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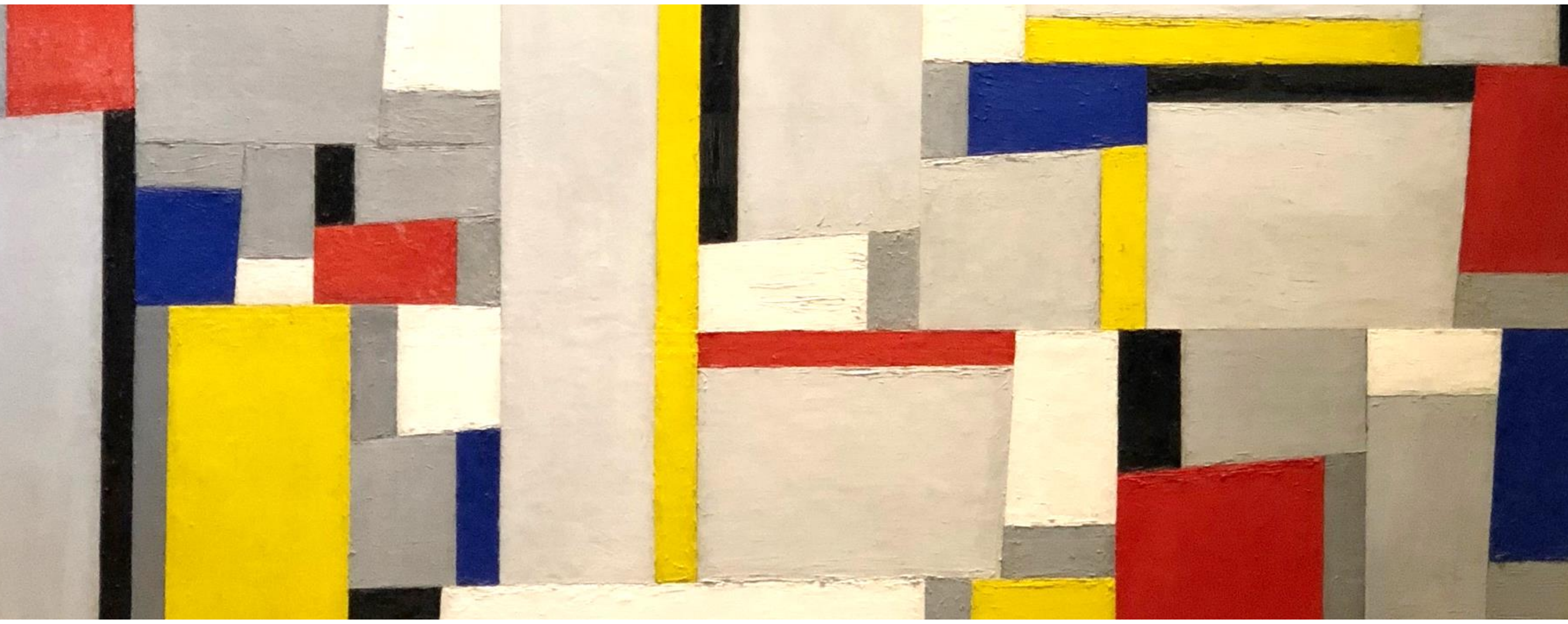
CORPORATE SUSTAINABILITY REPORTING IN LEAST DEVELOPED COUNTRIES: CHALLENGES AND OPPORTUNITIES FOR ACTION



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NOTE

The purpose of this occasional policy papers series, published by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), is to analyse policy issues relating to the development of the least developed countries (LDCs), stimulate discussions and promote international cooperation. In keeping with this objective, the authors are encouraged to express their own views, which do not necessarily reflect the views of the United Nations or its member States.

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Corporate Sustainability Reporting in Least Developed Countries: Challenges and Opportunities for Action

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Corporate Sustainability Reporting in Least Developed Countries: Challenges and Opportunities for Action

Leena Wokeck[1]

INTRODUCTION

Corporate sustainability reporting has evolved as an important tool for helping companies assess and manage their sustainability impacts. It is defined as "an organization's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development. Through this process, an organization identifies its significant impacts on the economy, the environment, and/or society and discloses them in accordance with a globally-accepted standard." (GRI, 2018a, p. 3)

Sustainability reporting helps companies around the world understand their contributions to sustainable development and integrate sustainability into their business strategies. It helps them identify and manage sustainability risks, improve governance, enhance reputation, and build trust. It informs efforts to mitigate negative impacts and maximize positive ones, and enables the translation of practices and performance into meaningful communications that drive action and improve stakeholder relations.

The Sustainable Development Goals (SDGs)[2] cannot be achieved by 2030 without transformational change in LDCs. A competitive private sector and framework conditions that enable the mobilization of capital and attract investment that takes into account development objectives and challenges will be key. Increasing private sector action in support of the SDGs requires more and better reporting on sustainability impacts in LDCs. In that context meaningful "materiality" assessments[3] are likely to result in the identification of multiple SDGs as relevant to any company operating in an LDC.

Sustainability reporting has become common practice among most of the world's largest companies and the Global Reporting Initiative (GRI)'s reporting guidance and standards have been established as the most widely used framework: Recent research has shown that over 90% of the world's

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[2] See United Nations, "Transforming our world: the 2030 Agenda for Sustainable Development", General Assembly resolution 70/1 of 25 September 2015.

[3] The Global Reporting Initiative (GRI) creates standards and guidance to improve corporate disclosure practices and reporting processes and is considered "the best-known framework for voluntary reporting of environmental and social performance by business and other organizations worldwide." (Szejnwald Brown, H., 2011). GRI Standards and previous versions of GRI's Reporting Guidance include "materiality" as a key principle for reporting. Report preparers need to ensure their reports cover the issues that matter where they matter. Materiality assessment and stakeholder engagement are essential to defining relevant issues and indicators that should be included in a meaningful sustainability report. Materiality is achieved when a report covers topics, which "can reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders. In this context, 'impact' refers to the effect an organization has on the economy, the environment, and/or society (positive or negative)." (GRI, 2018a)

250 largest companies now report on their sustainability practices and impacts, with most of them using the GRI Standards (KPMG, 2017b). In many OECD countries and emerging economies the next tier of companies is catching up. Large gaps however remain, as uptake tends to be limited to large firms in developed countries, while it is slow in many developing countries and most of the least developed countries (LDCs), as well as among SMEs.[4]

Efforts to close these gaps have the potential to help build trust with investors and clients and support responsible and inclusive growth trajectories by enabling accountability mechanisms for economic, social and environmental impacts. Against this background the aim of this paper is to assess opportunities and challenges for sustainability reporting as a tool to attract and mobilize sustainable investments and to improve competitiveness of LDC firms, large and small, while promoting sustainable development in LDCs.

In pursuit of the SDGs, the tides of short-term competitiveness based on cheap labor and the unrestricted exploitation of natural resources will need to be turned. Raising awareness, integrating sustainable development objectives into business strategies and investment decisions, as well as establishing comprehensive disclosure practices will be key to this end. Companies around the world are recognizing the challenge and accepting the SDGs as a reference framework to define and assess their own contributions to sustainable development (Accenture and UNGC, 2018).

Governments, regulators and capital markets - as well as compliance departments of large corporations - increasingly endorse transparency and disclosure practices to track progress against sustainable development objectives or implement expectations for more corporate responsibility. From fighting modern slavery and climate change, to the transformation of production, sourcing, and consumption patterns, to responsible investment practices, innovation and the data economy: transparency plays a key role. As the number of policy, regulatory, investor or stock exchange driven instruments on reporting increases,[5] sustainability reporting is evolving from a purely voluntary mechanism for corporate self-regulation to increasingly codified expectations for sustainable business practices.

Nevertheless, sustainability reporting typically remains a feature of advanced corporate governance, management practices, and established accountability mechanisms. Only a small fraction of companies in LDCs issue sustainability reports that are included in the GRI's database. Many more LDC firms are however collecting at least some sustainability information and disclosing it to buyers, certifiers, auditors, or regulators. This offers opportunities to promote further uptake of standardized disclosure practices. Meaningful sustainability reporting formats of LDC firms may differ from the established practices of large multinational companies, but nevertheless prove impactful towards improved competitiveness and sustainable development in LDCs.

This paper seeks to contribute to a better understanding of opportunities to promote sustainability disclosure practices in the private sector of LDCs. It explores opportunities to build on disclosure practices already established - from compliance mechanisms in global value chains, to regulatory requirements linked to sustainable development objectives. It discusses the potential of sustainability reporting to help increase competitiveness of LDC firms, attract capital to LDC economies, and ensure sustainable development is integrated in investment decisions that affect LDCs.

The starting point for the analysis lies in establishing the competitiveness and sustainability rationales for increasing transparency through sustainability reporting in LDCs. In the first section of the paper, the business case for sustainability reporting and the case for reporting as a tool to drive sustainable development are discussed in general, before focusing on making the business case for reporting in LDCs and assessing the potential of reporting as a driver for sustainable development in LDCs. Section two

[4] Of the reports tracked by GRI, only about 10% are issued by SMEs.

[5] Since 2006, KPMG, GRI, UNEP and the Center for Corporate Governance in Africa compile a database of mandatory and voluntary instruments that either require or encourage organizations to report sustainability-related information (KPMG, 2016).

includes facts and figures on reporting practices in LDCs, and a number of country close-ups. The application of several sector lenses informs the assessment of reporting landscapes and readiness for reporting in LDCs. Section three provides an analysis of key challenges at both the country and firm levels, from systemic issues, to regulatory and policy frameworks, to limited expertise, human capital or financial resources, as well as opportunities and drivers. This analysis informs the conclusions and recommendations contained in the final section setting out avenues aimed at promoting the uptake of sustainability reporting by LDCs firms, expanding and improving reporting practices, aligning actors for impact, and building capacity based on established approaches pioneered by GRI or driven by the transformative capacity of local and international initiatives.[6]

Due to very limited awareness and uptake of sustainability reporting in LDCs, the analysis was widened to consider disclosure practices beyond sustainability reports that qualify for inclusion in the GRI database. In the analysis of reporting practices by LDC companies, Communications on Progress (CoPs) under the UN Global Compact (UNGC)[7] were included to increase the empirical evidence pool. Similarly, the analysis was expanded to include other forms of established disclosure practices, especially those driven by multi-stakeholder initiatives to address sustainability impacts in a number of sectors that shape many LDC economies, including agricultural commodities, mining, textiles, and garment manufacturing. A systematic analysis of reports from multinational companies operating in, or sourcing from, LDCs could shed some further light, but would require extensive research beyond the scope of this study.

Despite the relative wealth of literature on the business case for sustainability and some focus on sustainability reporting in that context, analysis focusing specifically on LDCs is limited. The perspective was therefore further broadened to include sources on economic and development conditions in LDCs, trade and development approaches, development finance, responsible sourcing, and sector or issue specific approaches to driving responsible business practices and transparency. Literature based on non-LDC cases with a focus on key issues for LDCs, such as poverty, corruption or climate, for example, were also included in the analysis. So were policies and other instruments encouraging or mandating disclosure and reporting on key environmental, social or governance (ESG) issues. In addition, the analysis was complemented by a series of about 30 semi-structured interviews.[8]

I) UNDERSTANDING THE COMPETITIVENESS AND SUSTAINABILITY RATIONALES FOR INCREASING TRANSPARENCY THROUGH SUSTAINABILITY REPORTING

This section takes a closer look at sustainability reporting as a tool to attract and mobilize sustainable investment, improve competitiveness of the private sector in LDCs, and drive private sector contributions to sustainable development. The economic and sustainability rationales for reporting will be discussed in general, before focusing on the benefits that the LDCs and their businesses may derive from the diffusion of the practice of sustainability reporting. Given limited sustainability reporting uptake across LDCs, the wider ecosystem of efforts to drive responsible business practices is also considered.

1) The Business Case for Sustainability Reporting

The business case for responsible, sustainable, and inclusive business practices, transparency, and reporting is now routinely made in publications and other sources of information on the social and

[6] Information on relevant initiatives and organizations is contained in Annex I.
[7] See https://www.unglobalcompact.org/participation/report/cop
[8] Interview partners included representatives from GRI, the UN and other development agencies, as well as practitioners, academics, business representatives and other local and international experts working in LDCs. Interview topics included the sustainability and competitiveness rationales for sustainability reporting in LDCs; country, regional, sector, and other relevant areas of expertise to inform insights on reporting landscapes, readiness for reporting, challenges and opportunities; and practical advice on entry points for further outreach, related initiatives, and recommendations for next steps.

environmental responsibilities of companies. The benefits of reporting listed by GRI captures many of the points typically made to illustrate the benefits of responsible business practices:

Internal benefits for companies and organizations can include:	**External benefits of sustainability reporting can include:**
• *Increased understanding of risks and opportunities* • *Emphasizing the link between financial and non-financial performance* • *Influencing long term management strategy and policy, and business plans* • *Streamlining processes, reducing costs and improving efficiency* • *Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives* • *Avoiding being implicated in publicized environmental, social and governance failures* • *Comparing performance internally, and between organizations and sectors*	• *Mitigating – or reversing – negative environmental, social and governance impacts* • *Improving reputation and brand loyalty* • *Enabling external stakeholders to understand the organization's true value, and tangible and intangible assets* • *Demonstrating how the organization influences, and is influenced by, expectations about sustainable development* Source: GRI website[9]

Beyond anecdotal evidence

As sustainable development, social responsibility, and accountability made it onto corporate agendas, and sustainability reporting evolved from its early stages in the late 1990s to become common practice among most of the world's leading companies, the business case often relied on anecdotal evidence. More recent research, including a number of meta-studies, has however confirmed that companies with robust sustainability practices demonstrate better operational and financial performance (Clark, Feiner, Viehs, 2015), They also performed above average in the financial markets during the 2008 recession (Whelan and Fink, 2016), and recovered faster (Koehler, Hespenheide, 2012).

Despite some false positives and associated debates, research shows that sustainability issues do affect consumer behavior and influence purchasing decisions (Choi and Ng, 2011). The growth trend for sustainable and inclusive business models is highlighted in corporate reports that feature the success of dedicated products and services. Unilever for example claims that sustainable brands are growing faster and published findings from an analysis of 20,000 customers around the world showing the role sustainability plays in purchasing decisions (Unilever, 2017). The case is also made by Porter and Kramer's seminal work linking sustainability to competitive advantage (2006 and 2011), and subsequent initiatives to establish shared value in business strategies and innovation.[10]

Responsible business practices have the potential to deliver financial returns and related competitiveness benefits. However, as with all other investments, those linked to sustainability need to be managed well to deliver returns. Reporting plays an important role in this context as it supports sound decision-making based on robust data. Managed well, responsible business practices can contribute to positive results in areas including share price and market value, sales, reputation and brand, human resources, and risk management (Project ROI, 2015).

[9] https://www.globalreporting.org/information/sustainability-reporting/pages/reporting-benefits.aspx
[10] See Shared Value Initiative at: https://www.sharedvalue.org

Companies with high sustainability standards often enjoy lower costs of capital (Clark, Feiner, Viehs, 2015). The potential for ESG issues to influence corporate financial performance applies across sectors and asset classes. With the substantial expansion of ESG assets under management in recent years, the orientation toward long-term responsible investing is becoming increasingly important. The fulfillment of fiduciary duties is also increasingly understood to include alignment of investor interests with broader objectives, including development goals (Deutsche Asset, 2015).

While much of the literature focuses on a more general business case for responsible practices and the integration of sustainability aspects into business strategy, sustainability reporting is often the basis for the analysis of corporate practices and their impact on competitiveness. It also plays an important role in relation to reputation as a key element for competitiveness and the significance, consistency and reliability of information in that context.[11]

2) The Case for Sustainability Reporting as a Tool to Promote Sustainable Development

The private sector's capacity to provide jobs and attract investment is often hailed as the biggest alleviator of poverty, and private sector investment is commonly considered as a key factor for growth and development. Ensuring that economic growth contributes to overall national development, allows equitable access to opportunities, and does not cause detrimental socio-economic or environmental impacts is however crucial. Short-term competitiveness based on the exploitation of labor and natural resources and other un-ethical and harmful practices compromises rather than contributes to sustainable development, especially in the absence of transparency and accountability. Developing markets and attracting capital alone will not necessarily improve prospects for sustainable development that leaves no one behind and takes into account the needs of future generations. Awareness, data and access to information is crucial to integrating social and environmental priorities with economic development objectives.

The SDGs offer concrete reference points to establish the sustainable development rationale for reporting. Corporate interest in the SDGs and practical efforts to align commercial objectives with the SDGs are gaining ground. A survey undertaken by the UN Global Compact and consultancy firm Accenture shows that CEOs from over 1000 companies, in over 100 countries, and more than 25 industries recognize the strategic opportunities of the Agenda 2030 and expect real impact in their industries (Accenture and UN Global Compact, 2016). Reporting will play an important role: 86% of CEOs included in the survey believe that standardized impact metrics will be important in unlocking the potential of business for the SDGs, 73% believe in the need for common business indicators to measure and communicate impact on the SDGs, but only 59% believe their company is able to accurately quantify the business value of their sustainability initiatives – although this has increased from 38% in 2013 (Accenture and UN Global Compact, 2016). Nevertheless, and in the relatively short time since their adoption in 2015, more than 40% of the world's largest companies already connect their corporate responsibility practices to the SDGs and report accordingly (KPMG, 2017a).[12]

The SDGs framework include a target based on the sustainable development rationale for reporting that has the potential to contribute to putting sustainability reporting on the agenda in LDCs as well. SDG target 12.6 requires Member States to "encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."[13] This

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[11] In order to further demonstrate the business case for sustainability reporting, GRI is currently working with the University of South Australia on further research expected to be published in 2019. GRI and University of South Australia. Forthcoming (2019).

[12] Reporters are supported in this endeavor by the joint GRI and UNGC platform on "Business Reporting on the SDGs" and the "SDG Compass", published jointly with the World Business Council for Sustainable Development (WBCSD). The SDG Compass offers a five-step model to align business strategy with the SDGs and measure, manage and report impacts. It "guides companies in taking a strategic approach to the SDGs and enhancing their contribution to sustainable development through core business activities." See https://www.globalreporting.org/information/SDGs/Pages/SDG-Compass-.aspx

[13] This objective was already included in the outcome document of the 2012 Rio conference on Sustainable Development, G.A. Res. 66/288, paragraph 47.

supports an ongoing trend for the regulation of reporting and validates the sustainability case for sustainability reporting. The number of sustainability reports published will become an indicator of progress against target 12.6. The quality of those reports will not only determine whether they indeed enable companies to improve their contributions to sustainable development, but it will also determine the type of data made available to governments and other stakeholders.

GRI, in collaboration with Tata Consultancy Services, has developed a "Live Tracker" that provides an overview of sustainability policies and reporting practices by companies around the world.[14] In collaboration with Business Call to Action, GRI published first evidence on how companies measure their contributions to the SDGs in 2016 (BCtA and GRI, 2016). Business Call to Action continues to engage companies from around the world to develop innovative business models that accelerate progress towards the SDGs and some companies from LDCs have also responded to the call. Research shows that especially large European companies are connecting corporate responsibility with the SDGs. Leading sectors include utilities, automotive, retail and technology, media and telecommunications (KMPG 2017b).

National development plans and efforts to report national progress against the SDGs and other international agreements, such as the Paris Climate Agreement, are likely to add a further incentive for companies to measure their impacts. UN monitoring mandates, implementation requirements, and government commitments, as well as companies' own ambitions for SDG alignment, drive demand for information. The quality, usability and relevance of private sector data in turn will be important puzzle pieces in meaningful and effective national reporting against international commitments, goals and standards.

Business commitment to embark on sustainability reporting journeys will ensure information, including information that is already provided to regulatory agencies, investors, or business partners, becomes more readily available to other stakeholders as well. It will also allow companies to be prepared for increasing demand for data from regulators and others. And it offers opportunities for alignment with high profile multi-stakeholder initiatives linked with global goals and international commitments, from science-based climate targets,[15] to poverty footprints.[16]

3) Making the Business Case for Sustainability Reporting in LDCs

Aligning competitiveness objectives with sustainable development goals has huge potential for growth, new markets, and the integration of LDCs in the global economy. A narrow focus on attracting foreign direct investment (FDI) at all costs needs to be qualified with insights that "a country's investment competitiveness goes beyond attracting FDI. It is determined by the country's ability to bring in, retain, and leverage private investment for inclusive and sustainable economic growth" (Gonzalez and Chu, 2018). The sustainability performance of LDC firms and other enterprises investing and operating in LDCs can be indicative in that context. Comprehensive and reliable information again would be key.

The global uptake of sustainability reporting, mainly on voluntary terms, demonstrates the demand for expanding the way business success is assessed to include environmental, social and governance performance. This has helped develop more sustainable approaches to creating value, beyond the narrow focus on maximizing shareholder returns on a quarterly basis and tendencies to equate competitiveness with the ability to attract capital. Companies, as well as countries, are seeking opportunities to redefine competitiveness to include sustainability aspects. At country level, Bhutan and Vanuatu's attempts to challenge the dominance of economic growth and competitiveness rationales and suggest more comprehensive national goals related to life satisfaction, happiness and environmental sustainability are illustrative examples.

[14] The Live Tracker is available at: http://database.globalreporting.org/SDG-12-6/.
[15] See https://sciencebasedtargets.org
[16] Oxfam and UNGC 2015; for the poverty footprint tool see: https://www.unglobalcompact.org/take-action/action/poverty-footprint

Within the private sector, the growth of impact-oriented business models, the development of new markets, and the availability of capital for impact investments are significant developments. A number of inclusive business models and efforts to develop inclusive markets for goods and services, ranging from the financial to the health sectors, have been pioneered in LDCs. Examples include BRAC's social enterprises and investments,[17] the Grameen Bank, and other efforts driven by Nobel Laureate Mohammed Yunus to harness social enterprise and end poverty in Bangladesh and elsewhere. Inclusive business models range from agriculture in Myanmar and Nepal to various commodity chains across African LDCs (UNDP, 2013). They include low-cost housing, off-grid energy, information, mobile banking, and other areas of local economic development, such as tourism.[18]

Generally, however, there is consensus that the business case for sustainability reporting as a competitiveness factor for LDC firms only applies where there is a link to international markets. Supply chain pressure, compliance to international standards, or international growth objectives of LDC firms remain the key incentives for investments in sustainability, including engaging stakeholders, identifying and addressing key impacts, improving management systems, and establishing disclosure practices. Doing business in LDCs is often considered risky from a sustainability perspective and reporting can be an opportunity to showcase business environments where these risks are being well managed, thereby increasing competitiveness.

A related, and perhaps more fundamental factor in the business rationale for reporting is the link to improving operational efficiency, productivity, and the valuation of intangible assets associated with the overall improvement of management practices, irrespective of links to international operations. Good corporate responsibility practices of course do not compensate for deficiencies in the overall business climate, quality and attractiveness of products and services, or strategy and management practices in e.g. finance, marketing, manufacturing, human resources, or research and development (Project ROI, 2015). However, addressing basic conditions for doing business in LDCs, associated risks, and institutional, as well as capacity, challenges is a prerequisite for, and a potential benefit of, promoting sustainability reporting in LDCs.

Good governance and business climate

Information and transparency are key elements of good governance and an efficient business climate. They keep uncertainty and abuse at bay, while improving decision-making capacities and building trust. Currently, most LDCs rank relatively low in global comparisons of transparency perceptions and practices. The average Corruption Perceptions Index (CPI) [19] in LDCs is 31.52/100, with only Bhutan, Rwanda, Sao Tome and Principe and Senegal scoring equal or above the world average (43.07/100) and the vast majority of LDCs scoring below average.

Trust is central to an attractive business climate, as well as for sustainable socioeconomic development. The high risks associated with corruption and lack of transparency can be a significant deterrent for investment in LDCs, both locally as well as internationally. Lack of transparency is often indicative of a weak rule of law. High levels of corruption tend to coincide with limitations to freedom of speech and safety concerns for civil society organizations and activists addressing issues of corruption or other malpractice in the public and private sectors.

Multinational enterprises (MNEs) and global brands that do invest in LDCs, because of the investment and reputation risks associated with limited transparency, tend to come with increasingly high

[17] "Social enterprises are self-sustaining cause-driven business entities that create social impact by offering solutions to social challenges and reinvesting their surplus to sustain and generate greater impact." See http://www.brac.net/enterprises

[18] For a broad range of research on inclusive business models, see for example http://www.endeva.org/service/bop-market-research.

[19] The Corruption Perceptions Index is published yearly by Transparency International and ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and business people, using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean (www.transparency.org).

demands and standards for supply chain information and disclosure. Pressure to collect and publish information on social and environmental impacts, SDG alignment, and ESG practices of partners and suppliers is expected to grow as data becomes an ever more pervasive factor in the global economy.

Access to capital

From institutional investors and stock exchanges, to sustainability indexes and principles for responsible investment, to issuers of green or blue bonds[20]: ESG sensitive capital markets are on the rise. This context offers a multitude of entry points for engagement on harmonizing and expanding sustainability disclosure practices. To date, the presence of LDCs on the radar of ESG investors tends to be limited. Improving the investment conditions, including transparency and disclosure practices suitable for green or blue bonds and other impact investment instruments can help attract some of these investment flows.

While the role of official development assistance continues to exceed FDI volumes in many LDCs (AFD and UNDP, 2016), new financial instruments are evolving across the spectrum of approaches to development finance. They include instruments to help countries manage sustainability risks and build resilience to shocks, blended finance, guarantees, or countercyclical loans. Some of them build on innovative financing partnerships of public and private actors with significant potential for LDCs, including opportunities to increase the competitiveness of local private sectors in LDCs.

Overall, access to private capital, development finance and the ability to attract private sector investments remain key arguments in making the case for sustainability reporting in LDCs, and are central to the business case for sustainability more generally (Skroupa, 2017). Development banks and other national and international development finance institutions play an important role in many LDCs. As a result, the sustainability and reporting requirements of development banks, the International Finance Corporation (IFC), or dedicated climate- and other funds contribute to the demand for sustainability data. The insights from the annual analysis contained in the "Transparency in Myanmar Enterprises" report [21] are telling:

> One striking statistic from this year's report is that the average [disclosure] score for a company in which the World Bank's International Finance Corporation invests is 54 percent, compared to an average of companies assessed of 7 percent. This is even greater transparency than the five listed companies on Yangon Stock Exchange, which averaged 38 percent. This demonstrates that good corporate governance is what attracts investors and partners for companies, and that IFC investment and the guidance that accompanies it make a real difference to how these companies run themselves.[22]

Supply chain due diligence

Supply chain due diligence requirements of multinational enterprises and global brands, which tend to be particularly exposed to public scrutiny, are another key driver of the demand for sustainability data in LDCs. Civil society organizations and campaigners are increasingly digging deeper into supply

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[20] On blue bonds, see https://www.worldbank.org/en/news/feature/2018/10/29/sovereign-blue-bond-issuance-frequently-asked-questions

[21] The "Pwint Thit Sa" or "TiME" (Transparency in Myanmar Enterprises) report is the flagship publication of the Myanmar Centre for Responsible Business (MCRB), a Yangon-based initiative funded by a consortium of international donors and associated with the UK-based Institute of Human Rights and Business and the Danish Institute for Human Rights. The 2018 report published in collaboration with business sustainability consultancy Yever assesses and score information disclosure on the corporate websites of 182 large domestic companies based on the ASEAN Corporate Governance Scorecard (the report is available at: https://www.myanmar-responsiblebusiness.org/pdf/TiME/2018-Pwint-Thit-Sa_en.pdf).

[22] Chan, H. M. "International partnerships drive transparency among Myanmar companies", Myanmar Times, 28 March 2018: https://www.mmtimes.com/news/international-partnerships-drive-transparency-among-myanmar-companies.html

chains exposing human rights and labor issues as well as poor environmental practices. This has drawn attention to severe sustainability risks and the common lack of transparency along supply chains beyond the first tier, especially in LDCs. Performing supply chain due diligence has thus become a significant element in the competitiveness mix of successful businesses. Many of the world's leading companies and major brands are responding with a greater focus on transparency along supply chains, as well as due diligence and compliance mechanisms, not least due to international initiatives and regulatory efforts to increase supply chain due diligence. Examples include the UN Guiding Principles on Business and Human Rights (OHCHR, 2011) and the OECD Due Diligence Guidance for Responsible Business Conduct and related sector specific supply chain guidance.[23] Increasingly, through these and other rules and standards a legal duty of care is established for multinational enterprises.

The 2014 EU Directive on Non-financial Reporting and resulting national legislation, the US National Action Plan on Responsible Business Conduct, the French law imposing due diligence on multinationals' human rights abuses in supply chains, or the UK and Australian Modern Slavery Acts are increasing the litigation risks due to unsustainable and irresponsible business practices, including in LDCs. The supply chains of many companies from countries that have introduced such rules and policies extend into LDCs and open opportunities for harnessing trade relations to promote sustainability driven competitiveness. These initiatives are supported by civil society pressure and NGOs campaigning for improved supply chain due diligence and more transparency - especially in LDCs, where many NGOs focus their development efforts.[24]

In conclusion, sustainability reporting helps companies address sustainability issues. It has the potential to contribute to the growth of a private sector that can compete on sustainability, both in terms of impacts and compliance, and to the improvement of investment environments in LDCs where key sustainability risks can be effectively addressed. Showcasing the business case for reporting and its track record in enhancing efficiency, reducing risks, and attracting new business opportunities[25] in LDC contexts will be important to driving further uptake.

4) Reporting as a Tool to Promote Sustainable Development in LDCs

Instability, insecurity and lack of transparency are prevalent in many LDCs and key barriers to inclusive and sustainable change. Crucial issues for sustainable development, including poverty, environmental degradation, and climate risk not only hinder competitiveness in LDCs, but also contribute to the perpetuation of development challenges. Given the central role of economic growth and access to global markets for sustainable development in LDCs, the sustainability case for reporting is closely linked to the competitiveness rationale for reporting and its potential to help attract and mobilize sustainable investments in LDCs.

Poverty

A recent report by GRI took a closer look at how sustainability data and reporting can help accelerate positive outcomes and optimize business contributions to ending poverty. "As the engine of economic growth, the private sector can decide to make … growth inclusive, providing economic opportunities to people living in poverty and supporting the micro and small enterprises that are often the gateway for jobs and economic opportunity, while also growing their own bottom line." (GRI, 2017) With the aim of identifying concrete connections between sustainability reporting and poverty alleviation, an analysis of 107 reports was conducted to assess the state of corporate reporting and action on poverty.

[23] Available at: http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm
[24] Examples include Oxfam's "Behind the Brands" campaign that seeks to monitor and draw attention to what happens in the supply chains of the 10 largest food and beverage companies.
[25] Among others, GRI has compiled case examples of success stories from its efforts to drive reporting in SMEs and along supply chains. See for example https://www.globalreporting.org/information/news-and-press-center/Pages/Small-Business,-Big-Impact-Making-the-case-for-SME-Sustainability-Reporting.aspx

While very few of the reports analyzed were about LDC companies, the study's focus on poverty is highly relevant across all LDCs. The study shows that:

> [T]here are several general ways sustainability reporting contributes to the business response to poverty: At the macro level, reporting helps us understand the private sector contribution to ending poverty and the wider set of SDGs. For companies, reporting on poverty has both internal and external benefits. Reporting helps reveal risks and opportunities, set targets and track progress. Through reporting, companies can credibly communicate with various stakeholders about their role in ending poverty. Governments, consumers, investors, civil society and many other stakeholders are looking to the private sector to drive sustainable economic development and poverty alleviation, and the evidence they seek is in the form of corporate sustainability disclosures.

The context within which companies report on poverty alleviation is also interesting: 77 companies that do report on poverty were analyzed. 52 report in the context of philanthropy, 47 of community engagement, 23 report on poverty in an operating context, related to direct and indirect economic impacts respectively, 18 linked to business development, and only 8 talked about poverty-related risk.

While human and labor rights, as well as environmental impacts and even climate change tend to rank prominently on corporate risk analyses, poverty is under-reported as a business risk. Limitations in reporting on poverty in the context of direct and indirect economic impacts and business development also suggest missed opportunities, as the potential for impacts and return are typically higher in those areas.

Environmental stewardship

Environmental protection is central to sustainable development and essential for future-proofing competitiveness ambitions. It is a key element of the SDGs, GRI Standards, and any meaningful corporate sustainability strategy. The relevance of environmental protection (or its "materiality" in sustainability reporting parlance) across LDCs stems from contextual conditions, including economies largely based on natural resources, as well as the challenges to adopt and uphold high environmental standards in key industries.

Environmental indicators are often more easily quantified than other aspects of sustainable development. This offers opportunities for clear legislation, accurate monitoring, and meaningful reporting, if there is political will, effective investment, and enough capacity for implementation.

More transparency and better data on environmental impacts and their responsible management are important measures to ensure unsustainable practices do not further jeopardize development objectives. Poverty, inequality, and instability, coupled with dependence on natural resources, and exacerbated by weak rule of law, tend to amplify the detrimental impacts of lacking environmental stewardship. Improving the reporting practices of LDC companies can improve environmental protection in the pursuit of both competitiveness and sustainability objectives.

Significant experience already exists through various sustainability and inclusiveness initiatives, some of which focus specifically on resource-based economies. Increasing transparency and improving disclosure practices on environmental impacts in sectors from mining, minerals, oil and gas to forestry and agriculture have become increasingly established and offer entry points for engagement on improving disclosure practices in LDCs.

Climate change

Vulnerability to climate change is especially high in many LDCs. Exposure to its impacts combined with limited resilience hinder the realization of development and competitiveness goals. At the same time, the increase in available climate finance instruments offers opportunities for access to capital and investments in LDCs. This includes opportunities to build resilience and efficiency in key sectors, as well as to address infrastructure challenges by accessing new sources of funding, tapping into blended financing options, and building investment environments conducive to attracting and mobilizing private capital. One such sector is renewable energy, a field receiving significant attention in many LDCs in the context of efforts to improve access to energy and energy efficiency (UN-OHRLLS, 2017). Climate innovation is also a focus in other sectors, including agriculture, where the dependence on weather and water can make production processes especially vulnerable to climate change.

Due diligence mechanisms based on transparency and best practice standards on key ESG issues are important enablers in this context and can promote disclosure practices and the use of reporting in LDCs. While the proliferation of instruments can be confusing and access hurdles high, dedicated support systems and partnerships are also being developed. They include initiatives by various bilateral development agencies and international organizations to support ambitious climate goals that enhance sustainable development.

The 2015 Paris Agreement and its Enhanced Transparency Framework (ETF) are examples of international agreements that include transparency mechanisms to support implementation. Discussions on engagement and safeguarding of stakeholder interests drive the demand for standardized corporate disclosure on sustainability indicators. With the consensus that all countries must follow uniform standards for measuring emissions and tracking the achievement of their respective targets (i.e. the Nationally Determined Contributions or NDCs), and the finalization of the modalities, procedures and guidelines for the ETF at COP[26] 24 in Katowice in December 2018, the climate transparency mechanisms should offer additional opportunities for engagement in the LDCs.

Various efforts to drive the uptake of climate commitments by the private sector include disclosure practices as a key element. These include the "Business End of Climate Change" and the "We Mean Business" coalitions, initiatives such as the "Science Based Targets" and other efforts to drive business action on climate change. Nevertheless, climate reporting in the private sector is often limited to tracking and disclosing emissions, especially carbon. Focus on corporate climate strategies and management approaches remains limited. Even on carbon disclosure practices, issues related to inaccuracy or inconsistency of data and tracking methodologies persist.

Increasing investor attention to climate risks is another strong driver for climate action and calls for increased transparency and better reporting on climate impacts, risks and strategies in the private sector. Common risks associated with climate change include supply chain risks related to exposure to extreme weather events, reputation and share price risks, resource risks, as well as risks associated with climate litigation. Unmet needs of investors and regulators for reliable and representative climate data have spurred a number of initiatives to address gaps, including CDP (formerly Carbon Disclosure Project), as well as the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) or the Climate Disclosure Standards Board (CDSB). Hardly any are however active in LDCs.

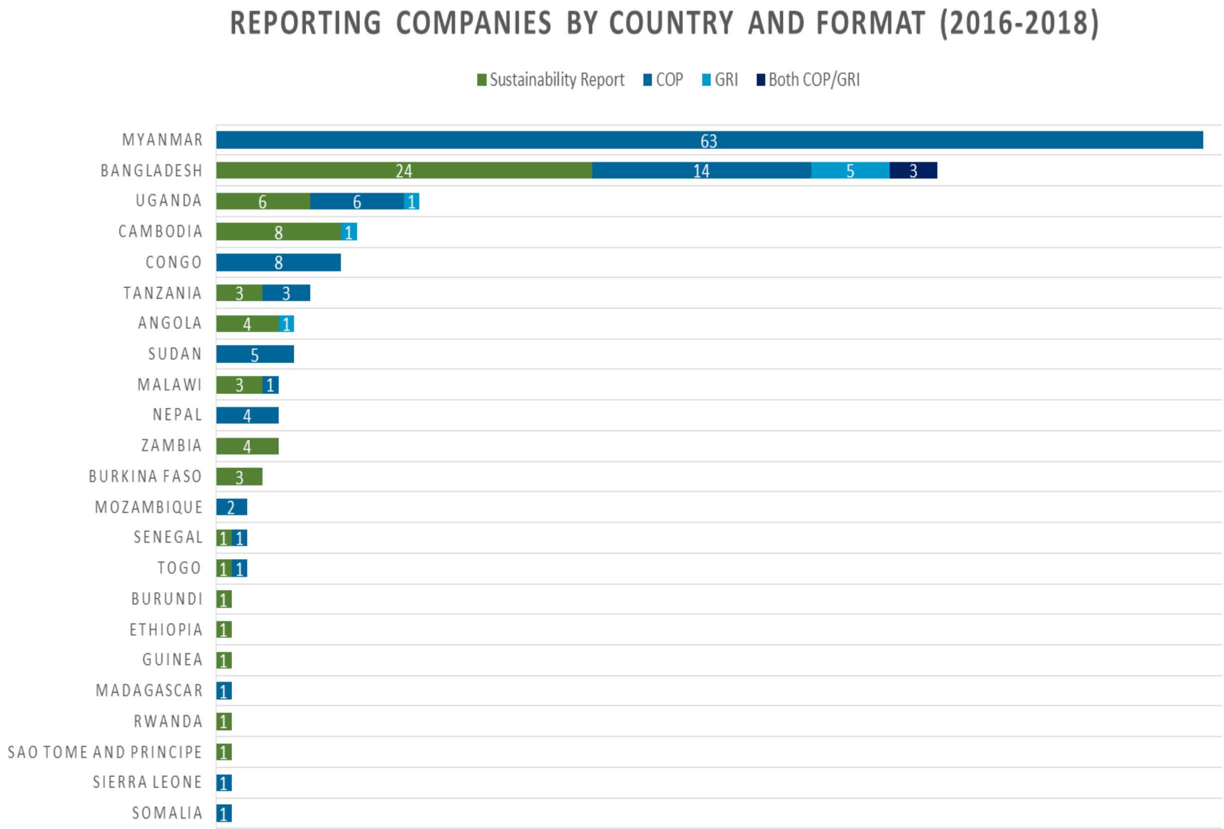
II) ASSESSING REPORTING LANDSCAPES AND READINESS FOR REPORTING IN LDCs

To date, very few companies in LDCs issue sustainability reports. Many more however already collect at least some sustainability information to meet the disclosure requirements of buyers, certifiers, auditors, or regulators. To expand the empirical basis for assessing the landscape and readiness for reporting in LDCs, this paper draws on a wide range of disclosure practices and takes a broad view on local contexts and framework conditions for reporting.

[26] Conference of the Parties of the UN Framework Convention on Climate Change.

For 2017, a total of 69 sustainability reports from LDCs were registered in the GRI database.[27] To expand the sample of sustainability communications from LDC firms, Communications on Progress (CoPs) submitted to the Global Compact have also been included in Table I, as have 2016 sustainability reports.[28] In total, 189 sustainability communications from LDCs have been identified. Approximately two thirds are UNGC CoPs (120), almost a third do not follow a specific format (64), and only eight companies published reports in accordance with the GRI Standards. In Bangladesh three companies used their GRI report to fulfill CoP requirements under the UNGC as well.

TABLE I



Of the eight reports from LDCs declared to be in accordance with the GRI Standards, [29] five are from Bangladesh: Bank Asia, DBL Group, IDLC, Mutual Trust Bank, and Prime Bank Limited. The remaining three are from Odebrecht Angola, Smart Axiata Co. Ltd. in Cambodia, and Stanbic Bank in Uganda.

None of the LDC reports in the GRI database were externally assured, assessed by a stakeholder panel, or included an expert opinion. While remaining low by international comparison, the number of sustainability reports from LDCs is increasing: From nine in 2013, to 30 by 2015, 65 in 2016, and 69 in 2017 (as of June 2018).

[27] Available at: http://database.globalreporting.org/

[28] All CoPs are published on the UN Global Compact website at: https://www.unglobalcompact.org/what-is-gc/participants. Non-communicating companies are delisted from the UNGC website after a grace period of one year allowing for a comparable time frame with combined 2016 and 2017 reports. Not included are companies that only published Communications of Engagement, and communications by civil society organizations and business associations.

[29] Reports prepared in accordance with the GRI Standards can choose one of two options, "core" or "comprehensive", depending on the degree to which the GRI Standards have been applied. All companies recorded, with the exception of Stanbic Bank Uganda that did not declare an accordance level, declare their level of accordance to be core.

1) Country Snapshots

Myanmar has an exceptionally high number of companies that have submitted CoPs to the UNGC. Despite their limitations as meaningful disclosure channels for sustainability impacts, growing interest in the UNCG Principles and increasing numbers of CoPs submitted do highlight an increasing emphasis on corporate responsibility. Reasons for the relatively high uptake in Myanmar include international pressure, such as the US State Department's "Reporting Requirements for Responsible Investment in Burma",[30] the successful work of the Myanmar Center for Responsible Business (MCRB), as well as a proactive UNGC Local Network with high-level support, including a visit by then UN Secretary-General Baan Ki Moon in 2014. As noted above the MCRB is a Yangon-based initiative funded by a consortium of international donors whose flagship project on transparency in large Myanmar businesses ("Pwint Thit Sa")[31] is now complemented by the "Mini-Pwint Thit Sa" that focuses on larger medium sized companies not included in the original report but wanting to be benchmarked as well.[32] Combined with successful efforts to promote the UNGC initiative in Myanmar, the MCRB has been instrumental in calling for attention to sustainable development, human rights, and responsible and inclusive business practices in Myanmar's rapidly changing business environment. It has also been the main driver for putting sustainability disclosure practices on the agenda of Myanmar companies by stimulating national attention on disclosure practices.

The relatively high number of sustainability reports from **Bangladesh** is likely to be in part due to the intense international focus on labor rights and workers' health and safety, especially after the 2013 collapse of the Rana Plaza building that killed 1,135 people in the country's worst industrial disaster. In the private sector, awareness and capacity remain limited, beyond narrow compliance practices. The government is however exploring opportunities to drive increased social responsibility among local as well as international companies. Building on recognized achievements in the pursuit of the Millennium Development Goals, there are strong ambitions to deliver against the SDGs as well and attract more positive international attention. GRI is already active in Bangladesh, and the engagement of various local actors is already well established, including the two stock exchanges,[33] which have already signed up to the Sustainable Stock Exchanges Initiative.[34] Generally, there seems to be significant potential and interest in the further expansion and improvement of reporting practices in Bangladesh. Low capacity and reporting skills development are frequently cited as key challenges, both with regards to reporting as well as audits. Although tools like the Higg Index[35] contribute to increasing transparency in the apparel sector, a key sector for Bangladesh, they also put additional pressure on already overstretched local companies to respond to questionnaires and fulfill other requirements. A number of initiatives, including the CSR Center,[36] host of the UNGC Local Network, are working on addressing some of the capacity gaps. GRI has made some inroads with a regional presence and support, including through the Competitive Business

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[30] See U.S. Department of State, Burma Responsible Investment Reporting Requirements, 2013, available at: https://2009-2017.state.gov/r/pa/prs/ps/2013/05/209869.htm. However, the requirements were eliminated in 2017, see "The Need for the Burma Responsible Investment Reporting Requirements", at: https://medium.com/truman-doctrine-blog/the-need-for-the-burma-responsible-investment-reporting-requirements-9359ec4dfed2

[31] Established in 2013, the MCRB is an independent institution that provides a platform for engagement and capacity building for responsible investment and responsible business practices in Myanmar, based on local needs and international standards. The aim is to build a shared understanding of the facts, needs and priorities for responsible business in Myanmar and provide a platform for dialogue between business, civil society and government. Activities also include advocacy on policy and regulatory issues, such as environmental and social impact assessments (ESIA) and requirements for responsible business conduct as well as advice to foreign investors about the business and human rights landscape of Myanmar. See http://www.myanmar-responsiblebusiness.org/index.php for more information.

[32] See http://www.myanmar-responsiblebusiness.org/pwint-thit-sa/mini.html

[33] Examples of recent engagement include an MoU with the Dhaka Stock Exchange (DSE): https://www.dsebd.org/pdf/20-05-2018.pdf

[34] For more information, see http://www.sseinitiative.org/ as well as the section III.2 below.

[35] Developed by the Sustainable Apparel Coalition, the Higg Index is a suite of tools that enables brands, retailers, and facilities to accurately measure and score a company or product's sustainability performance, see https://apparelcoalition.org/the-higg-index/

[36] See http://www.csrcentre-bd.org/

Program that features a reporting template for SMEs and supports SMEs in collecting data and making use of GRI's Digital Reporting Platform.[37] Another interesting entry point is the Bangladesh Sustainability Compact, founded in 2013 in response to the Rana Plaza collapse by the Bangladesh government, the International Labour Organization, the European Union and the United States as a joint initiative for "continuous improvements in labour rights and factory safety in the ready-made garment and knitwear industry in Bangladesh."[38] Although there is no explicit reference to GRI, the alignment of the GRI Standards with all major international conventions, including those of the ILO, suggest important opportunities to promote transparency and disclosure practices.

In **Cambodia**, NGOs and development agencies have played an important role in driving the sustainability agenda alongside some supply chain related drivers. A local CSR Platform has been convened to promote CSR guidelines, tools, and principles.[39] In the garment sector, the government is working on improving labor law implementation and compliance. Accountability however remains a major challenge. Most factories are foreign owned and their interest in local sustainable development tends to be low. At the same time, there is some movement among young Cambodians to drive positive change, by modifying business practices as well as introducing new ones in the form of social enterprises. Engaging and supporting young entrepreneurs may well be an effective channel to promote sustainability reporting as a driver for development and competitiveness in Cambodia.

The case of **Timor Leste** offers insights on particular challenges for islands, some of which are valid for other remote locations. A young, small, remote country, Timor Leste struggles to attract investments, expand trade relations and drive economic development locally. Tourism may offer opportunities and a hotel owners association has recently been founded. The success of the New Britain Palm Oil (NBPOL) venture[40] in the **Solomon Islands** further illustrates conditions, challenges and opportunities for sustainability reporting in remote island LDCs.

Ethiopia has become a focus for a number of MNEs moving production to Africa, especially in the garment sector. The country is currently pursuing efforts to attract foreign investment and establish itself on global export markets, including through the creation of industrial and agro-industrial parks to expand production capacity, and by providing low costs and favorable conditions as the garment sector broadens its focus out of Asia. While it is imperative that risks associated with production conditions that led to disasters in Bangladesh and elsewhere need to be avoided, more can be done to put sustainability at the center of Ethiopia's quest for competitiveness. Sustainability reporting may well be a useful tool to harness opportunities for data driven sustainability performance. It may help attract the big brands seeking to ensure that reputation risks associated with detrimental social and environmental impacts and labor conditions are addressed. Resource constraints remain a challenge, but efforts to build modern factories and green buildings, and apply other environmental, as well as worker related best practices may well contribute to attracting much needed investments. The efforts to build major new special economic zones may also offer opportunities to promote transparency and sustainability reporting.

The government of **Rwanda** has been actively pursuing a number of initiatives to develop attractive business environments, secure investment, and mobilize capital. This may offer opportunities for engagement on policy initiatives to promote disclosure practices of local companies and foreign investors. Combined with flagship sustainability initiatives there may well be potential for better alignment of competitiveness and development objectives. The Private Sector Federation is a professional business association that may allow for further engagement, such as promoting sustainability reporting as a tool for sustainable development and competitiveness of the Rwandan economy and its enterprises.

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[37] See https://www.globalreporting.org/information/news-and-press-center/Pages/GRI%E2%80%99s-Competitive-Business-program-makes-it-easier-for-SME%E2%80%99s-to-benefit-from-sustainability-reporting.aspx

[38] Government of Bangladesh, the European Union and International Labour Organization, "Staying engaged: A Sustainability Compact for continuous improvements in labour rights and factory safety in the Ready-Made Garment and Knitwear Industry in Bangladesh" (Joint Statement, 8 July 2013), available at: http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151601.pdf

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

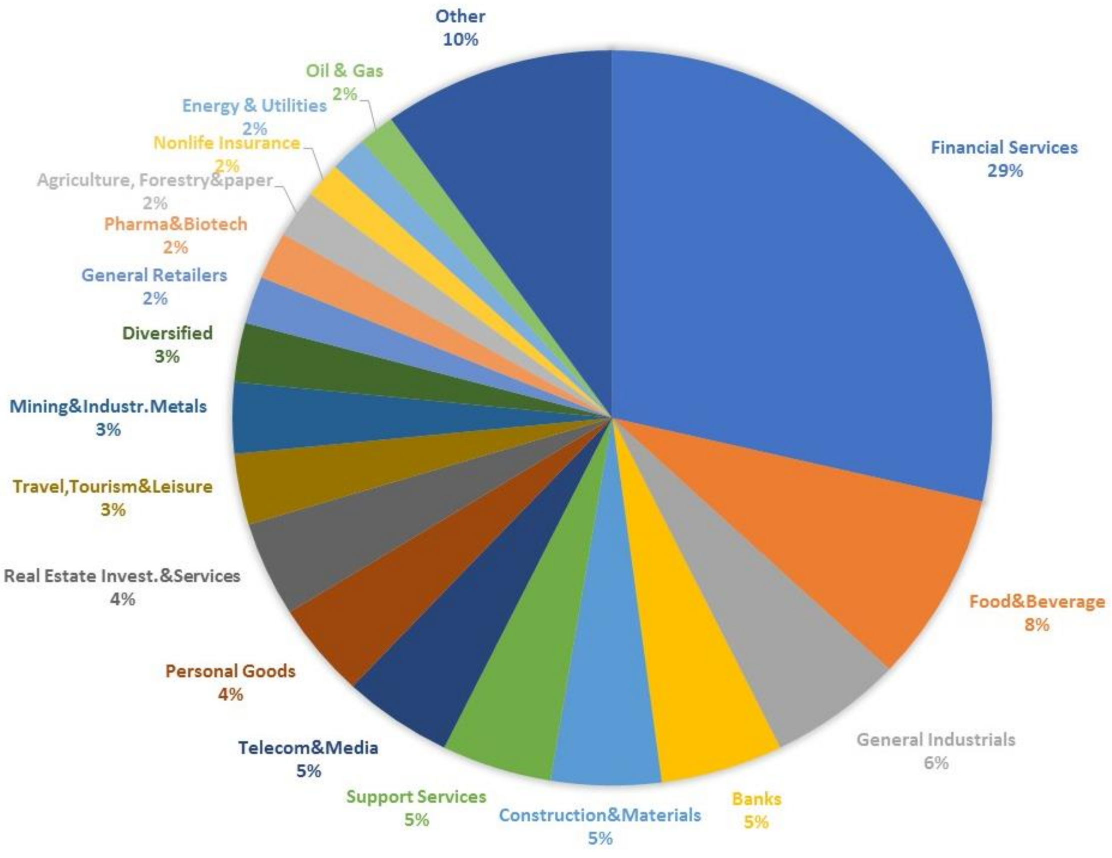
[40] See section III.2 below.

Other interesting entry points have also been identified across LDCs in Africa. **Rwanda, Tanzania and Uganda** have Stock Exchanges that are partners in the Sustainable Stock Exchanges Initiative, as is the Bourse Régionale des Valeurs Mobilières (BRVM) of Western Africa covering **Benin**, **Burkina Faso**, Côte d'Ivoire where it is headquartered, **Guinea Bissau**, **Mali**, **Niger**, **Senegal**, and **Togo**. Given the limited sustainability reporting practice across LDCs, it is also important to consider the wider ecosystem of efforts to drive responsible business practices. An interesting case here is, for example, **Liberia** where a "Corporate Responsibility Forum" has been set up and the assurance provider Pricewaterhouse Coopers has a sustainability practice.[41] **Angola** is included in KPMG's seminal survey of corporate sustainability reporting (KPMG, 2017a) and some initial research on CSR has been commissioned by UNDP,[42] and in **Zambia** there have been efforts to establish a GRI certified training partner. Promising local initiatives also exist in other countries and include the African Institute of Corporate Citizenship in **Malawi** and RSE (Responsabilité Sociétale) **Senegal**.[43]

2) Applying a Sector Lens

Table II shows the distribution by sector of the 189 sustainability reports and CoPs included in the analysis for this study.

TABLE II



Source: UNGC and GRI databases

[41] PricewaterhouseCoopers (PWC Ghana). 2016 West Africa Corporate Responsibility Highlights. Available at: https://www.pwc.com/gh/en/assets/pdf/2016-corporate-responsibility-highlights.pdf
[42] See Corporate Social Responsibility. Current Situation in Angola, available at: http://www.ao.undp.org/content/dam/angola/docs/Publications/undp_ao_pov_csr_apr2013.pdf
[43] See https://www.rsesenegal.com/

The significantly higher number of reports in the financial services sector appears to be at least in part due to stricter regulation. This often means data is more readily available and key actors in the sector are more accustomed to compiling and disclosing it. The sector distribution also shows that the practice of sustainability reporting is so far not clearly benefitting from strong sectorial sustainability initiatives, even where they build on transparency and disclosure to achieve their goals, e.g. in the garment, agricultural or extractive sectors. Further research into potential barriers as well as opportunities to harness this potential is necessary.

In many LDCs, primary commodities account for the bulk of export merchandise. Labor and resource intensive manufacturing define large parts of the economy in Bangladesh, Cambodia and Haiti, and to a lesser but substantial extent in Lesotho, Nepal, the Gambia and Madagascar, with Myanmar growing fast as well. A few pockets of low to medium skills technology intensive manufactures are found in Bhutan, Liberia, Tuvalu and Vanuatu, and to a lesser extent in Nepal and Sao Tome and Principe. High skills technology intensive manufacturing is generally limited, with some activity in Bhutan, Comoros, Niger as well as Lao PDR and Senegal (UNCTAD, 2017). FDI inflows to the LDCs remain concentrated in a few mineral and oil extracting countries, with Angola, Bangladesh, Ethiopia, Mozambique and Myanmar accounting for the bulk of FDI. With foreign investors expected to capitalize on new oil and gas reserves discovered in Mozambique, Senegal, Uganda and the United Republic of Tanzania (UNCTAD, 2017), the prevalence of the extractive sectors is expected to continue in several LDC economies despite a wide range of efforts to diversify foreign investments.

With the materiality of sustainability issues often defined by the nature of a sector or product and its social and environmental impacts, a sector lens can be useful to assess reporting landscapes and readiness for reporting. As noted many LDC economies depend on the export of natural resources and agricultural commodities. The emphasis on disclosure practices in existing sectorial sustainability initiatives may offer opportunities to tap into established efforts to increase transparency. Clustering countries by key issues or dominant sectors where inroads on raising awareness and building the business case for transparency mechanisms have already been made may be useful. Entry points via established initiatives and practices may lower barriers for establishing more comprehensive reporting and disclosure practices. Further outreach via multi-stakeholder initiatives will also be useful to engage existing sustainability leaders in key sectors across LDCs and learn from their experience in improving value-chain-reporting practices.

Sector and multi-stakeholder initiatives

In many cases, efforts to address irresponsible and unsustainable business practices in LDCs focus on individual sectors or commodities. Efforts to establish codes of conduct and support systems for the implementation of supply chain due diligence, including auditing and capacity building are often addressed at sector level. Transparency and supply chain due diligence initiatives have emerged in a number of key sectors, including garment and extractive industries.

An important initiative seeking to improve local benefits form natural resource wealth and address key challenges is the Extractive Industries Transparency Initiative (EITI), which offers a standard for the management of oil, gas and mineral resources. Transparency and accountability are central to the EITI Standard. It requires both countries and companies to disclose information on key steps in the governance of oil, gas, and mining, including contracts and licenses, production, revenue collection and allocation, social and economic spending, as well as public benefit. LDC membership and the ability of LDCs to provide required data have been limited to date but offer opportunities for driving transparency and disclosure practices in key sectors.

The garment industry has been under close scrutiny, including because of child labor and other human rights abuses, as well as systemic disregard for the health and safety of large numbers of workers employed in the sector. To address these problems several supply chain due diligence and transparency mechanisms that support responsible sourcing and purchasing have been established. Recent shifts of major production locations from countries, such as China and Vietnam to LDCs, such as Ethiopia, Myanmar or

Cambodia open up opportunities for engagement of experienced and established sectorial initiatives in LDCs. The risk of global brands canceling orders with suppliers accused of human rights abuses or irresponsible labor practices is a significant incentive for factories in LDCs to assess and improve their performance. Ensuring the availability of relevant information is becoming increasingly important for any factory seeking contracts with international buyers due to their supply chain due diligence requirements.

Various country-level and sectoral initiatives exist to enhance transparency and support better corporate practices, including:

a) The ILO and IFC Better Work Program, which builds on the potential of transparency to stimulate factory progress, improve working conditions, contribute to the competitiveness of the apparel sector, and encourage ethical sourcing. Since the program first started disclosing compliance with labor standards in Cambodia, the number of factories meeting those standards improved by 57 per cent.[44] The Better Work Program also operates in Bangladesh and Haiti.

b) The Follow the Thread campaign demands that apparel companies publish supplier factory information. It supports coordination of buyers sourcing from the same factories and tracks delivery against commitments made under a Transparency Pledge initiated by the Clean Clothes Campaign together with eight NGOs and Global Trade Union Federations, and signed by over 70 brands promising to disclose information about their supply chain before December 2017.[45]

c) The Sustainable Apparel Coalition (SAC), a global alliance of retailers, brands, suppliers, advocacy groups, labor unions and academics aims to create "an apparel, footwear and home textiles industry that produces no unnecessary environmental harm and has a positive impact on people and communities."[46] Its flagship project is the Higg Index. Designed to enable and encourage brands, retailers, and manufacturers to improve transparency, it makes sustainability scores public with the aim of increasing informed purchasing decisions and contributing to improving transparency as the basis for more responsible practices in the sector.

Transparency in agricultural commodity value chains

Multi-stakeholder initiatives that build their credibility and effectiveness on disclosure and reporting mechanisms exist in many key agricultural commodities produced across LDCs. An interesting case that highlights the potential for positive impacts of multi-stakeholder initiatives on reporting capacity in LDCs is palm oil. Palm oil development is expected to grow and has drawn attention from NGOs, such as Greenpeace, which estimated in 2012 that land designated or currently developed for oil palm plantation would amount to 2.6 million hectares across central and western Africa, including Liberia, Sierra Leone, the Republic of Congo and Uganda (Greenpeace, 2012).[47]

The nature of the palm oil business, its impact on biodiversity, and the prevalence of smallholder farming are key issues for sustainable development, with significant impacts on poverty, land use, sustainable agriculture and forestry, jobs and inclusive growth. The palm oil sector has seen one of the most ambitious and successful multi-stakeholder initiatives, the Round Table on Sustainable Palm Oil (RSPO). Founded in 2004, it engages stakeholders across the value chain, from oil palm growers to processors and traders, consumer goods manufacturers, retailers, banks and investors, as well as NGOs, to establish global standards for sustainable palm oil. Reporting on progress is an important mechanism for

[44] See https://portal.betterwork.org/transparency

[45] Clean Clothes Campaign et al., "Follow the Thread. The Need for Supply Chain Transparency in the Garment and Footwear Industry", available at: https://cleanclothes.org/transparency; https://cleanclothes.org/resources/publications/follow-the-thread-the-need-for-supply-chain-transparency-in-the-garment-and-footwear-industry/view.

[46] See https://apparelcoalition.org/the-sac/

[47] Interesting in this context is also Greenpeace' targeting of the French agro-industry giant SocFin, demanding more transparency on threats to African forests and forest communities (Greenpeace, 2016).

the RSPO.[48] Markets respond to action by initiatives like the RSPO, as the suspension of the IOI Group's sustainable palm oil certificate shows: the action led major multinationals, including Unilever, Kellogg's and Mars to drop IOI from their list of approved suppliers.[49]

Similar opportunities for entry points with commodity-based sustainability initiatives that aim to increase transparency and include monitoring and disclosure mechanisms exist in many agriculture value chains that extend into LDCs. Coffee, cotton, timber and cocoa are produced and exported by many LDCs. For each, sustainability initiatives have been formed, and they all have transparency components.

However, much remains to be done. Cocoa production, which has been in the spotlight for allegation of slavery and child labor, is a good example showing how difficult it is to ensure full transparency in supply chains, and the eradication of even the worst labor practices and human rights violations. Discussions range from the sufficiency of certification practices (Nieburg, 2018), to commitments to make cocoa consumption sustainable, as efforts in the Netherlands have shown (The Sustainable Trade Initiative, 2018). And still, even companies like the Dutch Tony's Chocolonely, which set out to produce slave free chocolate and have built their business model around this ambition, have to concede: "After 12 years we're still not there yet. Our chocolate is still not 100% slave free, and slave free chocolate is far from being normal."[50]

Nevertheless, efforts for the sustainable transformation of commodity supply chains have made a big difference and are playing an important role in increasing supply chain transparency. However, the proliferation of initiatives and standards also comes with challenges for consistency, uptake and comparability of what constitutes good and best practices. The proliferation of reporting requirements, which may at times even be inconsistent, puts unnecessary strains on suppliers and can lead to duplication, inefficiency and frustration. Efforts for alignment and global standardization will therefore be important, including initiatives to harmonize disclosure practices.

A closer look at the fisheries and aquaculture sectors is also interesting as many LDCs export fish or other seafood products. The sector boasts employment multiplier effects and has potential to contribute to the alleviation of one of the key development concerns in many LDCs by way of much needed job creation (FAO, 2014). The sustainable use of marine resources can also offer development opportunities for a number of LDC economies (World Bank, 2017). Threats to marine biodiversity and the exposure to severe labor issues, including slavery, however highlight some big challenges. Here too, transparency is recognized as a key factor in addressing unsustainable practices in the sector. The Marine Stewardship Council (MSC) has been driving traceability efforts for 20 years.[51] Modeled after the successful EITI, the Fisheries Transparency Initiative (FiTI) provides a code of conduct, engages key players in the sector, and makes information available.[52] An ongoing pilot includes three LDCs, namely Guinea, Mauritania and Senegal.[53]

In conclusion, building on established relationships with a number of key players driving sector and multi-stakeholder initiatives offers opportunities to build on proven efforts to promote disclosure practices in key sectors in LDCs. In the absence of an established reporting practice in LDCs, they can

[48] For a recent article published by the RSPO discussing some of the challenges for sustainable palm oil in African LDCs and emphasizing the need for inclusive local engagement at all levels of the supply chain and in affected communities, see "Sustainable palm oil in Africa: Local solutions to local problems available", 29 September 2017, at: https://rspo.org/news-and-events/news/sustainable-palm-oil-in-africa-local-solutions-to-local-problems

[49] The certificate was reinstated after demands to improve environmental performance were met, see Cuff, M. "Palm oil giant IOI Group regains RSPO sustainability certification". The Guardian, 8 August 2016. Available at: https://www.theguardian.com/environment/2016/aug/08/palm-oil-giant-ioi-group-regains-rspo-sustainability-certification

[50] See https://tonyschocolonely.com/us/en/frequently-asked-questions

[51] See www.msc.org

[52] See http://fisheriestransparency.org/about-the-initiative

[53] See https://www.afdb.org/en/news-and-events/afdb-encourages-transparent-governance-of-fisheries-through-the-fiti-17498/

serve as evidence of the value of disclosure for driving competitiveness and sustainable business operations in LDCs. Building on established transparency mechanisms may also lower barriers for the uptake of sustainability reporting by LDC firms based on the GRI Standards.

III) PROMOTING SUSTAINABILITY REPORTING IN LDCs

The initial scoping of landscapes and readiness for reporting has confirmed that conditions are highly diverse across the LDCs and sustainability reporting practices very scarce. However, as discussed in section II, there is growing evidence of transparency mechanisms contributing to the pursuit of sustainable development objectives and improving competitiveness in increasingly ESG conscious global markets.

The anticipation of an increase in policy instruments on sustainability disclosure further strengthens the case for investing in institutional frameworks and expanding capacity to deliver on data gathering and communication needs in LDCs. While LDC firms may not have the public audience of large multinationals and the business case for reporting needs to be adapted accordingly, the case for more systematic approaches to existing and expected disclosure requirements is compelling. Reporting formats and data gathering mechanisms will need to match realities on the ground and cater to the specific needs of LDC firms to report and their target audiences.

1) Challenges

Weak institutions and governance, poverty and underemployment, low productivity and supply constraints, limitations in accessing financing and mobilizing capital, as well as skills shortages and capacity gaps at all levels constrain opportunities to deliver sustainable change. Challenges to improve transparency with the aim of contributing to sustainable development in LDCs are multifaceted. Institutional and regulatory barriers need to be addressed at various levels to develop enabling environments for improved corporate transparency and accountability on sustainability impacts and benefits. Conducive policy frameworks need to be developed and commitment coalitions built across governments (national and local), civil society, and the private sector, encompassing both local companies large and small, as well as international investors, buyers and others with interests and assets in LDCs.

Efforts to harness opportunities for sustainability reporting as a tool to attract and mobilize capital and to improve competitiveness in the private sector will need to be embedded in wider efforts to implement the SDGs, deliver on national development plans, and tackle key global challenges, including climate change. Their success will depend on, as well as contribute to, wider efforts to address some of the underlying conditions that fuel poverty, inequality, and other development challenges.

As noted, the competitiveness of LDC companies in global markets is a key factor for the achievement of national and international development goals, including in LDCs. Accessing global markets and being able to compete not only on price or quality, but also on ESG performance is a challenge for most LDC companies and economies. While buyer pressure and international commitments demand impact assessments, performance tracking, and compliance with codes of conduct, many LDC firms struggle to meet those expectations. Where they do meet them, reporting can help leverage achievements for visibility and competitiveness. Capacity for implementation should therefore be broadly developed, with a priority to reach large numbers of companies and a focus on investing in local skills development. More emphasis on due diligence, environmental and social impact assessments, and ESG practices can help ensure that the much-needed economic growth actually benefits the local economy and communities and contributes to sustainable development in LDCs.

Resource Constraints and Capacity Gaps

Shortages of sustainable investment, deficiency of capital stock and productive capacity, and limited public revenues exacerbate development challenges and hinder efforts to drive competitiveness in many LDCs. That makes effective measures to stimulate investment, boost demand, and support sustainable capital accumulation particularly important (Gay, 2018).

The resources and skills needed to deliver on such ambitions are however scarce. It starts with limited awareness on key issues, needs, and options to change course to more sustainable development trajectories. Capacity challenges affect all areas, from the development of effective policies, to the implementation and enforcement of existing legislation. With governments in many countries not equipped to muster the resources necessary to register and oversee factories, smallholders or other SMEs (let alone actors in the informal economy) in their jurisdictions, any systematic support for improving the availability of information is useful, but also extremely challenging. With licensing and other basic public control mechanisms not in place, a necessary tool to expand reporting practices is lacking. Challenges to extend disclosure mechanisms beyond first tier suppliers in the supply chains of multinational enterprises are a case in point.

With regards to sustainability reporting, capacity challenges range from lack of strategic direction from management, to the development of reporting processes, data gathering, and report writing. They include internal capacity, as well as the availability of qualified external support and service providers. Skill shortages affect advisors, auditors, capital market actors, policy makers, and regulators, as well as companies. Increasing demands on suppliers can exacerbate challenges as smallholder farmers or factory owners struggle to address key issues, while surviving in a competitive market and dealing with the proliferation of buyer demands, and sometimes even the confusion of inconsistent requirements.

2) Opportunities for Action and Engagement

Opportunities for action and policy entry points, including those that address some of the limitations for a stronger business commitment to sustainability reporting in LDCs, are likely to be highly contextual given the diversity of conditions in LDCs. The potential for innovative local solutions that address key challenges, harness opportunities, and deliver sustainability benefits varies. With stakeholder engagement an integral part of any meaningful sustainability reporting process, reporting processes themselves may provide opportunities to put local communities and their development challenges and concerns on the agenda of both local companies and international investors operating in LDCs.

In general, the very low uptake of sustainability reporting to date suggests a wide range of options to improve the general environments and requisite expertise for reporting to increase the number of reporters in LDCs. These include identifying unique sustainability driven market opportunities, establishing an enabling infrastructure for reporting, sharing knowledge, promoting best practice, and working with local leaders and drivers. Engaging in economic development processes, from development financing to the establishment of industrial estates and special economic zones, also offers a wide range of possibilities for awareness raising and capacity building.

Engaging and supporting actors at all levels offers opportunities to accelerate readiness for reporting in LDCs. Drivers that can promote the uptake of sustainability reporting are not limited to governments, but include stock exchanges, sustainability indexes, development cooperation initiatives, such as skill development and entrepreneurship, education institutions, including universities, institutes of technology, and local training providers where they exist. Incubation and capacity building efforts of impact enterprise networks, for example, could also be interesting in some LDCs, as could opportunities for knowledge exchange and peer learning across LDCs.

As noted in section II, in some countries and sectors, ambitious initiatives are gaining ground in their efforts to raise awareness, offer guidance and support, and contribute to developing the environment for improved disclosure practices, including uptake of the GRI Standards. In most cases, structured engagement of key players locally will be key to increasing sustainability reporting in LDCs and addressing capacity gaps.

Government policies

The value of transparency for the implementation of sustainable development objectives is widely recognized in development agendas around the world. From fighting climate change and biodiversity loss, to combatting modern forms of slavery and workers' rights and safety violations: due diligence, transparency and the disclosure of risks, practices and performance have been established as common features of both international agreements and national policies on various aspects of sustainable development.

A systematic analysis focusing on implications of reporting instruments for SMEs recently undertaken by GRI also covers issues relevant to LDC contexts (GRI, 2018b). In summarizing the case for regulatory action on reporting and disclosure practices, GRI lists a number of key points:

Sustainability reporting is relevant for governments, as it:
• *Helps them to understand what companies within their jurisdictions are doing with regard to their environmental and social impacts* • *Helps them to assess how companies are contributing to national sustainability efforts* • *Creates transparency* • *Creates dialogue between companies and other stakeholders, including governments* • *Makes it possible to hold companies accountable for the impacts of their activities*
Source: GRI website[54]

Key policy entry points include regulation on corporate licensing, registration, and other administrative practices, as well as Environmental and Social Impact Assessment (ESIA) requirements. Smart policy and regulatory initiatives also have the potential to reduce the dependence of governments on voluntary and not always comprehensive MNE commitments to addressing sustainability impacts, especially at the deeper levels of supply chains and where they extend into LDCs.

While there are currently no LDCs that have specific government policies or other market regulatory instruments on sustainability disclosure in place,[55] approaches emerging elsewhere are nevertheless relevant as most LDCs export to countries that often have some form of reporting requirements with supply chain implications in place.[56] Indeed, public policies in the home countries of MNEs may also offer important opportunities to promote the uptake of sustainability reporting in LDCs. For instance, the EU Directive[57] that requires large enterprises to disclose information on the social and environmental practices, including in supply chains that extend into LDCs may be used as an entry point to foster sustainability practices and reporting in LDCs where European MNEs operate.

Conversely, there is the need to harmonize extraterritorial legislation on reporting requirements to avoid a proliferation of different national reporting requirements and the associated inclination of MNEs to pass the burden to companies in their supply chains. Harmonization of policy instruments would also help MNEs in supporting suppliers to comply with reporting requirements. Opportunities to drive coherence include regional level action, such as the recently adopted European Union reporting policy.

[54] See https://www.globalreporting.org/information/policy/Pages/default.aspx

[55] For an inventory of Sustainability reporting instruments worldwide, see https://www.carrotsandsticks.net/regulations/; See also KPMG International et al., 2016.

[56] In 2016 Asian LDCs top export markets include the United States, followed by China, Germany, UK and Thailand, whereas for LDCs in Africa and Haiti the most important export destination is China followed by India, Switzerland, UEA and the United States. See UNCTAD 2017 Handbook of Statistics, page 21, available at: http://unctad.org/en/PublicationsLibrary/tdstat42_en.pdf

[57] EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. See Directive 2014/95/EU, in Official Journal of the European Union of 15 November 2014, No. L 330/1.

Stock exchanges

In recent years, the inclusion of sustainability reporting in the listing requirements of stock exchanges around the world has been a key driver for improved disclosure practices of listed companies. Most LDCs do not have stock exchanges or the number of companies listed on them is very limited. However, a few LDC stock exchanges have signed up to the Sustainable Stock Exchanges Initiative[58] and undertaken to publish guidance on ESG commitments.

A further entry point lies in the listings of LDC companies on stock exchanges elsewhere that do already have reporting requirements in place. Examples include Myanmar based companies that have listed their shares on foreign stock exchanges including in Singapore, London, Germany and Australia, to improve their access to capital. The potential for sustainability index development to drive reporting practices should also be explored in the quest for linking the improvement of disclosure practices with the capacity to attract investment and mobilize capital.

Trade and investment

In addition to simplification and harmonization, transparency and standardization are key pillars of trade facilitation. Addressing non-tariff barriers and transaction costs helps facilitate trade. Pressure to simplify procedures however needs to be balanced with safeguarding consumer interests. Trade facilitation also offers opportunities to promote sustainable, responsible and inclusive business practices. WTO members concluded a new Trade Facilitation Agreement in December 2013,[59] which includes provisions for special and differential treatment (SDT) and assistance and support for capacity building for LDCs. More broadly Aid for Trade support can be used to harness trade for the realization of the SDGs and support the uptake of voluntary sustainability standards and sustainability reporting in LDCs in pursuit of its complementary competitiveness and development objectives.

In an effort to promote exports and inward investment many countries, including LDCs are establishing special economic zones, industrial parks or similar entities. These have the potential to reach foreign and domestic companies in a context that allows for the setting and enforcement of reporting requirements. In many cases, companies will already be submitting some information to the institutions that manage such economic zones. In some cases, requirements for sustainability related information might already be required, for example on health and safety or effluents and waste management. Building on that there are opportunities for standardizing data requirements and expanding reporting practices in LDCs.

Access to sustainable foreign investment remains critical as LDCs tend to lack investment in infrastructure, struggle to access finance, experience exchange rate risks, and are in large measure excluded from global supply chains. Investments are also required to build capacity for integration into global supply chains and the ability to meet the demands of global markets while pursuing alignment of development goals with sustainability objectives.

Improved and more comparable reporting practices by MNEs on their sustainability impacts and strategies in LDCs can help governments and regulators assess the sustainability benefits of foreign investment. In the context of an increasing emphasis on the role of private business and finance in tackling sustainable development challenges, the UN's Inter-agency Task Force on Financing for Development emphasizes "the need to improve definitions, standards, measurement and disclosure of ESG impact and of new instruments, such as green bonds". It also calls for "greater standardization in sustainability metrics, and to ensure that metrics are aligned to global standards so as not to duplicate efforts" (UN, 2018, page 62).

Integrating disclosure and due diligence requirements in foreign investment laws or other related regulations can help LDC governments to assess foreign investments for their sustainability and

[58] See http://www.sseinitiative.org/sse-partner-exchanges/list-of-partner-exchanges/
[59] The Agreement on Trade Facilitation is contained in WTO doc. WT/L/940 of 28 November 2014.

development impacts and ensure the type of investment attracted actually contributes to the realization of national development goals, and avoids human and labor rights abuses, resource depletion, or environmental degradation. While regulation often remains associated with barriers to inward investment, the case can be made for development and competitiveness opportunities associated with well-regulated investment environments. Foreign investment laws that promote transparency, disclosure and reporting can contribute to shaping sustainability driven competitiveness and future proofing economic development objectives.

Institutional conditions and technical capacities to harness foreign investment regulation for the implementation of development goals vary across LDCs. Support could be offered by development agencies and international organizations working on the promotion of responsible and inclusive investment opportunities. Investor sensitivity to ESG risks also offers opportunities for engagement.

Local leadership and engagement

The analysis of landscapes and readiness for reporting in LDCs in section II shows the importance of local initiatives and organizations, such as NGOs, business associations, specialized service providers, knowledge networks, and engagement platforms, including for example pro-active Global Compact Local Networks. Engaging further with these actors offers opportunities to improve and expand reporting practices where there is already some activity or help drive momentum where there is not. A strong focus on local leadership, networks and partners can also help inform the consultation processes required to ensure local policymakers, regulators, capacity builders, civil society, and business people are proactively engaged in the development of support measures (Gay, 2018).

Local companies, local stories, global attention

Sustainability reporting practice has been called out for the overrepresentation of positive stories. Ensuring the disclosure of positive as well as negative aspects of an organization's performance remains important to improving reporting practices. The demand for good stories however is likely to remain. This can open up opportunities for LDCs where a reporting champion in a key sector can contribute to putting remote countries on the radar of global markets and investors. From a development perspective, and despite the potential limitations to scope and scale, firms taking up transparency, disclosure and reporting demonstrate a commitment to more sustainable paths than competitiveness based on low wages, for example.

An interesting example is the success of New Britain Palm Oil Limited (NBPOL)[60] on capital markets from London to Singapore that put the Solomon Islands on the map for sustainable palm oil production. The experience of NBPOL also shows how sustainability reporting can be critical, and transparency instrumental, in bringing a local company to the world stage. Focusing on local issues, including cultural aspects, has improved not only the reputation of the company, but also that of the country. This may be a unique opportunity for non-conflict countries with small populations that cannot compete on size or cost, especially if they are remote. Where such opportunities arise, pursuing or expanding them can contribute to increasing overall competitiveness.

Success stories are also widely visible on the labels of many consumer items, from care products, to food and beverages. Honey from Nepal, coconuts from Vanuatu, or coffee from Rwanda are but a few examples showing the power of communication channels for development issues and the development impact of buying decisions. Concrete opportunities will vary highly across LDCs as they depend on export destinations as well as whether the key sectors in each economy lend themselves to positive story telling. Compiling and sharing lessons learnt from success stories and systematically identifying opportunities can help support the case for reporting as a tool to drive competitiveness of LDC firms.

[60] New Britain Palm Oil Ltd (NBPOL) is a leading producer of sustainable palm oil certified in accordance with the Roundtable on Sustainable Palm Oil (RSPO) Principles & Criteria (http://www.nbpol.com.pg/).

Capacity building

Disclosure practices are often driven by supply chain due diligence, codes of conduct and compliance pressure, with a support industry having developed to deliver audits and other specialized services. Due to the pervasive resource constraints and capacity gaps, support systems and expertise in these areas are generally less developed or unavailable in the LDCs. Internationally offered services are often expensive making it difficult for local companies, and especially local SMEs, to access them.

Building capacity in LDCs therefore remains a key priority to help local companies fulfill minimum transparency requirements and support the further uptake of sustainability disclosure practices in LDCs. This includes the development of a pool of sustainability professionals and local bases of service providers. Capacity building is also a priority for regulators and others monitoring and enforcing best practice standards.

Collaboration opportunities with donor agencies working on sustainable business practices, job creation and skills development, may offer opportunities for engagement, by including reporting modules in existing capacity building programs. Even in conflict-affected countries increasing relevant skills in the workforce can help improve the prospects of sustainability driven competitiveness trajectories as economies rebuild outside of military and humanitarian systems.

Implementing GRI programs in LDCs

GRI has been working on reporting support to SMEs for over a decade and runs successful programs to assist SMEs in developing countries as they embark on sustainability reporting journeys. Tools and templates exist that may be well suited for application in LDCs, adapted to particular local challenges and opportunities, and expanded to include local companies of all sizes. GRI's experience with SME reporting, promoting transparency in supply chains, and the availability of a competitive business program for SMEs has the potential for much wider applicability in LDCs.

GRI's experience with efforts to increase sustainability reporting in LDCs to date however shows that readiness for reporting is low and the general infrastructure for corporate responsibility and sustainable business practices weak or lacking. While efforts to enable SME and supply chain reporting have shown successes elsewhere, they have not yet been successfully implemented in LDCs. Despite the limitations, opportunities may nevertheless arise, especially in countries and sectors with rapidly developing markets where change processes open up opportunities to integrate sustainability in growth strategies. Examples include countries such as Myanmar, which has seen increasing international interest, and Ethiopia, which is seeking to establish itself as a key player in global production chains.

Given the prevalence of small enterprises and informal economies across LDCs, the objective to engage local companies in widespread sustainability reporting needs to be adapted to local conditions. The nature of the GRI Standards and opportunities to customize material metrics, the design of capacity-building tools aimed at SMEs, or GRI's digital reporting tool and Competitiveness Business Program enable a focus on relevant disclosure items that contribute to the competitiveness of small enterprises with limited resources. They offer much potential for adaptation to LDC contexts and uptake by LDC firms in ways that enable them to benefit from competitiveness gains from reporting without overstretching their capacities. Formal opportunities for training on sustainability reporting are currently not available in most LDCs. Expanding GRI's training program and applying for example GRI's SME reporting support program to LDC firms could help fill this gap.

Data and development

Vast amounts of data are already being collected by the private sector - in sustainability reports, on websites, to fulfill regulatory requirements, in commercial processes, by automatic data generation, etc. Much of it is however not easily available and usable on-line. Harnessing that treasure trove and expanding its potential to drive better decision-making, manage sustainability risks, and help align public and private objectives would lead to significant sustainability and competitiveness impacts, while making for an ever more compelling case for reporting.

Beyond the large amount of data already in existence, automation and digitalization offer promising new opportunities with knock-on effects for data gathering and informed pressure to drive better practices on relevant issues, including tax collection, insurance coverage, trade facilitation, labor issues and environmental impacts. Technology, including sensors and satellites can be employed to shed light on non-transparent practices, as in the recent case of the Thai seafood industry where remote imaging supported the pressure to address slave labor on fishing vessels.[61] The introduction of automation and digitalization also allows data aggregation at country level, rather than being restricted to information gathering factory-by-factory and smallholder-by-smallholder along the supply chains of individual companies. Where companies are already tracking performance, barriers to more comprehensive reporting practices may be lower. Such efforts however require investments at a scale beyond the reach of most LDCs without significant international support.

Finally, the digital era presents new occasions for aligning private sector data collection and disclosure practices with transparency objectives that support the implementation of international efforts on sustainable development - from the Paris Climate Agreement, to the SDGs and beyond. Improving the uptake of sustainability reporting can also help LDCs improve the availability of data on sustainable development and the implementation of international commitments. The UN and others are pursuing initiatives to further explore and develop the potential of data for development, including the UN Data Revolution Group, the Global Partnership for Sustainable Development Data and UN Global Pulse. They may offer alignment opportunities with efforts to promote sustainability reporting in LDCs.

IV) CONCLUSIONS AND RECOMMENDATIONS

Sustainability reporting has the potential to be a useful tool to help increase the efficiency and productivity of LDC firms. It can help reduce resource use and costs. It can contribute to improving management practices and corporate governance. 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 are increasingly employed by companies as a reference framework for sustainability. Sustainability reporting creates opportunities for alignment with global best practice on managing sustainability impacts and ESG related risks. With the potential to facilitate access to capital and enable adherence to compliance demands and legal requirements along the value chains of globally operating enterprises, it offers opportunities to improve the international competitiveness of LDC firms. In line with the general value of increasing transparency to address sustainable development challenges, reporting has the potential to support the sustainable pursuit of economic development objectives in LDCs despite widespread persistence of many structural barriers and bottlenecks.

Increasing uptake of sustainability reporting in LDCs will require the effective engagement of key players locally and internationally. Specific barriers need to be addressed, , awareness raised, opportunities for action and engagements seized, and capacity built. Meaningful reporting formats may differ from the established practices of large companies elsewhere and efforts to increase uptake of sustainability reporting will need to allow some space for innovation, while building on the value of global standards.

[61] See "Thailand banks on tech to end slavery at sea as workers push for rights", Reuters, 20 June 2018, available at: https://www.reuters.com/article/us-thailand-trafficking-technology/thailand-banks-on-tech-to-end-slavery-at-sea-as-workers-push-for-rights-idUSKBN1JG001

In summary, a strong case can be made for initiatives aiming to promote standardized disclosure practices that contribute to improved competitiveness and sustainable development in LDCs.

Expanding and improving reporting practices

Effective action to expand and improve sustainability reporting practices in LDCs can address local companies large and small, as well as multinational enterprises and other foreign investors with interests in LDCs. The latter need to improve and standardize reporting on operations and impacts in LDCs, and local companies need to be supported to adopt disclosure practices that help them manage their own sustainability impacts, and as a result increase their competitiveness in global markets and the supply chains of MNEs.

Possible initiatives include:

- Awareness raising and advocacy as well as technical assistance to a) support local companies in developing reporting processes and b) promote MNEs' efforts to address key sustainability issues, improve disclosure practices on operations and relationships in LDCs, and standardize disclosure requirements for suppliers and partners in LDCs;
- Engaging practitioners and facilitators, such as the UN Global Compact Local Networks and other business sustainability platforms that can help raise awareness and build capacity for sustainability reporting in LDCs;
- Piloting the adaptation of GRI's SME specific tools in LDC contexts and with LDC companies of any size;
- Reaching out to local businesses, national as well as local governments, regulators, and other key institutions with the potential to support the development of more conducive environments for reporting in LDCs or the mandate to harness improved sustainability data from the private sector in the pursuit of development and competitiveness objectives;[62]

Engagement and knowledge sharing

Establishing favorable ecosystems, both financial and human, is necessary to expand sustainability reporting in LDCs and unleash its potential to drive sustainable development and increase competitiveness. Individual corporate leaders, policy-makers and civil society representatives are often key to driving change. They will be key to increasing awareness and building implementation expertise that enables uptake of sustainability disclosure practices in LDCs.

Potential opportunities include:

- Identifying local drivers and policy entry points;
- Engaging such drivers to establish local priorities, challenges and opportunities and develop action plans;
- Developing a network of local initiatives and service providers working on making business practices more sustainable, responsible, and inclusive, supporting their efforts, and facilitating knowledge exchange and peer learning;
- Identifying and mobilizing initiatives seeking to improve the exchange of sustainability information along value chains, including by focusing on responsible sourcing and supply chain due diligence, as well as multi-stakeholder initiatives focusing on sustainability issues in key sectors or commodities;
- Engaging interested LDC governments to discuss policy options that align investment criteria with sustainable development objectives, while offering MNEs opportunities to address risks associated with sustainability impacts along supply chains;

[62] Including e.g. stock exchanges, business associations, chambers of commerce, industrial estates and special economic zones, NGOs, consultants, universities and professional development programs, as well as various entry points for driving the integration of sustainability disclosure requirements with trade related development support for LDCs.

- Placing sustainability disclosure in LDCs on the agenda of relevant international platforms, including UNFCCC COPs and the UN High-level Political Forum on Sustainable Development and using these platforms to showcase best practice and share experiences.

Aligning for impact

Prospects to rapidly expand the number of LDC firms issuing comprehensive sustainability reports from a very low baseline may be limited in the absence of developed framework conditions that strengthen the business focus on sustainability, drive reporting practice, and ensure the availability of implementation capacity. Nevertheless, various opportunities with the potential to improve the competitiveness of LDC economies and individual LDC firms by increasing transparency have been identified throughout this paper. Aligning efforts with organizations that share the objectives of improving transparency and promoting sustainable development offer much potential for enhancing disclosure practices in LDCs.

Opportunities include outreach to and exploration of alignment and partnership options with:

- International agencies and international agreements secretariats;
- Issuers of reporting standards and tools with implications for LDCs or potential value as models for LDCs;
- Development partners and experts working on trade, development, and capacity building;
- Issue specific support systems, which already have significant LDC membership;
- Sector initiatives, commodity standards, or other multi-stakeholder initiatives where there may be interest and potential to further align disclosure items;
- NGOs and other public awareness campaigns.

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Annex I: Initiatives, organizations and resources

- Better Work Transparency Portal, portal.betterwork.org/transparency
- BRAC, www.brac.net
- Business Call to Action (BCtA), www.businesscalltoaction.org
- CSR Center, www.csrcentre-bd.org
- Global Reporting Initiative, www.globalreporting.org
- GRI, UN Sustainable Development Goal Target 12.6 - Live Tracker, database.globalreporting.org/SDG-12-6/
- Global Partnership for Sustainable Development Data, www.data4sdgs.org
- Landesa Rural Development Institute, www.landesa.org
- Marine Stewardship Council, www.msc.org
- Myanmar Center for Responsible Business, www.myanmar-responsiblebusiness.org
- NDC Partnership, www.ndcpartnership.org
- Oxfam's GROW campaign Behind the Brands, www.behindthebrands.org/issues/transparency
- Partnership on Transparency in the Paris Agreement, www.transparency-partnership.net
- Roundtable on Sustainable Palm Oil (RSPO), rspo.org/about
- Science Based Targets Initiative, sciencebasedtargets.org
- SDG Compass, sdgcompass.org/
- Shared Value Initiative, www.sharedvalue.org
- Sustainable Stock Exchanges Initiative, www.sseinitiative.org/sse-partner-exchanges/list-of-partner-exchanges
- The Fisheries Transparency Initiative (FiTI), fisheriestransparency.org/about-the-initiative
- United Nations Global Compact, www.unglobalcompact.org
- UN Global Compact, Communication on Progress, www.unglobalcompact.org/participation/report/cop
- United Nations Data Revolution, http://www.undatarevolution.org/
- United Nations Global Pulse, https://www.unglobalpulse.org/
- World Bank Group, World Bank Open Data, data.worldbank.org/

The 47 Least Developed Countries (LDCs) are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Dem. Rep of the Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Dem. Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Rep. of Tanzania, Vanuatu, Yemen and Zambia.

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) was established by the United Nations General Assembly in 2001. The Office advocates in favour of the LDCs and mobilizes international support for the implementation of the Programme of Action for the Decade 2011-2020 for the LDCs.