



## **CORPORATE SUSTAINABILITY REPORTING IN LEAST DEVELOPED COUNTRIES: IMPACTS, CHALLENGES, AND OPPORTUNITIES**

### **Background:**

Corporate sustainability reporting has evolved as an important tool for helping companies assess and manage their impacts on sustainable development. According to Global Reporting Initiative (GRI),<sup>1</sup> which has set out the global best practice standard for sustainability reporting, “a sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy”<sup>2</sup>. It helps organizations improve their economic, environmental, social and governance performance, build and maintain trust, address sustainability related risks and opportunities, and make decisions that are aligned with sustainable development objectives.

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) is exploring the potential for corporate sustainability reporting to help attract capital, improve market access and competitiveness, and contribute to sustainable development in Least Developed Countries (LDCs)<sup>3</sup>. To date, sustainability reporting practices are however very scarce in most LDCs with no more than a handful of reports available in any LDC. In order to better understand challenges and opportunities for LDC companies with regards to sustainability reporting, UN-OHRLLS commissioned GRI in early 2019 to provide technical support to two pilot companies, one each in an African and an Asian LDC, to prepare a first sustainability report.

### **Approach:**

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<sup>1</sup> GRI is an independent non-profit organization that has pioneered sustainability reporting since 1997.

<sup>2</sup> <https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx>, accessed September 2019.

<sup>3</sup> See *Corporate Sustainability Reporting in Least Developed Countries: Challenges and Opportunities for Action*, Occasional Policy Papers Series on the Least Developed Countries, No. 6, 2019, available at: <http://unohrlls.org/custom-content/uploads/2019/03/Occasional-Paper-6.pdf>.

GRI identified Amru Rice (AR), a family owned enterprise from Cambodia, and the Ethanol Company (EthCo), a subsidiary of Press Corporation PLC from Malawi, for the pilot project throughout 2019 to produce their first sustainability reports: Amru Rice completed their Sustainability Report 2019 in late 2019<sup>4</sup>, while Ethanol Company (EthCo) published an [Annual Integrated Report 2019](#) on their website in May 2020. In both pilot cases, two on-site workshops of three days each were combined with regular online exchange and writing support. Site visits were conducted by GRI staff from the respective regions, while ongoing support was delivered by GRI staff based in the Netherlands, and, in the case of EthCo, supported by an experienced consultant from the region. Regular interviews with GRI and the participating companies captured experiences, impacts and lessons learned, as well as challenges encountered, opportunities identified, and action taken. Writing the reports was a collaborative process between each company and GRI, with many different drafts shared back and forth. Both reports successfully underwent a Service from the GRI Services offering, enabling an Organizational Mark to be displayed in their Content Indexes. Despite some delays throughout the process, both companies reported various learnings by being guided through the reporting process and expressed intentions to continue the process annually.

### **Context:**

Competing in global markets on the basis of sustainability strengths, and effectively driving sustainable business practices that are aligned with national development objectives, remains a challenge for most LDC companies. Efforts to identify pilot companies confirmed that very few are ready with the interest, procedures, and capacity in place to embark on a comprehensive sustainability reporting process, even when offered substantial guidance.

The value of transparency for sustainable development and the need for reliable data are however commonly accepted. Combined with the exposure of LDC firms to supply chain pressure and demand for reliable information related to sustainability risks that affects their competitiveness, at least in international markets, the case can nevertheless be made to further explore the benefit of, and potential for, sustainability reporting in LDCs.

The rice sector is of critical importance for most economies in Southeast Asia. Its economic, social and environmental impacts in general, as well as opportunities in organic production and improved smallholder integration models, for example, have important implications for the sustainable development of Cambodia and the competitiveness of one of its key sectors. Similarly, and as the bioethanol sector gains momentum in Sub-Saharan Africa, ethanol production in Malawi has significant development potential for the country and region. And at the same time, the sector shares many of the issues affecting agricultural commodities in LDCs and across the world, including land management, labour standards, climate change, and food security, to name a few.

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<sup>4</sup> At the time of writing of this report, the website of Amru Rice was under construction and it is therefore not possible to provide a link to the report (<https://amrurice.com.kh/>).

## **Key findings:**

In both pilot cases, interest in international business development, national development objectives, and sector specific issues and opportunities, as well as opportune timing, were among the drivers for accepting GRI's offer to collaborate on producing a first sustainability report. In EthCo's case, the exposure of the parent company, Press Corporation, to requirements for internationally listed companies played an important role. As did the company's leadership ambitions as demand for biofuels expands globally and ethanol production is growing in the region. With 90% of its rice produced for export, buyer demand and resulting opportunities for new markets, partnerships and investment played a role at AR. Here the decision to embark on a sustainability reporting journey was however mainly driven by the commitment of the CEO and his experience working in sustainable development.

Senior management leadership at the CEO level, and their strong support for the project were important factors for the successful completion of the pilot reports at both AR and EthCo. It confirmed the importance of committed leaders aligning corporate and national competitiveness objectives with national development aspirations, adopting and demonstrating best practice, and strengthening their position vis-à-vis governments to increase transparency and accountability. Dedicated points of contact coordinating the processes in each of the pilot companies, with direct lines to the CEOs, were also key to the success of the pilot projects.

In both pilot cases, the reporting process highlighted disconnects between management commitments and limited awareness of other key people across the company who needed to be convinced of the opportunities for their own areas of responsibility. It also highlighted that responsible business practices are not just about excellent initiatives and the value of their individual impact, but about the organization itself, its governance, management, and core strategy. This is especially clear in a family owned enterprise like AR with important lessons learnt that apply more generally to this very common form of enterprise across many LDCs: Reporting can be a useful tool to engage boards, translate senior management commitment into professional development across the company, empower middle management, and democratize information systems.

Both pilot companies already had some experience with data collection and reporting linked to uptake of international standards on sustainability, quality, or management, flagship projects, international clients, partners, funders requirements, and ambitions, or engagement in sectoral initiatives. This proved to be an important precondition for the successful completion of their first sustainability reports and suggests that the use of international standards is crucial for sustainability reporting in LDCs. In turn, the reporting process proved to be very valuable to test and revise existing data gathering systems, expand them, and break down siloes.

Other key findings include:

- The development of effective data gathering systems and reporting processes takes time. Starting with a smaller number of material disclosure items and increasing ambition and scope over time can help effectively build robust and efficient systems.
- Sustainability reporting helps understand sustainability context and materiality, identify information gaps, professionalize practices, and inform systems and processes to effectively manage, measure, and disclose sustainability impacts and performance.
- Supply chain pressure, capital market demands, and opportunities to compete in niche markets (e.g. organic agricultural products or renewable fuel components) were confirmed as important drivers for sustainability reporting in LDCs.
- Adjusting the reporting cycle to the commercial cycle of an enterprise is important, especially where this is highly seasonal as is the case for all agricultural production that is determined by harvest cycles.
- To be effective as a change agent, reporting needs to be a year-round process and the success of the pilot projects will ultimately depend more on the effective implementation of relevant systems and processes than the timely completion of a first report within the project timeline.

### **Conclusions and recommendations:**

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

Awareness needs to be increased among local business leaders on key issues for sustainable development, the business case, and strategies and approaches to improve the alignment of business practices with sustainable development objectives. In that context, the SDGs offer an important opportunity to engaging LDC companies on sustainable business practices, including reporting. Where they exist, local CSR platforms or relevant sector initiatives are important starting points for further engagement and the identification of local leaders willing and able to champion sustainable business practices and the further uptake of reporting.

While a coaching system as piloted with GRI worked well and resulted in both pilot companies feeling that they would likely be able to prepare their next report on their own, it is cost and time intensive. The pilots also highlighted the importance of local and sectoral expertise as well as cultural fluency. In this regard developing expertise and support services locally would be central to increasing the uptake of sustainability reporting in LDCs.

Concrete opportunities for next steps include:

- Further collaboration with the pilot companies to share their success stories and lessons learnt, and develop peer learning platforms

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