PILOTING CORPORATE SUSTAINABILITY REPORTING IN LEAST DEVELOPED COUNTRIES: IMPACTS, EXPERIENCES, AND LESSONS LEARNT

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Background

Corporate sustainability reporting has evolved as an important tool for helping companies assess and manage their impacts on sustainable development. According to GRI, widely recognized as the global best practice standard for sustainability reporting, "a sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy"[1]. It helps organizations improve their economic, environmental, social and governance performance, build and maintain trust, address sustainability related risks and opportunities, and make decisions that are aligned with sustainable development objectives.

In 2018, the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) commissioned a scoping study on corporate sustainability reporting in Least Developed Countries (LDCs). The aim was to assess opportunities and challenges for corporate sustainability reporting as a tool to attract and mobilize capital, improve competitiveness of the private sector, and advance sustainable development in LDCs.

Sustainability reporting practices and the uptake of the GRI Standards, widely recognized as global best practice in sustainability reporting, are however very scarce in most LDCs with no more than a handful of reports available in any LDC to date. This lack of empirical evidence makes a conclusive assessment of the role of sustainability reporting in increasing competitiveness and supporting sustainable development in LDCs impossible. The case for sustainability reporting as a tool to help increase efficiency and productivity, reduce resource use and costs, and improve management practices and corporate governance however warrants further exploring its potential in LDCs. Increased information and transparency build trust, improve accountability, and support the fight against corruption, thereby addressing some of the key systemic risks that affect doing business and hinder competitiveness in many LDCs.

Sustainability reporting can drive effective corporate strategies on crucial issues for sustainable development, such as poverty, climate change, and other key areas covered by the SDGs, which have become an important refence point for companies. As capital markets and global value chains become increasingly sensitive to sustainability risks, harnessing the potential of sustainability reporting to increase competitiveness, support alignment with the SDGs, and contribute to sustainable growth in LDCs may well prove effective. A decision was therefore made to pilot the application of the GRI Standards and GRI's SME specific and digital reporting tools in LDC contexts and with LDC companies.

[1] https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx, accessed September 2019

In early 2019, UN-OHRLLS commissioned GRI to provide technical support to help two pilot companies, one each in an African and an Asian LDC, to prepare a first sustainability report. The aim was to develop evidence of the costs and benefits that are related to corporate sustainability reporting for LDCs firms and test the appropriateness of the GRI Standards and tools in LDC contexts with a view to devising strategies to promote uptake, including by building the necessary local capacities.

Approach

The process involved regular interviews with GRI and the participating companies at various stages of the process to get feedback on progress and experiences with establishing the reporting process, challenges faced, internal capacity and behavior changes, and benefits perceived as a result of reporting. This report is based on insights from the interviews as well as the review of program documentation, additional materials provided by the pilot companies, participation in calls between GRI and the pilot companies, and desk research on country and sector contexts.

It provides context information on the pilot companies, countries, and sectors and describes the collaboration process between GRI and the pilot companies. It captures expectations, experiences, impacts and lessons learned, as well as challenges encountered, opportunities identified, and action taken in the course of the development of a first sustainability report in the pilot companies. It concludes with recommendations on how best to seize the opportunities that corporate sustainability reporting offers in LDCs, how the application of existing corporate sustainability reporting frameworks and tools may need to be adjusted, and how their uptake can be accelerated.

LDC context

Weak institutions, poverty, underemployment, public revenue constraints, and other systemic risks endemic to many LDC economies exacerbate challenges to any strategy for increasing competitiveness and sustainability. Combined with capacity gaps at all levels and shortages of skills, productive capacity, sustainable investment, and capital stock, they contribute to an environment where increased sustainability reporting practices do not tend to be on the agenda for most companies. With governments in many LDCs not equipped to muster the resources necessary to register and oversee factories, smallholders, or other SMEs (let alone actors in the informal economy), efforts to improve the availability of information are valuable, but also extremely challenging.

Competing in global markets based on sustainability, rather than just price, and effectively driving sustainable business practices that are aligned with national development objectives remains a challenge for most LDC companies. Increased uptake of sustainability reporting practices may be a useful tool to help leverage existing leadership and best practices, increase visibility, and contribute to enhanced competitiveness. Very few LDC companies however have the resources or in-house expertise to embark on comprehensive reporting processes, and qualified external service providers are not yet established in most LDCs. Even where there is strategic direction from management and some implementation capacity, the development of reporting processes, data gathering, and report writing remain a challenge.

Barriers therefore need to be addressed at various levels to harness opportunities for sustainability reporting as a tool to attract and mobilize capital and to improve competitiveness. Regulatory frameworks need to be developed, and an enabling environment built for improved corporate transparency and accountability. A wide range of stakeholders need to be engaged, effective mechanisms identified, and embedded in wider efforts to implement the SDGs and deliver on national development plans.

Sustainability reporting formats that meet the needs of LDC firms will differ from the established practices of large multinational companies. Effective approaches need to ensure they do not overstretch already tight human resources while maximising opportunities for LDC firms to demonstrate that their practices do not pose sustainability risks in global value chains or to providers of capital looking for responsible investment opportunities. Given the accepted value of transparency as a driver for sustainable growth and development, and the need for reliable information in that context, investing in further uptake of sustainability reporting in LDCs does have potential despite the challenges.

Piloting sustainability reporting in Cambodia and Malawi

In order to identify and recruit suitable pilot companies, a fairly wide net was cast across a number of LDCs and sectors. Outreach was done through GRI's network, GRI's Regional Hubs in Africa and Asia, and among signatories of the UN Global Compact. Companies featured in sustainability awards or with similar indications that sustainability was already on their agenda were also approached. At least some degree of prior commitment to sustainability was deemed to be an important pre-condition for setting the pilots up for success.

In many cases it proved challenging to find the right person within the company who could make a decision to embark on such a project at short notice and with the commitment to produce a first sustainability report within only a few months. Another concern for companies that showed interest but could not commit to the project was time and the human resources to do the work despite the no-cost offer of guidance by GRI. Even where sustainability was already on the agenda, staff capacity was often too limited to embark on an ambitious first-time-reporting process, or the internal processes for sign-off were deemed too complicated.

In some cases, companies that had been approached and initially declined came back later, now ready with requests for support. While these could not be taken into account under the tight timeline for the pilot project, this confirms the need for sufficient lead time for candidate companies and highlights the effectiveness of targeted outreach and individual engagement to raise awareness and garner interest.

Despite the challenges encountered in the outreach phase, GRI succeeded in enlisting Amru Rice (AR) in Cambodia and the Ethanol Company Limited (EthCo) in Malawi in time to allow for 3-5 months to implement the pilot project and prepare a first sustainability report with both pilot companies. As expected, this proved to be a very tight timeline, especially for first-time report, and future projects should plan for longer implementation windows.

Interviews were conducted with both pilot companies at the beginning of the project to establish key expectations and understand motivations to participate as well as previous experience with sustainability topics, reporting, and GRI. Further interviews were conducted with the pilot companies and GRI staff at various stages of the process to get feedback following in-country workshops and other key milestones in the reporting processes. The feedback and inputs received inform the assessment of experiences, expectations, and whether they were met to distil key challenges, benefits, impacts, and lessons learnt. In combination with the analysis of company, country and sector contexts, they form the basis for this report's conclusions and recommendations for next steps to increase the uptake of sustainability reporting in LDCs.

Amru Rice

About the company and its sustainability journey so far

Amru Rice is a family enterprise. CSR already played an important role and the company had been recognized for that with awards in 2015 and 2016. The company's sustainability ambitions are shaped by the CEO's commitment to applying his experience from working with NGOs and as an advocate for social enterprise in the family business.

AR's approach to CSR is informed by ambitions to effectively address the exploitative practices that persist in the current system of farm production and trade with smallholder farmers. Rather than looking at them solely as producers with no influence on prices and pressuring them into overexploiting resources, including their own labour and that of their families, Amru Rice has adopted an approach that engages smallholder farmers as partners. This involves adopting ethical supply standards, and a contract farming scheme supported by buyers through ECOCERT and USDA Organic.

Contracts assure farmers a buyer offering above-market prices and reduce their dependency on farmgate traders and exposure to the downward pressure they put on prices, especially in the main harvesting season. They include training opportunities on standards, control and compliance, and responsible and sustainable farming practices. Partnerships with donors and NGOs bring further opportunities for technical support.

Amru Rice is a member of the Sustainable Rice Platform (SRP), a multi-stakeholder platform co-convened by UN Environment and the International Rice Research Institute (IRRI)[2] to "promote

[2] https://www.irri.org/

resource efficiency and sustainability in trade flows, production and consumption operations, and supply chains in the global rice sector". The SRP pursues "public policy development and voluntary market transformation initiatives to provide private, non-profit and public actors in the global rice sector with sustainable production standards and outreach mechanisms that contribute to increasing the global supply of affordable rice, improved livelihoods for rice producers and reduced environmental impact of rice production."[3]

Amru Rice works with Agricultural Cooperatives (ACs) and has established a Public-Private Company-Producer Platform (4P) to help transform ACs into competitive SMEs with the ability to serve higher levels of the rice supply chain. The 4P platform is integrated in the Cambodia Agricultural Cooperative Corporation (CACC) Plc. that offers drying and warehousing facilities with a collateral scheme based on deposited products. The platform also set up a revolving fund (supported by SNV Innovations Against Poverty Project) for non-cash loans to farmers for seeds, agricultural inputs and small farm machinery.

Amru Rice has also put in place a number of environmental initiatives, including a pilot for using rice husk for biogas-for-energy generation through a UNIDO-supported project.

Declared ambitions include scaling up the 4P-CACC platform, building entrepreneurial skills, and increasing the profitability of enterprises managed by agricultural cooperatives, improving their market access, and building capacity as well as equity. Commitments to set up ethical business mentoring were made in 2018. Plans to expand organic production beyond the SRP, diversify into other marketable products, and expand geographically to increase sourcing of organic products were also already made prior to the engagement with GRI to pilot sustainability reporting at AR.

The company was already well established as a pioneer of organic rice and inclusive business practices in Cambodia and sees sustainability reporting as an opportunity to further establish its leadership role in this space. It also hopes that reporting can be an effective way of demonstrating the value of expanding into organic niche markets for rice and other commodities, engage government, convince other companies, and harness associated opportunities to further sustainable economic growth in Cambodia.

Reforms in Amru Rice's operational systems were also already underway and involved the successive adoption of international standards, from ISO 22000, Hazard Analysis and Critical Control Point (HACCP), Good Manufacturing Practice (GMP) certification to various fair-trade certifications as well an IFC Environmental and Social Review. Plans, policies and systems were put in place to integrate management systems on environment, occupational health and safety, human resources, resource efficiency, and pollution prevention, as well as safe-guards against complicity in land occupation or expansion into protected areas and critical watersheds.

[3] http://www.sustainablerice.org/

Amru Rice had done a social impact assessment in 2016, published results in an initial CSR report[4], and committed to a biannual reporting cycle. Further research on sustainability reporting led to plans for a more comprehensive sustainability reporting process in 2018 to include social as well as environmental and economic impacts. GRI's offer came at a highly opportune time: Amru Rice had decided to expand their reporting process to develop their first full sustainability report and very much welcomed the support.

Previous activities, including the social impact assessment exercise and report, had led to the identification of gaps and informed plans for the further integration of sustainability and the development of management and reporting systems. Knowledge of sustainability reporting and GRI was however very limited among Amru Rice's staff at the start of the project. With the exception of a number of senior staff involved in ongoing CSR efforts, including the decision to commit to a comprehensive sustainability reporting process, there was very little understanding of basic CSR and sustainability concepts and approaches, let alone the GRI Standards, among most others.

Piloting sustainability reporting at Amru Rice

GRI visited Amru Rice twice for three-day visits in March and April of 2019. Given other priorities and additional pressure on time due to the company's annual business cycles and coinciding buyer visits, it was a challenge to get all key people to join for the full three days of workshops during GRI's visits. The subsequent online collaboration through email and Skype to work on the prioritised disclosures, gather data, and draft the report generally worked very well. Timing and competing priorities remained a challenge with progress slower than expected at times, the ambitious target of preparing a first sustainability report in only a few months was nevertheless achieved.

Working in English worked well with senior management, but was however a challenge with others, including key people involved in providing data for the report. In combination with their limited prior knowledge of sustainability, reporting, or the GRI standards, this posed some challenges in getting the wider staff on board and empowered as champions for AR's reporting process.

There was limited enthusiasm on the uptake of GRI's Digital Reporting Tool and it was decided to defer a decision to use that to a second report. The materiality exercise led to the identification of a relatively long list of topics to be covered, which proved to exacerbate data collection challenges throughout the process. The aim to include as much as possible in the report was driven by ambitions to showcase the full spectrum of good practices and sustainability ambitions already being pursued. It however made the process of compiling a first report difficult and may have limited opportunities for enhanced impact on some key priorities.

[4] "Impact of Amru Corporate Social Responsibility (CSR) Engagement with Organic Rice Farmers in Cambodia" (2016)

The structure of the enterprise and distribution of key activities in remote areas was a further factor that made the engagement of key internal stakeholders challenging. Additional support on stakeholder engagement was offered to help garner inputs beyond the anecdotal evidence. A GRI site visit (during the second visit) was very helpful in getting to know the company better and the opportunity to be involved in the stakeholder engagement process was valuable despite some language barriers. It nevertheless became clear that a more systematic approach to managing sustainability issues that effectively involves employees across all locations of the company's operations remains work in progress.

The commitment and excellent collaboration with the designated points of contact at AR, a key success factor to the project in general, also proved invaluable to bridging language barriers during the field trip. Future support to engage local stakeholders and roll out wider staff engagement including at remote sites may however be more effective if it could be offered in Khmer and build on established local knowledge and connections.

Another challenge was related to boundaries for the report and company preferences to include only selected elements of the business, at least in the first report. AR's initial preference was to focus solely on SRP rice and exclude conventional rice, reflecting aspirations to strengthen positioning in the organic rice sector and promoting organic farming practices as a competitive advantage for Cambodian rice. Having the GRI team of reporting experts on board helped better understand materiality, reporting boundaries, sustainability context, and principles for good reporting, including balance and completeness. It addressed a common challenge as companies that decide to report but focus only on exciting initiatives and the value of their individual impact. It highlighted that reporting is about the organization itself, its governance, management, strategy, and the social and environmental impacts of its overall operations. It helped identify opportunities to combine communicating achievements and ambitions as a pioneer for organic rice, enabler of economic development in remote areas, and leader on responsible and inclusive farmer relations in Cambodia with improved management practices. In the case of AR, it led to the development of a sustainability policy for the company, for example, and the recognition that having effective management systems in place is key to enabling sound reporting practices.

As expected, data collection proved to be challenging due to a number of issues, including bottlenecks related to time constraints, competing priorities, as well as organizational structure and the remoteness of some sites. Technical capacity was also limited in some areas, e.g. on measuring greenhouse gas emissions and other areas requiring technical expertise where intentions are there to improve practices, but the practical preconditions to do so are not yet in place.

Amru Rice provided significant amounts of data and a variety of sources, including press articles and speeches for example, making integration into the report difficult and time-intensive. At the same time, there was a lack of reference frameworks and contexts in other areas. In some cases, there were narratives with limited data, in others, data was available but the context providing narratives proved challenging. Improved data collection and compilation, including internal filtering of information by the company itself are key areas for improvement in future reporting cycles. There were also some issues with older data for priority disclosures and inconsistent time-frames for data highlighting the importance of aligning data gathering and management systems with reporting requirements.

GRI's expertise on the GRI Standards added much value to the project, and the project was a valuable learning experience also for the GRI team. Deep sector expertise and local knowledge would have however further benefited the project and should be considered in the design of future projects in support of sustainability reporting in LDCs. Cultural fluency also plays an important role and the fact that field visits were conducted by someone from the region helped, although local language and experience in Cambodia would have been even better.

While both AR and GRI reported satisfaction with the project outcome and the draft sustainability report, some gaps persisted into final iterations of the draft and lead to some sections with missing information being taken out at a late stage. Concentrating on a smaller number of material issues from an earlier stage in the process may have helped in this context. It would have allowed more focus on data gathering in fewer areas while identifying targets for establishing management and data gathering systems more widely across the company.

After several rounds of internal reviews of a first, fairly lengthy, and text heavy draft report, AR decided that a shorter sustainability report would be more relevant to both internal and external stakeholders. This would improve its usefulness to advocating for more responsible and inclusive business practices in Cambodia and may help lower barriers for other companies to embark on reporting processes by demonstrating that a good report can be short and focused on key material issues. It did however lead to some sections and information relevant to address the requirements of the GRI Standards being taken out. The final version of report references the GRI Standards, but does not comply with the requirements for the GRI Core report. Nevertheless, GRI has provided GRI-referenced service and granted the GRI Organizational mark, as the formal confirmation that the submitted report has undergone and successfully completed the GRI-Referenced service. At the time of writing of this report, the website of Amru Rice was under construction and it is therefore not possible to provide a link to the report (https://amrurice.com.kh/).

Ethanol Company Limited (EthCo)

About the company and its sustainability journey so far

EthCo was established in 1982 in response to the 1970 energy crisis and has pioneered molasses-based ethanol production in Malawi. The company is a subsidiary of Press Corporation PLC, a public listed company incorporated in Malawi that owns 66%. Press Corporation is the country's largest holding company with stakes in 13 companies across financial services, telecommunications, food and beverage, energy and consumer goods. It is quoted on the Malawi

Stock exchange and listed as a global depository receipt on the London Stock Exchange. As such it is exposed to capital market pressures for increasing transparency on material sustainability impacts and increasing efforts of stock exchanges to mandate sustainability disclosures.

EthCo states a strong commitment to sustainability and explicitly subscribes to a culture of corporate social responsibility. The company is involved in various community development initiatives and declares the recognition of its responsibility to make a sustainable and positive difference to the communities in which it operates, wider society, and sustainable socio-economic development in Malawi. Focus areas include health, education, environment, and social impact and concentrate on the communities within which the company operates and where stakeholder relations are recognized to be particularly important.

EthCo implements internationally recognized standards for its integrated management system, commits to complying with all applicable legal and regulatory requirements across its operations, and has policies in place on health, safety, environment and quality. Management recognizes the importance of product driven sustainability and is involved in national efforts to expand the use of blended fuels as a renewable substitute for petrol components. Existing efforts to integrate sustainability, established risk management approaches, and the uptake of international standards in key areas provided an important basis for understanding the GRI Standards and setting the company up for success in producing its first sustainability report.

While there were no immediate plans in place to embark on a sustainability reporting process, there had been a request from EthCo's parent company to do so. Press Corporation, who was the initial contact for GRI, is considering ways to improve reporting practices across all its subsidiaries and identified EthCo as well positioned to run the pilot. In that context, EthCo management much appreciated the timely opportunity to work with GRI on a first sustainability report. The company intends to take an integrated approach to reporting but followed GRI's advice to start with a stand-alone sustainability report initially. The case was made that this would help the company better understand processes, set up procedures, and demonstrate commitment to sustainability, transparency and sound disclosure practices. The report was then combined with the company's financial statements to be published as an integrated report comprising both the annual and sustainability reports.

EthCo cited ambitions to put the company on the map as a responsible business and to develop a brand as a responsible ethanol producer from Malawi as key to the motivation for and expected benefits from reporting. Aims were defined to include both national visibility as well as ambitions to expand regionally. Starting points included the assumption that EthCo is already doing a lot more than they know, and the expectation that a reporting process would demonstrate that and show how the company is performing, also in comparison to others. Sector specific challenges related to producing base alcohol for liquor were also cited as motivation to communicate positive impacts and responsible business practices.

The ethanol sector is expected to further grow in Malawi and the region, driven by increasing efforts to develop renewable sources of energy and alternatives to fossil fuels. The availability of dedicated climate finance and increasing awareness of financial risks related to the impacts of climate change are expected to open up new opportunities for access to capital and market expansion. Pioneering sustainability reporting is expected to help further establish EthCo as a responsible and well-managed company in this space, in Malawi and beyond, as well as inspire others to follow suit, become more sustainable, and more transparent.

Piloting sustainability reporting at EthCo

The first visit focused on capacity building and included a training day dedicated to creating a general understanding of sustainability reporting, expected benefits, and the process that EthCo would undertake. On the second day, EthCO discussed concrete steps needed over the months ahead and in order to be able to publish a sustainability report within the timeframe of the project. Considerable time was also dedicated to the identification of the company's priority stakeholders and plans for their engagement. A long-list of material topics was identified and initial progress was made on the general disclosures.

Practical challenges included the fact that EthCo's headquarter and facilities are located in a remote area and a three-hour drive from the Malawi's capital and main airport where GRI's Regional Director and the consultant who joined him arrived. On the first training day the internet connection was very weak, making the remote participation of the GRI team in Amsterdam more difficult than on the second day, when the internet was stronger. While there were concerns about how this might impact the remote work to prepare the report going forward, the team established a very productive and effective online collaboration across multiple channels and with sufficient flexibility to make it a success despite some connectivity challenges. Weekly calls were held starting in early May through mid-July to work on the GRI disclosures one by one and systematically compile and discuss the content for the report.

A second visit was scheduled towards the end of the weekly call cycle. The first day focused on working with the CEO, CFO, and Risk Officer, the dedicated contact point for the project, to assess progress so far, further work on confirming issues identified as material, a gap analysis and time planning towards finalising the report. Senior management made themselves available throughout both visits and participated proactively, demonstrating dedication to the project and recognizing the value of the support offered by GRI and its local consultant who conducted the second visit and took the lead in compiling information and drafting the report.

Day two of the second visit focused on staff engagement, their roles in the sustainability reporting process, and their establishment as "sustainability champions" within EthCo. It also included a session on integrated reporting, and more time to work on collecting information, closing any remaining gaps, and planning next steps. The staff-awareness-raising session was perceived to have been especially important in ensuring sustainability is integrated across the company's operations. It succeeded in bringing key staff on board, building a deeper practical appreciation of the project, internalising sustainability reporting processes, and making the link to business strategy and building competitive advantage.

Generally, the mix of in-person visits and online collaboration on data collection and the compilation of the report worked very well, good working relationships were established, and the process was perceived to be both effective and efficient. Relying on online collaboration was in fact recommended for future reference noting carbon concerns and building on a very positive experience during the pilot.

The visits and training provided in person were however also highly valued. They were perceived to have made a big difference in setting the project up for success by establishing the strategic relevance of sustainability and the importance of linking previously siloed efforts to integrate sustainability into core business. A combination of both in-person and online collaboration therefore seems to be a good model for success. The intensive support for a first report was perceived to set the company up for success in future rounds, with important insights gained on key issues such as sustainability context or materiality.

As expected from the start, data collection challenges were confirmed in practice. Based on feedback from the team at EthCo, they were however outweighed by the positive experience of the process and the fact that they resulted in concrete plans to address data collection challenges going forward and in future reporting cycles, to which EthCo has committed. The recognition of the need to establish and improve data generation and data usability was identified as one of the big learning points of the pilot. While recognizing that there is still a lot of work to be done in improving systems, the need to do so was emphasized as an important pre-condition for future reporting cycles and their usefulness for improving practices and communicating achievements.

EthCo reported positive impacts from an early stage of the project. The value of systematically compiling information on what they are already doing confirmed their perception that they are on a good track. It highlighted valuable opportunities to enhance positive impacts on the business by pursuing improvements on systematically addressing key areas while improving their ability to measure the effectiveness of initiatives, track progress and communicate results. This was perceived to be especially valuable with regards to the SDGs and the increased ability of the company to align their efforts and tell compelling success stories. With the energy nexus a stress factor for sustainable growth across Africa, and in the focus of the need for enhanced climate action around the world, further investments in sustainability also make sense for companies like EthCo in that context.

GRI’s support was perceived to be very valuable for this first round of reporting. Generally, EthCo reported a positive surprise that the preparation of their first GRI report was much easier than expected and doable, even in the tight timeline of the project. While they had been somewhat intimidated by the challenge to report using the GRI Standards initially, the experience proved that it was not only doable but a very valuable and less challenging experience than expected. Getting key people on board was identified as a key factor for success, as was their prior experience working with data, especially in areas where management systems were already established. The previous establishment of management systems was perceived to have been critical for the successful completion of a first report and recommended as a starting point for other companies as well, irrespective of their sector.

The fact that EthCo benefited from a local GRI team with strong expertise and experience in the region is likely to have been a key factor for this positive experience. The fact that EthCo decided to limit its first report to a smaller number of material issues was also an important factor for the success of the pilot project and positively impacted the usefulness of the exercise to the company. It laid solid foundations for future reporting cycles and increasing levels of ambition building on that. The training provided was perceived to be very useful to get key people to see the value of how reporting will help them in their job, rather than being perceived as an extra burden on their time. EthCo finally published its report Annual Integrated Report 2019 on their website in May 2020 and prior to publication the report successfully underwent a Service from the GRI Services offering, enabling an Organizational Mark to be displayed in their Content Index.

Country and sector contexts

In both pilot cases, international business interests, national development objectives, and sector specific issues and opportunities were among the drivers for accepting GRI's offer to collaborate on producing a first sustainability report. In EthCo's case, the exposure of the parent company to requirements for internationally listed companies played an important role. As did the company's ambition to play a leading role as demand for biofuels expands globally and ethanol production is growing in the region. With 90% of its rice produced for export, AR's sustainability commitments are shaped by the development expertise and experience of the CEO, but also driven by buyer demand and resulting opportunities for new markets, partnerships and investment.

The rice sector is of critical importance for most economies in Southeast Asia. Its economic, social and environmental impacts in general, as well as opportunities in organic production and improved smallholder integration models, have important implications for the sustainable development of Cambodia and the competitiveness of one of its key sectors. Similar considerations apply to ethanol production in Malawi as the bioethanol sector gains momentum in Sub-Saharan Africa, while sharing many of the issues affecting other agricultural commodities in LDCs and across the world, including land management, labour, climate related trade-offs and controversies, or food security, to name a few.

Cambodia and the rice sector

With a population of approximately 16 million, Cambodia has undergone a significant transformation over the past two decades despite pressures on civil liberties and freedom of speech once again increasing in recent years. Poverty has fallen significantly as the country achieved the Millennium Development Goal (MDG) of halving poverty in 2009. The garment and tourism industries have been key to Cambodia's impressive economic growth averaging more than 7% since the mid-1990s[5]. At the same time, a significant proportion of the population

[5] Based on World Bank data: https://www.worldbank.org/en/country/cambodia/overview

continues to live in rural areas and the majority sustains their livelihood from agriculture, especially rice. While being the main source of income for many Cambodians, the rice sector faces significant sustainability challenges including decreasing returns for small-scale producers, inadequate uptake of responsible farming practices and smallholder engagement models, a high water-footprint, and negative impacts related to climate change[6].

Further efforts to diversify the economy, build skills, and foster entrepreneurship are critical in Cambodia as large parts of the population remain vulnerable and the country dependent on international support in key areas for sustainable development. Much remains to be done to increase competitiveness and ensure that growth is sustainable and benefits local communities.

Supply chain related drivers are playing an important role in promoting the sustainability agenda in Cambodia and are likely to be key to the business case for Cambodian firms to expand and improve disclosure practices. The significant presence of NGOs and development agencies working on alleviating social, economic, and environmental challenges, providing capacity development, and other support also shape the space for increasing transparency in the business practices of Cambodian enterprises. The existence of a local CSR Platform suggests initial momentum in engaging Cambodian companies on sustainability. The involvement of NGOs in convening such a platform to promote CSR guidelines, tools, and principles highlights the importance of their role in that context.[7]

The CSR Platform is implemented by the Gender Transformative and Responsible Agribusiness Investments in South East Asia (GRAISEA), a project run by Oxfam in Cambodia with a number of partners and engages more than 40 leading companies, chambers of commerce, and civil society organizations to promote responsible business practices. It seeks to address irresponsible business practices and resulting sustainability risks in the absence of strong regulatory frameworks. With the value of corporate sustainability as a tool to increase competitiveness not yet widely recognized in Cambodia, the Platform works on developing knowledge, building expertise, and sharing knowledge and resources. Focus areas include training farmers in organic rice production, and Amru Rice, also a CSR Platform member, has been one of the companies involved in that.[8]

Despite increasing interest and attention, reflected for example in the recent publication of a guide on practical implementation of corporate social responsibility in Cambodia by Transparency International[9], efforts to improve business practices and increase accountability remain challenging. Many factories are foreign owned and their interest in local sustainable development tends to be low. At the same time, committed leaders, such as AR's CEO Song Saran, are working hard to drive positive transformation, change common business practices, and

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[6] https://asia.oxfam.org/policy-paper/responsible-business-practices-cambodia%E2%80%99s-changing-business-landscape

[7] See http://csrcambodia.org/

[8] https://cambodia.oxfam.org/latest/stories/responsible-business-practices-cambodias-changing-business-landscape

[9] http://ticambodia.org/library/wp-content/files_mf/1554347408CSREngVer.27.03.19.pdf (2018)

introduce new ones in the form of social enterprises. Individual companies, with dedicated management, are working on expanding and professionalizing sustainability practices. Some are already considering sustainability reporting suggesting opportunities to scale up the engagement of Cambodian business leaders and the progressive companies they run beyond this pilot project.

With rice export highly competitive in Southeast Asia and significantly dominated by Thai and Vietnamese companies, the further development of organic production and inclusive business models to serve growing markets for traceable agricultural products offers opportunities for Cambodia. The increasing demand of customers for information on sustainable production and responsible business practices offers opportunities to boost the competitiveness of organic and fair-trade rice from Cambodia. It also offers inroads to expand reporting practices in one of Cambodia's key sectors, supported by the established presence of platforms such as the IRRI, SRP, or GRAISEA, and increasing uptake of international production, quality, management, environmental and other standards. With similar challenges, pressure, and opportunities also present in the garment or tourism sectors, for example, the potential may well extend beyond agricultural companies and the rice sector.

Ethanol from Malawi

Malawi, a landlocked country in southern Africa with an estimated population of 17.5 million, has undergone significant economic reforms and growth over the past decade but remains one of the poorest countries in the world. Heavily dependent on agriculture, and with limited opportunities otherwise, it remains vulnerable to weather and health related shocks, fluctuating harvests, and volatile economic growth. Energy shortages, low infrastructure development, a very limited manufacturing base, and slow adoption of new technologies are combined with high levels of corruption[10].

According to the UNDP-UNEP Poverty-Environment Initiative, sustainable agriculture is a key to unlocking Malawi's economic development and poverty reduction efforts as agricultural productivity is currently significantly lower than its potential. Climate smart approaches to increasing agricultural productivity and improving natural resource management will be key to addressing persistent development challenges, their exacerbation as the climate changes, and devising effective efforts to reduce vulnerability[11].

An increasing interest in sustainable biofuels and expectations for their potential to play a role for sustainable development in African economies offers opportunities for engagement and a platform for companies such as EthCo to demonstrate leadership in introducing sustainable business practices and reporting on their impacts and achievements. Organizations such as the International Renewable Energy Agency (IRENA) and others are working on effective strategies

[10] Based on World Bank data: https://www.worldbank.org/en/country/malawi/overview
[11] https://www.unpei.org/latest-news/malawi-takes-an-integrated-approach-to-food-security-environmental-sustainability-and-poverty-reduction

to develop a sustainable bioethanol sector in a number of African economies and exploring opportunities for capacity building, technology transfer, and south-south cooperation in that context.

While opportunities range from addressing energy poverty, reducing dependence on fossil fuels, driving low-carbon and climate resilient development strategies, increasing agricultural productivity, and creating jobs, the sector and its development in Africa are not without substantial sustainability risks. However, increasing attention, and ensuring that increasing competitiveness is aligned with development objectives could offer inroads for engagement with other companies in the sector and may drive interest in sustainability reporting.

With the African Institute of Corporate Citizenship[12] there is already a local initiative to raise awareness and build capacity on corporate social responsibility. However, the availability of local expertise to support companies in their sustainability journeys remains limited and requires further investment. Entry points exist for initial engagement and GRI's local presence and networks offer opportunities for further engagement in Malawi and other LDCs in sub-Saharan Africa.

Sustainability reporting in LDCs: Key findings and next steps

The project to pilot sustainability reporting in an African and an Asian LDC was designed to further establish the sustainability and competitiveness rationales for promoting the uptake of sustainability reporting in LDCs. The aim was to demonstrate the value of sustainability reporting for LDC firms and that it is possible for LDC companies to produce sustainability reports (despite working within a relatively short timeframe, which would ideally be much less tight in future projects). It offered an opportunity to test the applicability of the GRI Standards and reporting tools in LDC contexts.

The case for increasing the uptake of sustainability reporting in LDCs in support of sustainable development, to tackle irresponsible business practices, and to increase competitiveness by improving access to markets and capital was supported by the pilot companies. In both cases, the aim to positively contribute to sustainable development in their respective countries was in fact a key factor in their motivations to take up sustainability reporting. Expected benefits included not only an opportunity to review and assess current performance, highlight best practices, set ambitious targets, and establish leadership, but also to set an example for others to follow and a reference for dialogue with governments and other stakeholders.

In conclusion, this section will discuss lessons learnt and make recommendations on how uptake can be accelerated to harness the opportunities that corporate sustainability reporting offers in the pilot countries and beyond.

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[12] http://www.aiccafrica.org

Observations and lessons learnt from the pilot projects

The project was able to successfully prepare two sustainability reports, one each in an Asian and an African LDC, in approximately six months and with generally very positive feedback from the pilot companies as well as the GRI team involved in supporting the companies. Overall, the companies highly valued the support provided, reported to have learnt a lot, and both pilot companies committed to continue reporting after the end of the pilot project.

Despite not having previously prepared a sustainability report, both companies already had some experience with data collection and reporting linked to uptake of international standards on sustainability, quality, or management, flagship projects, or engagement in sectoral initiatives. International interests and partners as well as regulatory and capital market demands meant they were already disclosing some relevant information to buyers, funders, partners, certifiers, auditors, or regulators. This was an important precondition for the success of the project to pilot sustainability reporting and prepare a first sustainability report rather quickly. It helped alleviate a key challenge anticipated and confirmed in both pilot cases: the availability and usability of data. Data collection proved to be a lot easier in areas where systems were in place and supported by established management and monitoring practices.

Other key factors for the projects' success included:

- Prior decisions (in the case of AR) or parent company demand (Press Corporation's request to EthCo) to pursue sustainability reporting played an important role in allowing the completion of a first sustainability report for both pilot companies within the tight timeframe of the project.
- Existing efforts to establish responsible and inclusive practices and ambitions to compete and grow by investing in sustainability meant both companies were ready to get started and had some prior experience in managing and tracking sustainability issues and performance. Data gathering systems may have been siloed and linked to individual projects and initiatives, but some ground work had already been done.
- In both cases, the timeliness of the offer played an important role in allowing fast starts, speedy implementation, and successful completion.
- Leadership, dedication, and the active involvement of senior management, including the CEOs, significantly shaped the pilot processes in both companies and was central to their successful completion with only small delays.
- Dedicated and committed points of contact coordinating the processes in each of the pilot companies, with direct lines to the CEOs, were also essential.
- GRI expertise on the GRI Standards was highly valued. The project contributed to further testing GRI's theory of change and the potential of reporting to support sustainable development and improve the competitiveness of LDC firms and economies.

The pilot projects highlighted challenges, as well as opportunities, and resulted in a number of lessons learnt. They included a better understanding of the business case for reporting for LDC companies, of key drivers, and opportunities to professionalize existing efforts, thus making CSR more strategic and integrated across operations and products. There were also interesting insights regarding information, data gathering, management, and monitoring, including the data generation processes themselves, as well as issues related to expertise, engagement, capacity gaps, resources, and support.

Key drivers and the business case for reporting in LDCs:

- Supply chain pressure, capital market demands, international business ambitions, and opportunities to compete in niche markets (e.g. organic agricultural products or renewable fuel components) were confirmed as key external drivers for sustainability reporting in the two pilot countries.
- At the same time, internal drivers including efforts to make business practices more responsible and inclusive, assess performance and progress, improve, and further establish and communicate sustainability leadership played a key role in both pilot companies.
- Uptake of international standards is paving the way for sustainability reporting in LDCs and it proved to be an important pre-condition for the success of the reporting processes in the pilot companies.
- Forward looking business leaders consider national development aspirations and the commitment to increase the competitiveness of national economies in their rationales for driving sustainability practices, including reporting, within their companies. Their aims include leading by example, demonstrating best practice, and strengthening their position vis-à-vis governments. They have a proactive interest in identifying policy entry points and promoting effective policy instruments that drive sustainable business practices, increase transparency and accountability, and strengthen sustainable development and competitiveness objectives. This proved important for both pilot companies.
- The importance of the link to the SDGs was emphasized by both pilot companies and suggested as an important inroad to engaging LDC companies on sustainable business practices, including reporting.

Making sustainability more strategic, professional, and integrated:

- A general commitment to ethical business practices, innovative initiatives, and exciting projects are not necessarily indicative of comprehensive systems to integrate sustainability in a company's operations. Undertaking a rigorous sustainability reporting process following GRI's global best practice standards helped to professionalize efforts of both pilot companies. It highlighted the need for integration beyond flagship projects to result in meaningful organizational change rather than just a collection of good practices and case studies.
- Both pilot companies indicated that the project has helped them better understand the sustainability context within which they operate and the relative materiality of their impacts and efforts. It highlighted the importance of connecting individual good practices to a

comprehensive and strategic approach to sustainability that is integrated into all aspects of operations, including product responsibility.

- In both pilot cases, the reporting process highlighted gaps in engaging key staff across the company in the sustainability journey. It underscored disconnects between management commitments and limited awareness among employees in general. Initial results from engagement exercises undertaken in the context of the pilot project highlighted the importance of staff buy-in to convince employees of the opportunities in their own areas of responsibility. Effective internal stakeholder engagement, involving staff beyond the senior managers driving the process, and bringing all employees on board are key, as is internal awareness raising and training and the inclusion of institutional learning and change in measuring and monitoring practices.
- Preparing a first sustainability report proved useful to highlight that responsible business practices are not just about excellent initiatives and the value of their individual impact, but about the organization itself, its governance, management, and core strategy. This is especially clear in a family owned enterprise like AR with important lessons learnt that apply more generally to this very common form of enterprise across many LDCs: Reporting can be a useful tool to help translate senior management commitment into professional development across the company, including by empowering middle management where there tend to be big gaps in sustainability expertise. It democratizes information systems (which may however clash with centralised management approaches and strong family leadership). In the case of AR for example, the dedication of the CEO may not necessarily mean the same level of commitment across the Board and from other family members. The challenge will be to translate the individual leadership of a CEO championing sustainability and inclusive business practices not only to other key staff, but also to the overall management and general Board support.

Information, data, systems and time:

- Sustainability reporting helps identify information gaps, address data gathering challenges, and informs systems and processes to effectively manage, measure, and disclose sustainability impacts and performance.
- The development of effective data gathering systems and reporting processes takes time. Starting with a smaller number of material disclosure items and increasing ambition and scope over time can help effectively build robust and efficient systems.
- To be effective as a change agent, reporting needs to be a year-round process and the success of the pilot project will ultimately depend more on the effective implementation of relevant systems and processes than the timely completion of a first report within the project timeline.
- Adjusting the reporting cycle to the commercial cycle of an enterprise is important, especially where this is highly seasonal as is the case for all agricultural production that is determined by harvest cycles.
- While some impacts became apparent during the pilot process, e.g. on the GRI Standards, sustainability context, integration of sustainability, staff engagement, etc., deeper

organizational change processes, let alone expected impacts on competitiveness will only become clear over time.

Expertise, capacity, and support:

- The coaching system worked well but would benefit from the presence of the same core experts throughout the process and highlighted the importance of strong local and sector expertise as well as cultural fluency.
- Developing expertise and support services locally should be central to the investments aimed at increasing the uptake of sustainability reporting in LDCs. This responds to local capacity building needs, including technical capacity on key issues, it is expected to increase impact, and enables more sustainable change.
- Support that benefits more than one company at a time will have a wider impact and is likely to be more cost effective.

Conclusions and Recommendations

The completion of two sustainability reports with two companies in two LDCs within about half a year demonstrates that it is possible for LDC companies to report. While some immediate impacts resulting from the pilot process were observed, deeper organizational change processes, let alone expected impacts on competitiveness, will only become clear over time. Impact at national level will require a lot more uptake of sustainability reporting. With very few companies however ready to embark on successful reporting processes, much more needs to be done to prepare the ground.

While the preparation of a first report has proven a very welcome and useful exercise for both pilot companies, it can be assumed that there are not many companies that would be similarly well set up for success. Readiness for reporting beyond a few leaders can be assumed to be low, suggesting that investments need to be made in awareness raising on responsible business practices, making the case for integrating sustainability, and the potential existing opportunities related to new markets, the value of trust, shareholder confidence, compliance, etc. In many cases, investments and capacity building for more professionalized business practices in general and e.g. the uptake of management systems will need to precede the effective engagement on improving sustainability practices, and the eventual taking up of sustainability reporting.

Awareness also needs to be increased among local business leaders on key issues for sustainable development and strategies and approaches to improve the alignment of business practices with sustainable development objectives. In that context, the SDGs offer an important opening to engaging LDC companies on sustainable business practices, including reporting. Where they exist, local CSR platforms and relevant sector initiatives are important starting points for further engagement and the identification of local leaders willing and able to champion sustainable business practices and the further uptake of reporting in that context. The same goes for business associations, chambers of commerce and industry, and other prominent business led platforms, as well as stock exchanges where they exist.

While a coaching system as piloted with GRI worked well and resulted in both pilot companies feeling that they would likely be able to prepare their next report on their own, it is cost and time intensive. Scaling up the support services locally will be central to a longer term strategy aimed at increasing the uptake of sustainability reporting in LDCs.

Concrete opportunities for next steps include:

- Further collaboration with the pilot companies to share their success stories and lessons learnt and developing peer learning platforms.
- Identifying and supporting other local leaders with similar potential. If resources and the availability of qualified service providers allows, this could include individual support for a first report, as the pilot cases suggest that investing in the first report-writing is likely to set companies on self-sustaining path.
- Engaging, training, and assisting relevant local platforms to offer support services and reach more companies to partner with them in the preparation of a first report, including specialized CSR initiatives, sector platforms, chambers of commerce and industry, their national confederations, stock exchanges where they exist, etc.
- Identifying opportunities and partnerships for wider awareness raising and capacity building on responsible, inclusive and sustainable business practices, including reporting, and promoting the alignment with development objectives.
- Seeking alignment with ongoing international initiatives focused on sustainable development, enterprise development, and key issues for sustainable development, from energy, food security, and climate change, to human rights, anti-corruption, transparency and accountability.