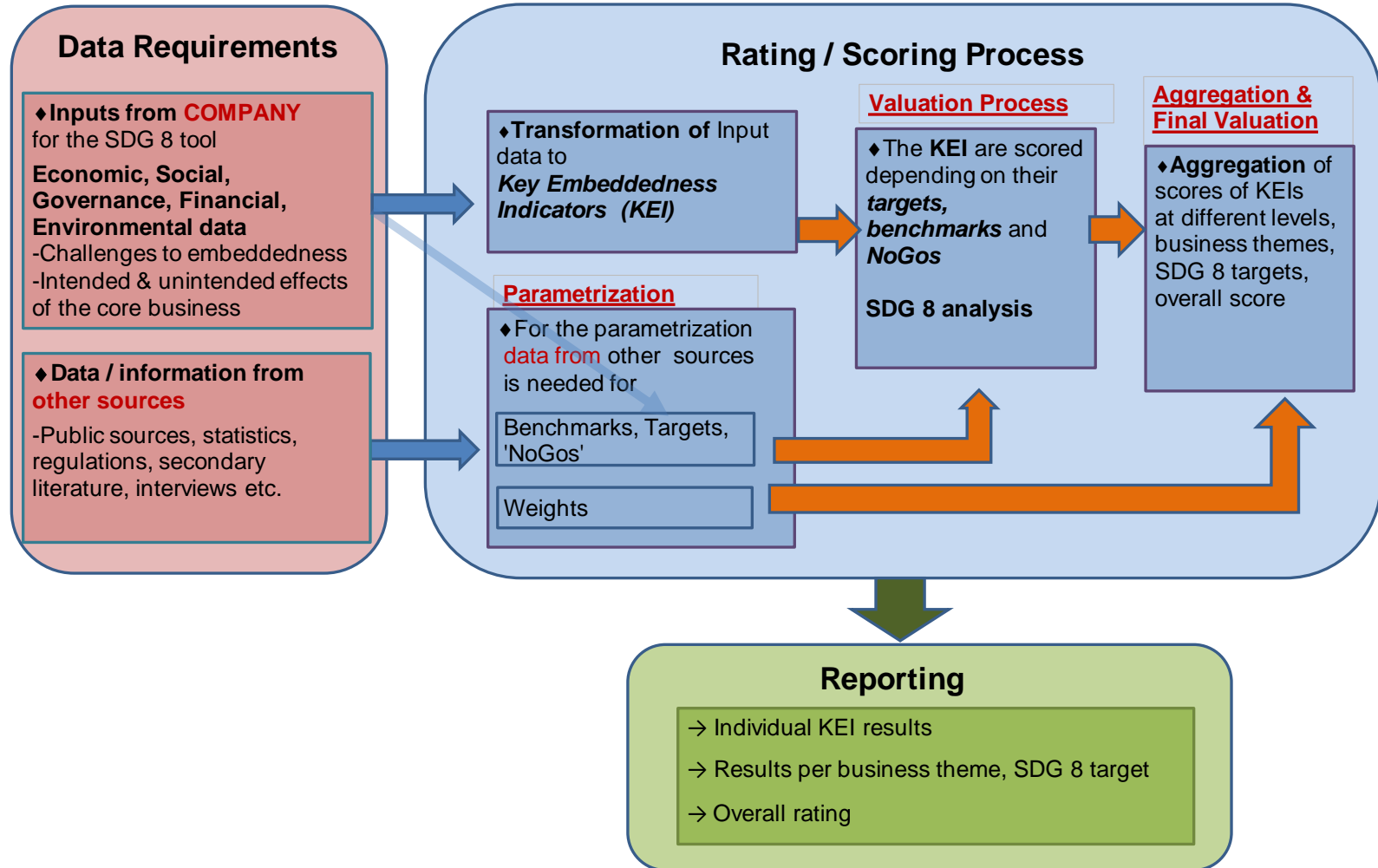
Framework Developers

- **UN Global Compact**
- Future-Fit
- **WBCSD**

Sustainability tools/methodologies

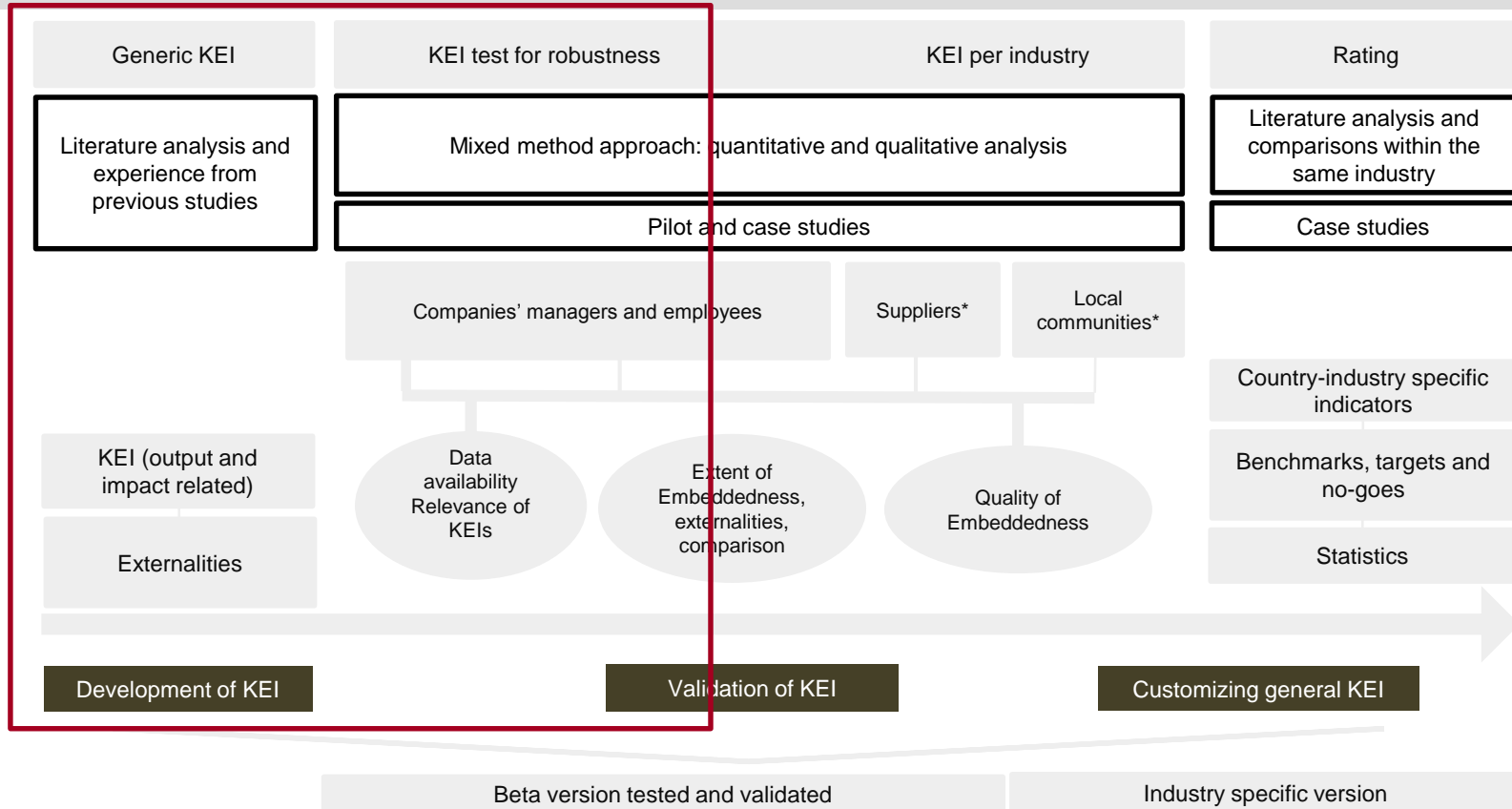
<i>Reporting</i> <ul style="list-style-type: none"> • Global Reporting Initiative • Integrated Reporting Framework 	<i>Corporate Rating</i> <ul style="list-style-type: none"> • Sustainability Ranking • ESG rating, scoring 	<i>Specialist tools</i> <ul style="list-style-type: none"> • Environmental disclosure, scoring • Incident risk information • Cost of environmental damage 	<i>Impact Valuation</i> <ul style="list-style-type: none"> • General Equilibrium Modeling • Value Balancing Alliance (VBA) • ROSI™ (NYU Stern) • HACT (UNDP)
<i>Accounting</i> <ul style="list-style-type: none"> • Sustainability Accounting Standards Board • International Financial Reporting Standards 	<i>SDG impact</i> <ul style="list-style-type: none"> • SDG action manager • Net positive project (Shine at MIT) • Handprint (CSCP) • Peacebuilding business index • Compass (GIIN) 	<i>Protocol based</i> <ul style="list-style-type: none"> • Protocol based CSR rating 	<i>Rating with (local) benchmark</i> <ul style="list-style-type: none"> • Renaissance • KEI

Rating / scoring process



3 INSIGHTS INTO THE TOOL

KEI development and validation, methodology



The operationalization of SDG 8, business themes



- Economic value
- Economic performance
- Payments to government



- Productivity development in the economy
- Technology development, research and innovation, diversification



- Impact on job creation
- Economic inclusion in the supply chain
- Local procurement
- Inclusive business



- Energy consumption
- Water use
- Greenhouse gas emissions
- Waste management
- Biodiversity and ecosystems



- Workforce diversity and equal opportunity, governance
- Wage employment
- Employee training and education
- Employment in supply chain
- Communication



- Youth employment
- Youth education and training



- Child labour
- Forced labour, modern slavery, human trafficking
- Management of risk of child labour and forced labour, modern slavery, human trafficking



- Safety and health
- Freedom of association and collective bargaining
- Labour practices in the supply chain
- Labour/management relations



- Tourism development



- Access to financial service
- Sustainable finance

The operationalization of SDG 8, indicators (1)

Business theme at company level	Indicator at company level	Measurement at company level (per year)
8.1 Sustain per capita economic growth in accordance with national circumstances		
Economic performance	Labour productivity	Revenue divided total number of employees
8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors		
Technology development, research and innovation, diversification	Local investment in R&D	Investments in research & development divided by revenue
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises (MSME)		
Impact on job creation	Induced job estimate	Number of jobs created due to spending of wages earned by employees of the company
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation		
Greenhouse gas emissions	Greenhouse Gas (GHG) emission intensity	GHG emissions measured in tons of CO2 equivalents (scope 1 & 2) divided by revenue
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including persons with disabilities, and equal pay for work of equal value		
Workforce	Permanent contracts for domestic employees	Number of domestic employees with permanent contracts divided by total number of employees

The operationalization of SDG 8, indicators (2)

Business theme at company level	Indicator at company level	Measurement at company level (per year)
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training		
Youth education and training	Expenditure on vocational education and training	Expenditure on vocational education and training for apprentices, interns and trainees divided by revenue
8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms		
Child labour	Child labor in supply chain	Number of domestic suppliers considered to have significant risk for incidents of child labor and or workers below minimum age exposed to hazardous work divided by total number of screened domestic suppliers
8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment		
Safety and health at work	Expenses on employee health and safety	Expenses on occupational health and safety (i.e. adequate worker equipment, safety trainings, awareness raising about substance abuse, insurance, health care etc.) divided by revenue
8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products		
Tourism development	Investments in tourism	Total investments in tourism in the domestic area divided by revenue
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all		
Access to financial services	Expenses on financial services	Expenses by the company on financial services developments for employees and MSMEs suppliers and customers divided by revenue

Features of the KEI tool

- **Aggregate scores** among different sustainability pillars and at different levels
- **Ensures comparability** among companies in the same industry/country
- Provides **relevant and science-based results** that can serve for communication with outside stakeholders

4 ROLE OF CASE STUDIES

CASE STUDIES: Feeding the tool with experiences from the industry (I)

Why do we need a case study for the KEI Tool?

- **Focus** on the most relevant business' activities that contribute to SDG 8
- **Capture** unintended positive effects
- **Target** the KEI to a specific industry

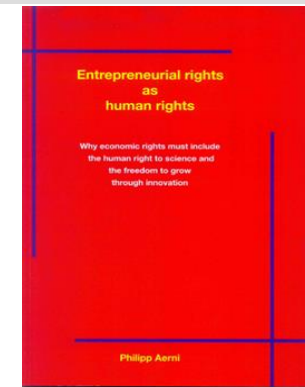
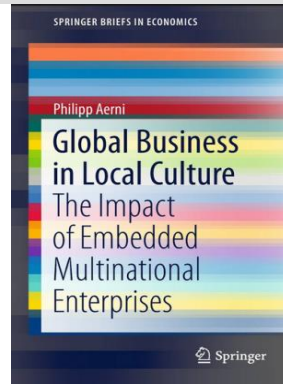


CASE STUDIES: Feeding the tool with experiences from the industry (II)

Case Study ABB

- ABB China Electrification Business
- Partnership with on site research institutions
- Internal and external stakeholders' perspective

Publications



- Aerni, P., M. Stavridou & I. Schluep, Editors. (June 25, 2021): **Transitioning to Decent Work and Economic Growth**, MDPI book series on 'Transitioning to Sustainability'. [Online]. <https://www.mdpi.com/books/pdfview/editon/3919>
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- CCRS Policy Workshop. (2019). **Creating positive impact through local embeddedness. The potential contribution of Multinational Enterprises (MNEs) to inclusive growth. Summary Report. June 27**. [Online]. <https://www.ccrs.uzh.ch/dam/jcr:72e5986b-426c-4cbb-88ac-3513fc978f9d/Summary%20Report%20of%20CCRS%20Workshop%20on%20May%202028.%202019.pdf>
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- **Embeddedness and Sustainability of MNCs in Developing Countries**. Special issue of the ATDF Journal, Vol. 9, No. 1, 2017. Based on CTI project (2015-2019) with Chiquita, Nestlé & Syngenta. [Online]. <http://atdforum.org/1967-2/>
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THANK YOU FOR YOUR ATTENTION

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