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A Diagnostics Study on ESG in Sustainable Investments

for Garment & Textile,
Leather & Leather Products,
Horticulture, Agro-Processing
and Sugar-Related Industries.

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Diagnostics Study on ESG Sustainable Investments
for Garment and Textile, Leather and Leather Products, Horticulture, and Agro-Processing and Sugar-Related Industries

24.11.2020

Document prepared by:

Sofies Sustainability Leaders Pvt Ltd.
(Sofies)
The China Africa Advisory (CAA)

List of authors:

Sofies
Ankit Kapasi
Shramana Dey
Rohan Ranganath
Pratulya Sivashankar
Kishore Ganesan

CAA
Alexander Demissie
Moritz Weigel

Project Manager
Ankit Kapasi, Sofies (ankit.kapasi@sofiesgroup.com)

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Executive Summary

Ethiopia, the second most populous country in Africa, with a population of over 100 million people is the fastest growing economy in the East African region with a rapidly growing industrial landscape and a huge potential of growth in the years to come.

Over the last few years, the country's rapid economic growth has seen a slow-down largely owing to the changing political landscape, further exacerbated in the face of the COVID-19 pandemic and the resultant global economic slump. Consequently, there is a need for building resilience in a number of key sectors in the country.

In this context, the principles of ESG (Environment, Social, and Governance) integrated into industrial operations, can provide a holistic and novel way of conducting business, one that is profitable not only for the companies, but for the country as a whole. ESG principles have demonstrated their effectiveness globally, in direct and measurable means (such as greater transparency, reduced impact on the environment, etc.), and also through indirect results (greater stability and resilience, better performance in volatile market conditions, etc.). Many countries, including several emerging economies are demonstrating a paradigm shift through a growing commitment towards sustainable financing i.e. a strong focus towards ESG-themed investment. ESG has been recognized as a strategy for accomplishing this transformation. ESG principles are also well-aligned to the 2030 Agenda for Sustainable Development and can significantly contribute to the achievement of the 17 UN Sustainable Development Goals (SDGs).

In Ethiopia, the support, advisory, and networking opportunities provided by the Belt and Road Initiative – Sustainable Investment Promotion (BRI-SIP) have created an enabling environment for sustainable investment practices. Garment and textile, horticulture, leather and leather products, agro-processing, including sugar-related industries, are some of the key export-oriented light manufacturing industries in Ethiopia. These industries are of great importance for both domestic and foreign investors, including the countries along the Belt and Road.

This study presents the results of an exercise dedicated to formulating an ESG framework for the aforementioned industry sectors in Ethiopia, based on both global experience and good practices as well as local experiences sustainability in with.

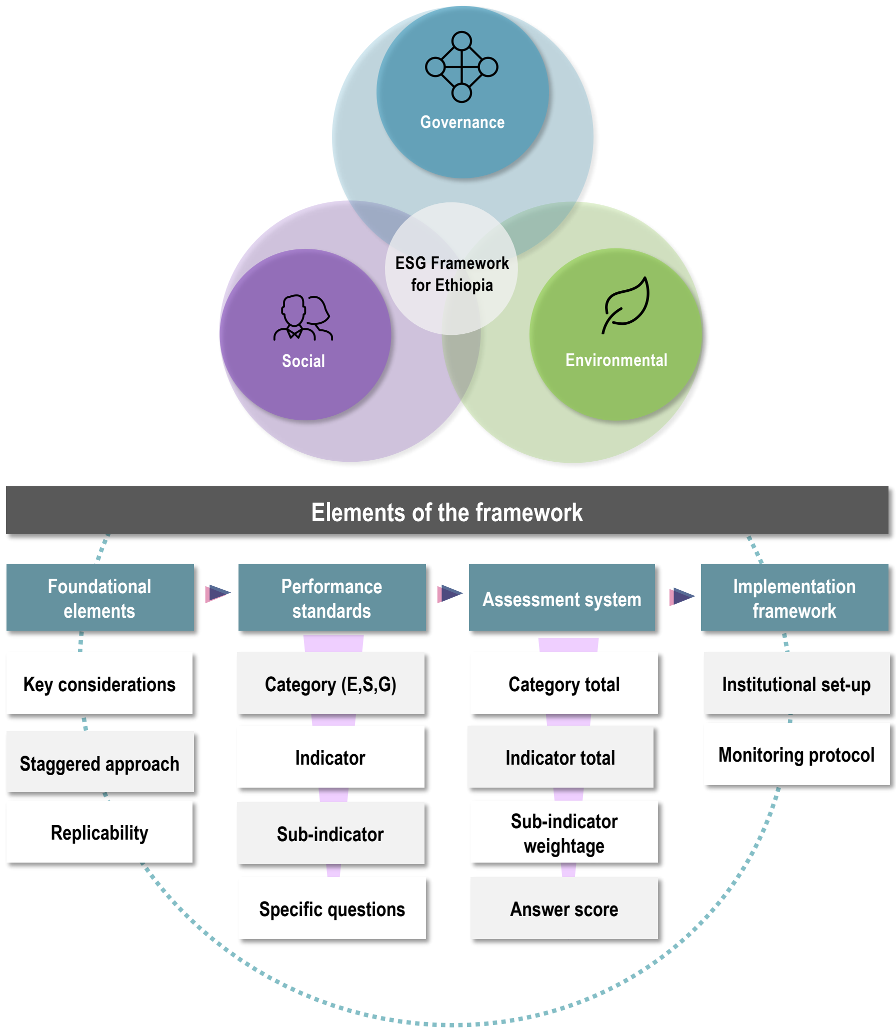
The study analyzed a wide range of international ESG frameworks, concluding that there are certain key features common to the most widely used international frameworks: mission statement and context; ESG integration process; Key Performance Indicators (KPIs); and operationalization of the framework. The key purpose of this assignment was to adopt lessons from such existing international frameworks to Ethiopia, particularly for the four selected industry sectors.

The study also highlights that ESG frameworks are not always comprehensive and have their limitations. A number of KPIs, especially in the Governance and Social categories are not easily quantifiable and are therefore harder to report and evaluate. Any KPI that relies on self-reporting could be subject to corporate bias and credibility issues which could give a skewed representation of the performance of the entity in question. Frameworks that have been created for adoption by the global business community could face roadblocks in implementation in different geographical locations due to variations in regulations, business and political climate and various other external factors.

Bearing in mind these limitations. the ESG framework for selected Ethiopian industry sectors developed under this project has been designed to be simple and intuitive in its macroscopic elements, while also remaining deep enough in its ability to measure challenges and progress. The framework has four key components:

I. **Foundational elements**: underlying considerations and qualities of the framework that provide a sound basis for the rest of the features. This includes the key considerations that the framework is built around, the design of the framework which proposes a three 'phase' approach to framework implementation, and the replicability of the framework.
II. **Performance standards:** measurable indicators under E, S and G that can be quantified, compared, and assessed.
III. **Assessment system**: the mechanism by which the indicators are quantified and its inherent variables (such as weightages). The proposed assessment system assigns a uniform scoring at a question level, which is averaged out and expressed as a percentage score for the sub-indicator. At the sub-indicator level, a weightage corresponding to priority (between 1- low priority and 3-high priority) is assigned. The score of the sub-indicator is the product of the percentage score and the weightage. This sub-indicator score is then aggregated to the indicator and category levels.
IV. **Implementation framework**: suggestions on how the framework can be operationalized, and the key interventions needed to support the same. This section provides insight on the institutional setup and implementation and monitoring protocol that needs to be established, in order to effectively deploy the framework.

These components have been summarized in the figure below:

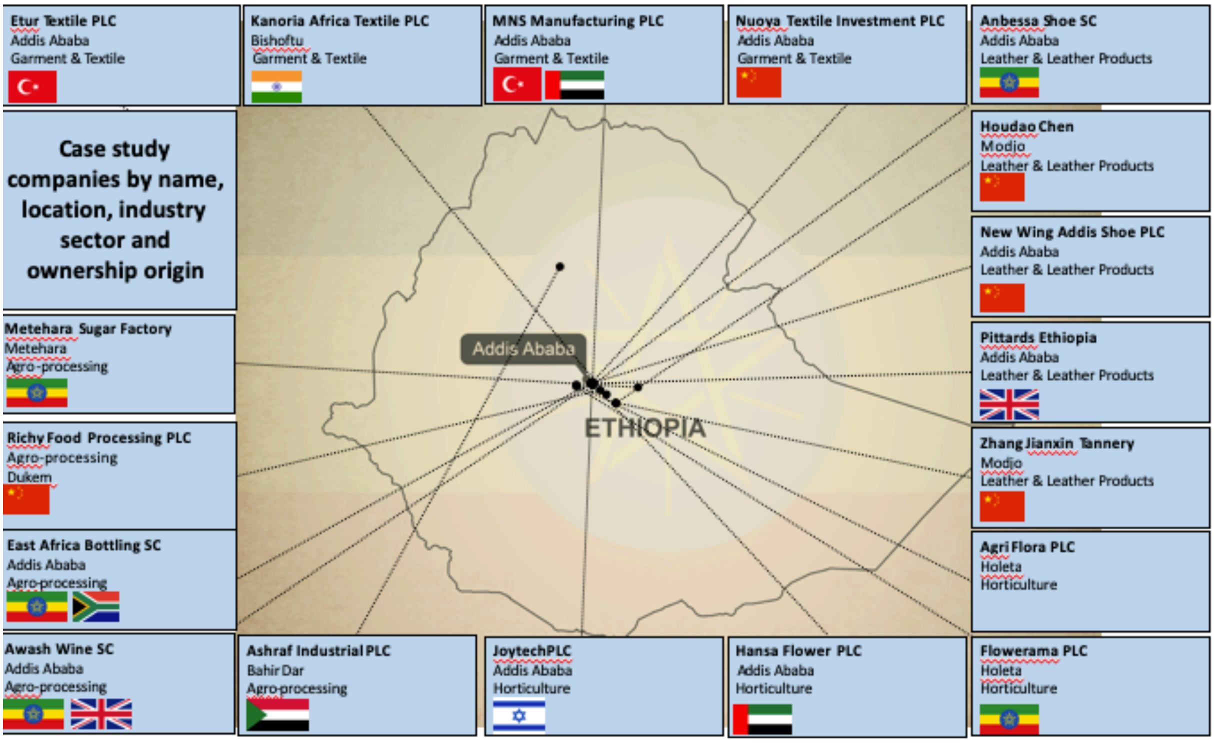


This framework has been contextualized through detailed case studies, where 18 companies were selected and then assessed based on the developed draft framework.
The objective of the deep-dive consultations with these companies across the four industrial focus sectors has been twofold:

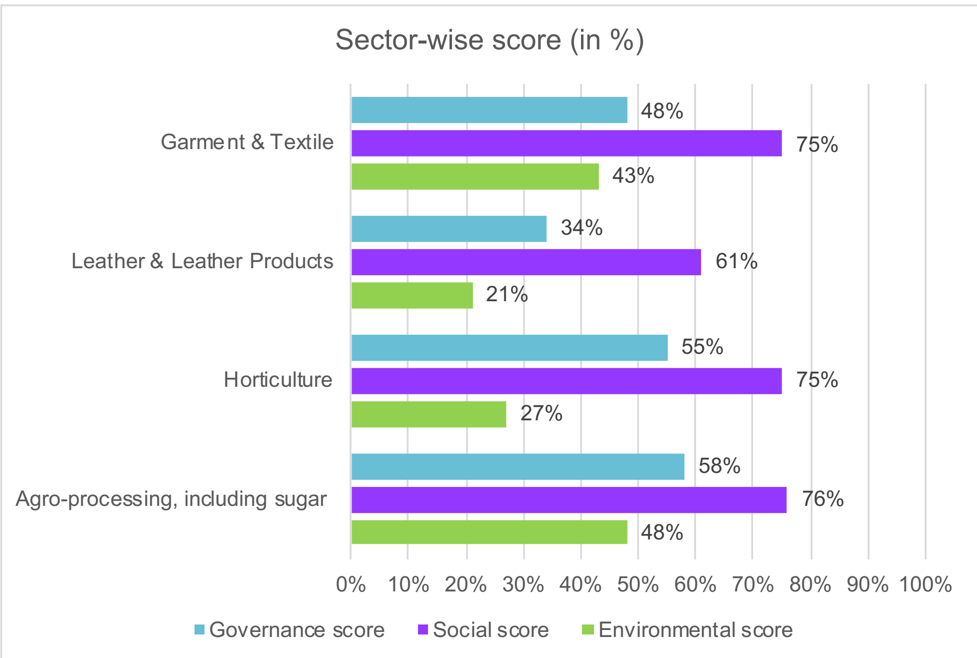
1. To understand where companies stand in terms of sustainability of their operations and what challenges they face and the sustainability scenario of the sector/industry and the government policy frameworks pertaining to the sector.
2. To test the draft ESG Framework developed for Ethiopia as described in Chapter 4 against the reality of companies on the ground and to refine the draft by reflecting those local realities in the final ESG Framework.

The criteria for the selection of case study companies included a balance between: the four industrial focus sectors, the geographic regions within the country; companies located within industrial parks and outside industrial parks; companies owned by foreign and local investors; and larger and smaller companies in terms of revenue and number of employees.

The 18 case study companies included four companies from the textile and garment industry, five from the leather and leather product industry, four from the horticulture industry, four from the agro-processing industry, and one from the sugar and sugar-related industry.



On the application of the framework's assessment system to the case studies, the following results have been obtained:



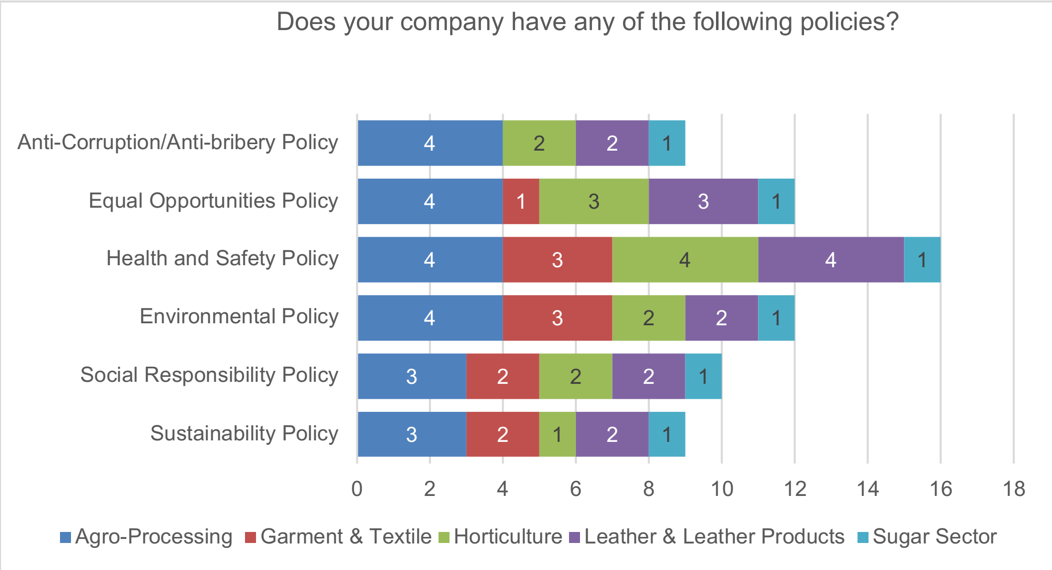
Based on the results of the assessment and the experience of conducting the case studies, the following observations have been made:

- Thanks to strong labor policies, there is a better understanding of social concerns in comparison to governance or environmental concerns.
- In all four sectors surveyed, the businesses interviewed demonstrated some level of efforts towards sustainability
- Understanding of sustainability is limited, especially in domestic companies, when compared to foreign companies.
- There are many examples of innovation and investment in sustainability, but they are not curated as they were evolved organically to either fulfil a need or through altruistic endeavors
- There is a general sense of reluctance towards public disclosures/transparency
- The Agro-processing sector (including sugar and sugar-related industries) emerged as the best performer in all three categories (G,S,E), while the Leather & Leather Products sector has been seen lagging across the categories.

Other, category-specific results include:

Governance

- 50% of the responding companies have established dedicated departments or have hired dedicated personnel overseeing ESG aspects.
- Almost all companies interviewed have some sort of ESG policy in place.
- Companies with strong foreign shareholder or government involvement have formal EMS in place. Most of the interviewed companies have sector specific standards in place.
- Companies highlighted that having ESG in place will help them in their international market expansion.
- Full compliance with Ethiopian labor laws, transparency in company’s management style as well as working closely with trade unions have been highlighted as important aspect to avoid corruption and increase transparency.
- Most companies undertake regular audits in the financial, social, environmental, water or energy areas.



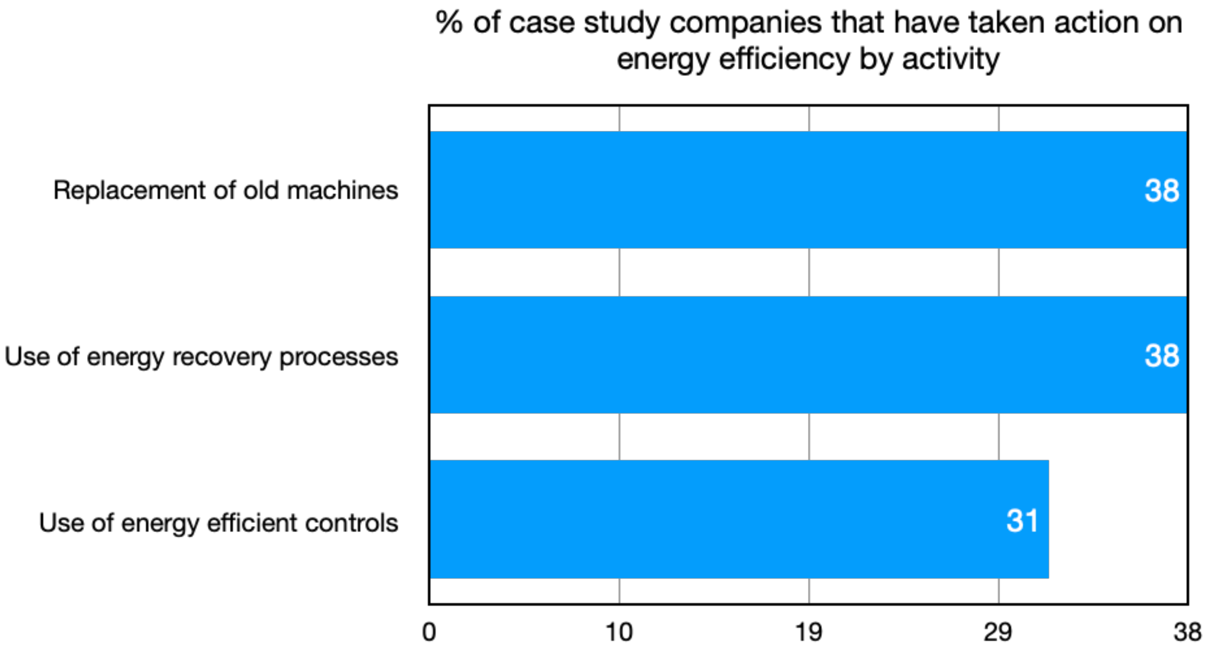
Social

- All 18 companies interviewed strictly follow the country's labor standards, by, for example, providing written contracts to their employees, allowing for collective bargaining and paying overtime.
- 11 companies interviewed pay their employees equal to, or more than, the local average salary for their respective roles in the company.
- Companies have indicated that they provide adequate Personal Protective Equipment (PPE) to their employees.
- 14 companies have a nominated health and safety representative and/or expert in place
- 16 companies have an active Corporate Social Responsibility program, including dedicated local improvement projects in their respective communities.

Environment

Overall, 50% of the case study companies have taken one or multiple actions in the last three years to increase energy efficiency. 58% of companies have increased the recycling of polluted water for reuse in their operations.

- All case study companies have waste management systems in place, but in some industries up to 50% of raw materials goes to waste.
- On average case study companies procure about 29% of their supplies locally. This varies significantly between industries with the leather and leather product industry having with 71% the highest average of local procurement and horticulture with only 11% the lowest.
- Only one of the case study companies is conducting periodic calculations of its carbon footprint.
- None of the case study companies considered their operations as having any adverse impact on local biodiversity.



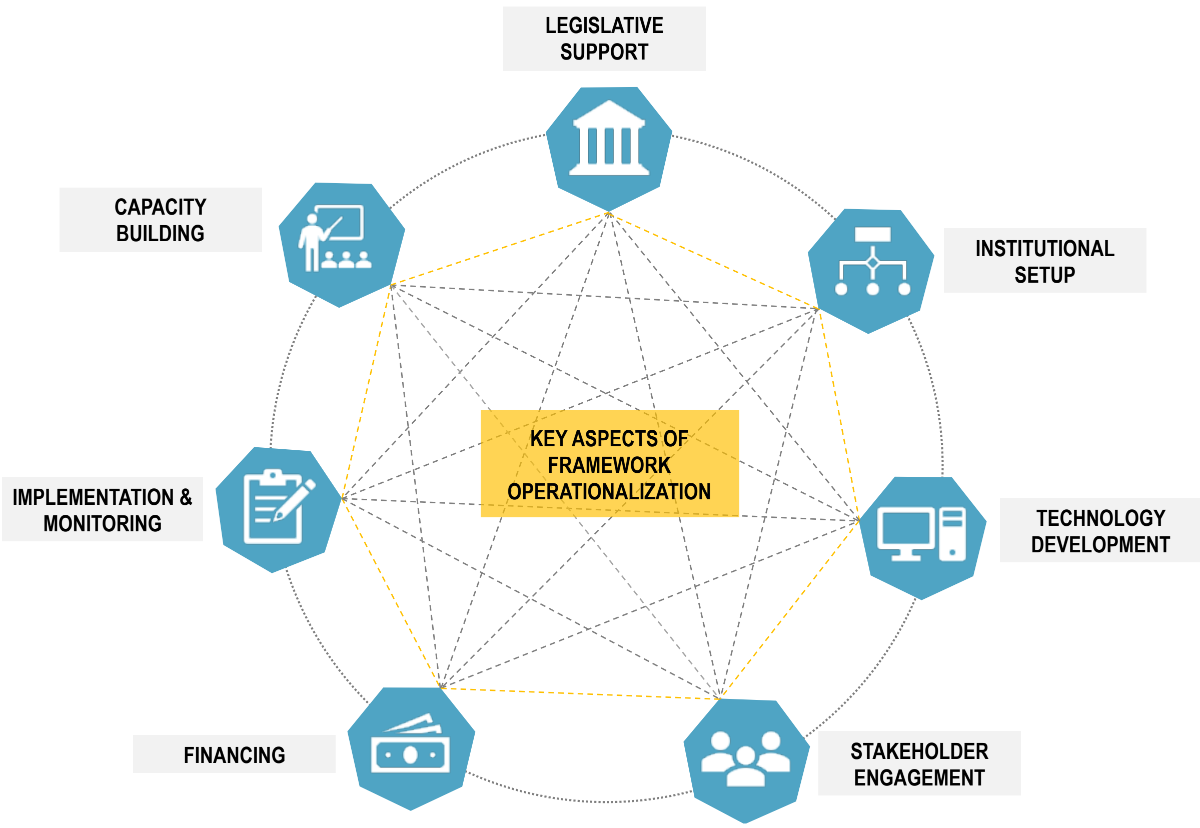
The experience from the field shows a motivated, if inconsistent policy and practice landscape, with encouraging examples of innovation and good practices. Building on the observations, the following overarching ***recommendations*** have been noted:

- **There is potential to adapt the framework to the needs of context.** This not only includes any sector-to-sector adaptation, but also the development of a 'lite' framework to match expectations from the ground. While simplification of the framework is not recommended as a permanent measure, it is important to remember that the current understanding of ESG and sustainability in general is largely limited, and thus some indicators and sub-indicators are unlikely to see meaningful responses in near future.

- **Implementation of the framework requires action across various key aspects.** The project consortium has identified *seven key areas* where action needs to be mobilized, in order to successfully execute the framework. Aspects such as institutional setup, implementation and monitoring had been built into the fabric of the framework while capacity building, legislative support and technology development came out as important considerations from the case studies. Financing mechanisms, stakeholder engagement are other areas of interest, based on the knowledge and expertise of the consortium.

- **Many decisions relating to the framework still need to be taken.** This project provides a bird's-eye view towards designing a mechanism for ensuring ESG-oriented investments. In this context, the framework acts as a potential bridge between global examples and ground reality. The process of implementation, however, requires an even deeper analysis, that is conducted in consultation with a diverse group of stakeholders. In this context, the framework in its current form is the necessary foundation, onto which the actual rules of engagement for sustainable investments need to be built. This includes discussions on roles and responsibilities of key players, necessary capacity development for all relevant stakeholders, terms of reference for different parties involved, development and approval of necessary elements (financing mechanism, policy/legislation, institutional setup), and the roadmap for implementation.

- **The scope of this study was fairly limited.** A robust pilot phase (voluntary compliance) is necessary to not only adequately calibrate the framework, but to also set Ethiopia-specific benchmarks for the performance standards. While building the ecosystem for ESG-informed investments is likely to take a few years, the first step in the implementation of the framework should be a pilot study covering a realistic period of 2-3 years. Participation in the pilot needs to be a representative sample for each of the sectors considered.



These recommendations have been developed into concrete '***steps'*** that can be implemented over the next few years, presented in chapter 6 of this report.

1 Background

Ethiopia is the second most populous country in Africa, with a population of 109 million people (2018). It is the fastest growing economy in the East African region, driven by the nation's strong commitment to the development of the industrial sector in the past decade. Ethiopia aims to become lower-middle-income country by 2025.[1] Without doubt, Ethiopia's economic landscape is dynamic and rapidly growing, with vast potential for further progress in the coming years. However, in the last 3-4 years, this rapid expansion has lost pace due to factors such as a changing political scenario, causing a desynchronization between federal and regional economic objectives and policies.[2] Ethiopia's GDP growth rate has witnessed a downward trend going from 10.39% in 2015 to a significant low of 6.82% in 2018 which marginally improved to 8.28% in 2019.[3] This problem has been exacerbated by the current COVID-19 pandemic situation that has severely affected economies all around the world.

Since the first case of COVID-19 was registered in Ethiopia in the middle of March 2020, there have been wide ranging detrimental effects of the pandemic on Ethiopia's economy. Modelling work by the United Nations Economic Commission for Africa (UNECA) predicts that the GDP growth might be reduced by 1.2 - 4.5% with a rebound in 2021 set to see a modest 6% growth rate. On the industrial level, a 25-30% contraction in exports of goods is predicted.[4] However, at the end of July 2020, the Ethiopian government announced that job losses have not been as severe as initially expected, with 330,000 jobs lost thus far.[5]

Companies all over the world have been struggling to cope with all the negative externalities that the pandemic has brought with it, aside from the obvious health concerns. Along with the crippling loss of revenue, companies are also experiencing breakdowns in corporate structure, uncertainty in decision making and serious loss of human capital. However, there is evidence that certain companies that have enshrined the principles of ESG in their workflow seem to be coping with this shock much better than those that have not.

1.1 ESG and its benefits

ESG refers to the Environmental, Social and Governance considerations by corporate entities to ensure that they minimize the negative impact of their activities on the environment and the communities they operate in as well as the society as a whole. These principles also ensure that companies are able to grow in a sustainable manner and develop resilience to acute shocks such as COVID-19 or any other national or international emergencies that would otherwise make them extremely vulnerable. Investors consider ESG principles and metrics to ensure that their investments are sustainable. Examples of such parameters are labor protection and welfare, pollution control, transparent accounting, stakeholder engagement etc. There are multiple international frameworks which aid in the operationalization of ESG

[1] https://www.worldbank.org/en/country/ethiopia/overview#1
[2] https://datacommons.org/tools/timeline#&place=country/ETH&statsVar=GrowthRate_Amount_EconomicActivity_GrossDomesticProduction
[3] https://www.macrotrends.net/countries/ETH/ethiopia/gdp-growth-rate
[4] *Socio-economic impact of COVID-19 on Ethiopia*, ONE UN Assessment, May 2020
[5] https://ethiopianmonitor.com/2020/07/27/job-loss-due-to-covid-19-crisis-not-as-high-as-initially-thought/

principles in various sectors of the economy. These frameworks are explained further in Chapter 3 of this report.

ESG integration has multifold benefits for businesses. Those who have invested in human capital management have managed to achieve better financial performance and resilience in contrast to those who have not.[6] Companies that adopted good governing practices seem to be ahead of the curve and have been able to soften the blow of the pandemic. Companies with "agile" and well-planned supply chains and business structures have circumnavigated the widespread disruptions caused in supply chains due to transport restrictions. For instance, while other airline companies in Africa were struggling to cope with the pandemic and its challenges, Ethiopian Airlines managed to soften the negative impact and recoup a large part of its pre-COVID revenue through quick decision making and diversification into cargo transportation.[7]

From these, and many such examples, it is evident that companies which have adopted ESG strategies have been able to better cope with the various predicaments brought about by the pandemic. Moreover, in a recent Ernst and Young study, 76% of the respondents have claimed that ESG principles must be integrated into stimulus packages designed to help economies recover from the pandemic.[8] Investors and financial institutions are considering this period to be a significant opportunity to increase focus on ESG.

Resilience to such acute shocks is not the only advantage of the use of ESG principles. By following recommended practices in the three areas of environment, social and governance, companies have seen marked improvements in climate resilience, community engagement, working conditions and labor benefits and top-level decision making, among others. These overall improvements have also led to tangible financial benefits. In a global survey of 475 financial institutions conducted in 2017, 68% of the respondents said that adoption of ESG strategies has led to a significant improvement in returns. Consequently, ESG principles are now also being considered by many investors while making their portfolio decisions. In the same survey it was found that 40% of the investors in Europe and 38% of the investors in USA, have 25-49% of their investments with ESG allocations.[9] NASDAQ recently completed a review of the companies featured in the 2019 ESG Rankings by MSCI. It has been observed that those ranked A and above exhibited 6.4% less risk when compared to the lower ranked companies that displayed 10.2% greater risk. It is clear from these numbers that the leaders in the MSCI rankings have achieved higher returns and experienced lower volatility. The leaders have also proven to be less susceptible to negative outlier events such as COVID-19.[10]

Based on the above presented data, it is clear that ESG strategies are now becoming more and more normal and economically beneficial. Companies, investors, legislators and

[6] https://www.theasset.com/article-esg/41117/covid-19-highlights-advantages-of-esg-integration
[7] https://theexchange.africa/aviation/lessons-from-ethiopian-airlines-success-despite-pandemic/
[8] https://www.ey.com/en_gl/financial-services-emeia/three-ways-esg-factors-can-make-portfolios-more-resilient-post-covid-19
[9] https://www.businesswire.com/news/home/20170419006214/en/Asset-Owners-Integration-ESG-Significantly-Improved-Returns
[10] https://www.forbes.com/sites/betsyatkins/2020/06/08/demystifying-esgits-history--current-status/#5c38445c2cdd

international funding organizations are increasingly incorporating ESG principles in all areas of work. This trend showcases a shift in the mindset of stakeholders and corporations on a global scale and it is seen as a right thing to do for business and society. The future of business lies in sustainability and it is important not to be left behind in this regard. At the forefront of sustainable business and investment, are the ideals and principles laid out in the various ESG frameworks that have been published in the past few years.

1.2 The Belt and Road Initiative-Sustainable Investment Promotion program

Recognising the importance and relevance of ESG principles, along with the immense potential for growth and sustainable development that they bring along, Ethiopia has launched the Sustainable Investment Promotion (SIP) program, under the Belt and Road Initiative (BRI). The BRI-SIP program is supported by the UN Peace and Development Trust Fund (UNPDF), in partnership with the Ethiopian Investment Commission, the Ministry of Foreign Affairs of China, the Chinese Embassy in Ethiopia, Ethiopia-China Chamber of Commerce and enterprises.

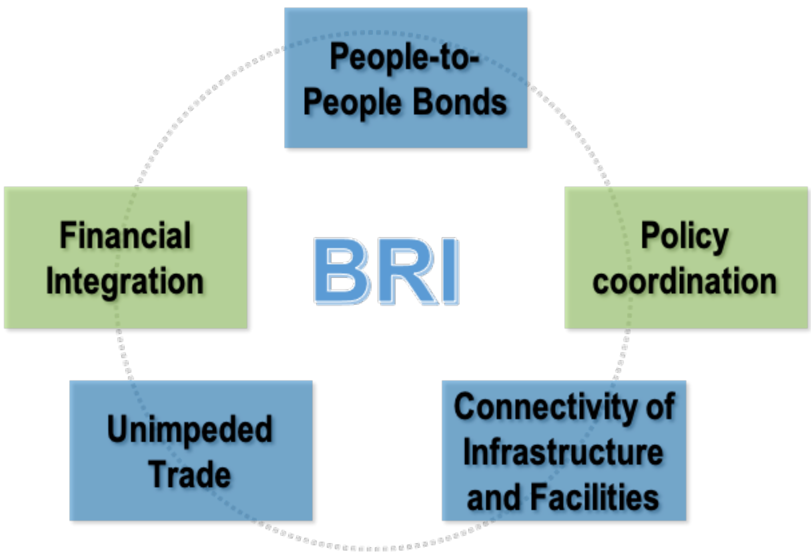


Figure 1: Key tenets of the BRI

The advantage of the BRI-SIP program is that it enables to leverage investment opportunities which can lead to development of human resources, institutional capacity building and the unlocking of Ethiopia's vast potential as a nation, all while ensuring that the development is occurring in a sustainable manner, specifically in alignment with the SDGs.[11] Under the BRI-SIP program, this report provides an ESG Framework for Ethiopia's garment and textile, horticulture, leather and leather products and agro-processing, including sugar-related industries as well as first-hand insights from in-depth consultations with 18 case study companies in Ethiopia on the development and implementation of such a framework.

[11] https://www.cn.undp.org/content/china/en/home/ourperspective/ourperspectivearticles/2019/sustainable-investment-in-belt-and-road-partner-countries.html

2 Sustainable Investments in Ethiopian Industries

In the last two decades Ethiopia has pursued a number of growth and development-based programs, with specific focus on pro-poor sustainability-linked policies.[12] This commitment to sustainability is not new in Ethiopia; indeed, the Constitution itself provides for a right to sustainable development and a right to a clean and healthy environment.[13] The country has implemented various plans and programs fostering sustainable development since the 1990s[14] and adopted its national Climate-Resilient Green Economy Strategy in 2011.[15] This dedication to socio-economic development and environmental protection was further crystallized through the integration of the 2030 Agenda for Sustainable Development and its SDGs in national policies and programs.

2.1 Ethiopia's sustainability commitment

The intention of delivering on the right to sustainable development has a long history. The State launched the Environmental Policy of Ethiopia (the EPE) in 1997 to broadly outline the policy framework for new environmental law and practice. The EPE's overall policy goal is "to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of natural, human-made and cultural resources and the environment as a whole so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs." Ethiopia also adopted the Environmental Impact Assessment (EIA) Proclamation in 2002, recognizing the value of EIAs in "harmonizing and integrating environmental, economic, cultural and social considerations into a decision-making process in a manner that promotes sustainable development".

In line with its overall and specific policy objectives, the EPE provides a set of 'Key Guiding Principles', including every person's right to live in a healthy environment; the principles of sustainable development and public participation; the principles of integration, prevention, precaution, equity, conservation, EIA, and polluter pays principle. Ethiopia is also a signatory to international environmental agreements derived from the 1992 Earth Summit, i.e. the Rio Conventions on Biodiversity, Desertification and Climate change. These agreements have helped guide the national legislation towards sustainable development.[16]

Much like the linkage between the MDGs and GTP I, Ethiopia has integrated the SDGs with in its Second Five Year Growth and Transformation Plan (GTP II), spanning the period 2015/16-2019/20 thus taking a national ownership of its development obligation.[17] The GTP II is an

[12] https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/ETHIOPIA%29%20Growth%20and%20Transformation%20Plan%20II%2C%20Vol%20I.%20%20%282015%2C16-2019%2C20%29.pdf
[13] Constitution of the Fédéral Democratic Repúblic of Ethiopia, Article 43 (1).
[14] https://www.un.org/ldcportal/comprehensive-programmes-of-action-for-ldcs/
[15] https://www.un.org/ldcportal/comprehensive-programmes-of-action-for-ldcs/
[16] https://brill.com/view/journals/ajls/aop/article-10.1163-17087384-12340063/article-10.1163-17087384-12340063.xml?language=en
[17] https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/ETHIOPIA%29%20Growth%20and%20Transformation%20Plan%20II%2C%20Vol%20I.%20%20%282015%2C16-2019%2C20%29.pdf

integrated multi-stakeholder, medium-term national development plan tasked with the effective coordination and implementation of the SDGs. The SDGs[18] were integrated with ten of the priority areas of the GTP II with their targets being merged with GTP II's targets in macro-economy, economic development, infrastructure development, social development, democratic systems development and cross-cutting-sectors development.

Ethiopia's recently adopted Homegrown Economic Reform Agenda (HGER) has the main goal to overcome structural challenges of the economy and it is an essential element of the Government's long-term vision providing an enabling environment for establishing the private sector as the engine of economic growth for a middle-income economy. The Reform Agenda builds on the significant socioeconomic progress that Ethiopia has registered in the past while also addressing the persistent gaps that still exist today[19].

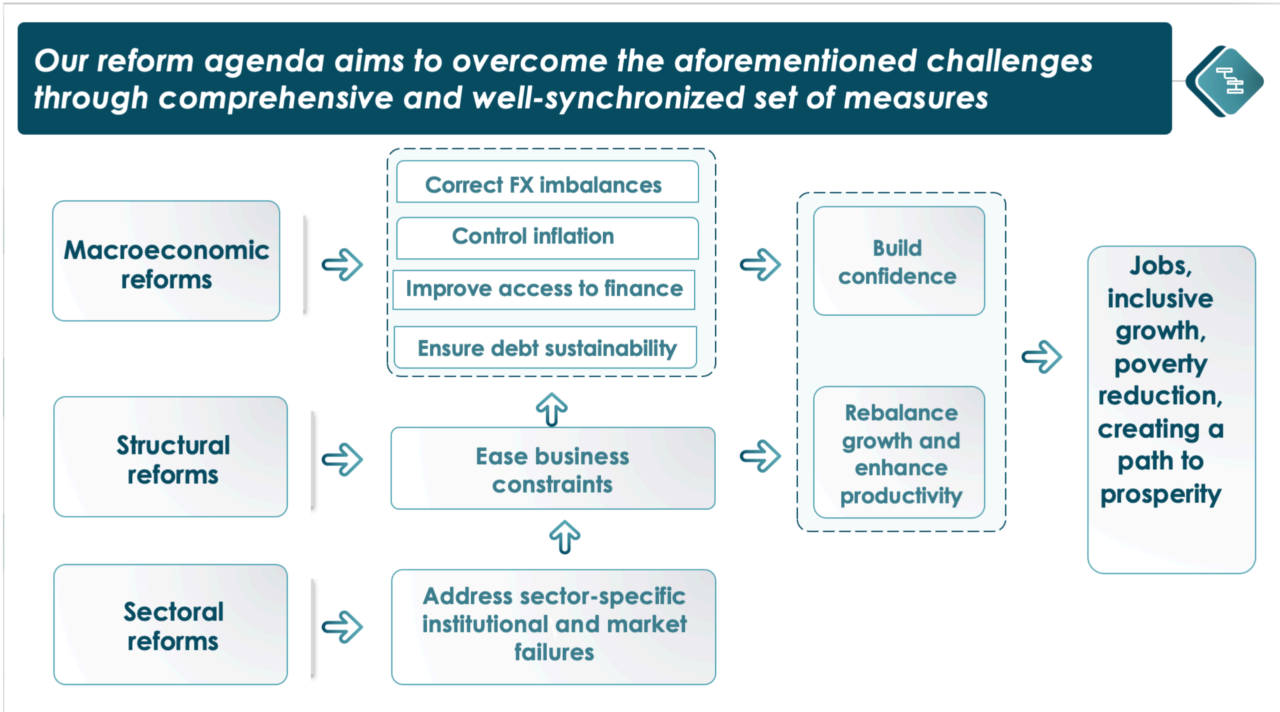


Figure 2: Reforms outlined in the ten-year perspective plan
Source: Prime Minister Office, Ethiopia 2019.

This ten-year perspective plan (for July 2020–June 2030) represents the Government's long-term vision for development as Ethiopia moves towards middle-income status. Eight broad priority areas have been identified: macroeconomic reform, structural transformation, industry, infrastructure, energy, human development, urban development and housing, and population. The plan details six thematic pillars guiding investment: quality growth, productivity

[18] National Planning Commission. 2017. Ethiopia 2017 Voluntary National Review on SDGs.
[19] https://pmo.gov.et/initiatives/

and competitiveness, sustainable macroeconomic growth, green growth and climate change, institutional transformation, and private sector development and engagement.

Ethiopia's **Climate Resilient Green Economy** (CRGE) strategy was launched in December 2011.[20] The document outlined the vision, strategy, financing strategy, and institutional arrangements Ethiopia intended to pursue to attain the goals of low-emission climate-resilient economic growth. The CRGE Initiative positions Ethiopia at the forefront of the low carbon revolution as it has become a leading voice among developing countries with regards to setting and committing to Nationally Determined Contributions (NDCs) under the global climate agenda. The CRGE initiative takes a sectoral approach and has identified and prioritized over 60 initiatives, which could help the country achieve its development goals while limiting greenhouse gas (GHG) emissions.[21]

2.2 Investment-driven development

Investments in Ethiopia have seen rapid growth since the introduction of liberal policies in the 1990s. Along with the increasing domestic investment, there has also been an increasing interest from foreign investors. FDI in Ethiopia averaged 611 USD million from 2011 until 2020, reaching an all-time high of 1.3 USD billion in the fourth quarter of 2017.[22] The investment-driven success of Ethiopian economic development is reflected in its impressive annual growth, averaging a rate of 10.9% between 2004 and 2014, despite not being an oil producer. The government's commitment towards supportive economic reforms premised on sound macroeconomic policies, diversification of development (by promoting both agriculture and industrial development), and the creation of an investment-conducive business environment supported by infrastructure development, has been touted as a key driver of this development.[23]

Ethiopia also has several policies aimed at attracting foreign direct investment (FDI) inflows, such as 30+ bilateral investment promotion and protection agreements, membership of the Multilateral Investment Guarantee Agency, and incentives for foreign investors like the right to make remittances out of the country in convertible foreign currency at the prevailing rate of exchange, fiscal incentives, etc. Other drivers of investment-driven development include access to the second largest population in Africa and a rapidly growing middle class, a fairly stable climate for investors, relatively lower levels of corruption, a wide, resource-rich and fertile territory, and a large labour force.[24] Over the last few decades, Ethiopia, through its industrial strategy has also attracted Asian capital (primarily from China, Turkey and India) to develop its light manufacturing base.[25]

In recent years, however, there has been a trend of contracting investments in Africa as a whole. In East Africa, FDI flows decreased by 9% to USD 7.8 billion in 2019. Inflows to Ethiopia contracted by a fourth to USD 2.5 billion. FDI was adversely affected by instability in certain

[20] http://mptf.undp.org/factsheet/fund/3ET00
[21] https://www.preventionweb.net/english/professional/policies/v.php?id=61504
[22] https://tradingeconomics.com/ethiopia/foreign-direct-investment
[23] https://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/ZA_DevelopingEthiopia_Africa_050216.pdf
[24] https://www.lloydsbanktrade.com/en/market-potential/ethiopia/investment
[25] https://journalofeconomicstructures.springeropen.com/articles/10.1186/s40008-020-00211-7

parts of the country, including regions with industrial parks.[26] This pattern is likely to continue into the next fiscal year, as the global impacts of the COVID-19 pandemic and subsequent economic slowdown continue to affect the investment ecosystem. With the international trend of favoring ESG compliant investment opportunities on the rise, this is a particularly opportune moment to bring such international standards and practices into Ethiopian businesses.

2.3 Ethiopian industrial sectors

The *Ethiopian Industrial Development Strategic Plan & Roadmap*, 2013, identified export-oriented, labor-intensive industries with wide markets and linkages to the agricultural sector as priority categories in the manufacturing sector.[27] Agro-processing, textile and garment, leather and leather products, metal and engineering, and chemical and pharmaceutical sectors were highlighted by the roadmap in particular. The 2019 Homegrown Economic Reform agenda recognizes the need for the private sector to play a greater role in the economic transformation of the country. Textile and garment, leather and leather products, agro-processing, sugar and sugar-related industries, are some of the key export-oriented light manufacturing industries favored by Ethiopia. These industries are also areas of interest for both the country and the BRI and were the focus of this study. Brief profiles for these sectors are presented below, with an in-depth study presented in the subsequent chapters.

Textile and Garment sector: The development of a robust textile and garment sector is a top priority for Ethiopia as part of its goal to become a middle-income country by 2030.[28] The sector's key objective is to bring about the structural transformation of the nation's economy and create thousands of jobs.[29] Ethiopia is providing attractive incentive packages for investments in this sector, including preferential tax rates and duty-free importation of raw materials, machinery and equipment for manufacturers as well as an overall conducive business environment through the establishment of dedicated state-of-the art industrial parks. A growing number of domestic and multinational companies are becoming part of Ethiopia's textile and garment value chains, making the country a part of the global value chain. Big sourcing and buying companies such as H&M, Tesco, Walmart and IKEA are now buying from Ethiopian manufacturers. This has turned Ethiopia into one of the leading textile and apparel hubs of Africa, which attracts the sector's most FDI in the region and increasingly engages global brands, retailers and suppliers. Today, 212 textile and garment companies are operating in Ethiopia, with investments from a variety of countries, in particular from China, India, Bangladesh and the United States. Out of these 212 companies, about 118 are small and medium-sized local companies and 94 are medium to large-sized foreign companies. In 2019, the sector exported goods worth over USD 80 million to European markets alone.[30]

Horticulture Sector: In the last ten years, Ethiopia's horticulture sector has grown rapidly to become the fourth biggest foreign currency earner of the country. Currently, there are around 126 investments in Ethiopia in the export of flowers, fruits, vegetables, and herbs. Farm

[26] https://unctad.org/system/files/official-document/WIR2020_Regional_FDI_at_a_glance_Africa.pdf
[27] https://www.academia.edu/28903445/Ethiopian_Industrial_Development_Strategic_Plan_2013_2025_FDRE_Ministry_of_Industry
[28] Initially planned to be achieved by 2025, as per the country development strategy under GTP II.
[29] Based on interviews conducted by consortium partners in 2019.
[30] https://www.themds.com/companies/ethiopia-the-next-front-of-sourcing-in-the-light-of-the-coronavirus-crisis.html

ownership is shared between local investors (46), foreign investors (76), joint venture partnerships (3) and the Development Bank of Ethiopia (1).[31] The horticulture sector employs about 200,000 workers and generated USD 307 million in the 2017/18 fiscal year.

Leather and Leather Products Sector: Ethiopia possesses one of the world's largest livestock populations, providing ample opportunity for the development of the leather industry in the country. However, Ethiopia´s leather industry has not yet used its potential due to lack of efficient and coordinated supply of raw hides, skins and other production inputs. In the past years, different policies with regard to leather exports and value addition have tried to implement more efficiency into the sector. According to the Ethiopian Leather Industry Development Institute, currently there are 26 local and 10 foreign tanneries with production capacities generating about USD 70 million export revenue. In addition to that, there are 16 local and 3 foreign owned footwear companies operating in the leather sector, 4 foreign glove makers sending gloves to international markets, and 30 leather goods and leather garments that are being manufactured in Ethiopia.

Agro-processing Sector: Ethiopia aims to increase its agro-processing capacity through the creation of four dedicated Integrated Agro-Industrial Parks (IAIP).[32] Officially, the four IAIPs will represent USD 1.5 billion in investments, 400 potential business opportunities, and creation of 400,000 jobs on the long run. The agro-processing sector shall attract companies that export value-added agricultural products as well as those producing products for domestic consumption. Major agriculture processing potential in Ethiopia include in cattle fattening and processing, chicken production and processing, livestock feed manufacturing, wheat-based food production (e.g. pasta, biscuits), sesame processing (e.g. tahini), soybean crushing (e.g. soybean oil and feed), sugar production and processing, juice and dairy manufacturing. With significant changes since 2019 in the importation process of agro-processing machineries and the privatization of the sugar processing companies, the overall performance of the sector is expected to grow rapidly in the coming years.

Each of these sectors, with a significant potential of growth in the coming years, could multiply its opportunities and subsequent benefits by integrating ESG principles within its business operations.

[31] https://ehpea.org/overview-of-the-sectors-growth/
[32] https://www.unido.org/sites/default/files/files/2018-08/Integrated-Agro-Industrial-Parks-in-Ethiopia-booklet.pdf

3 International ESG Frameworks

The principles of ESG are rooted in socially responsible investment practices which began in the 1960s, wherein investors were first seen to apply a 'negative screening' approach to their decisions. For example, some investors excluded stocks of industries which were involved in activities such as tobacco production or involvement in the South African apartheid regime from their portfolios. In present times, these ethics and value-based selections still remain an integral part of investment decisions, but the considerations have now broadened and include the areas of environmental and social responsibility and good governance practices. Many investors are looking to incorporate ESG factors into their investment process alongside traditional financial analysis.[33]

The concept of ESG was crystallized in 2006, through the development of a report on the Principles for Responsible Investment (PRI). The United Nations PRI is now an organization of signatories who are dedicated to the promotion of ESG principles and strategies in investment decision making. At the time, 63 signatories composed of asset owners, asset managers and service providers signed on to incorporating ESG principles in their decision-making process. The total assets under management was valued at USD 6.5 trillion. As of October 2020, PRI has seen an incredible growth (as shown in Figure 3) and now comprises 3038 signatories with total Assets Under Management valued at USD 103.4 trillion.[34]

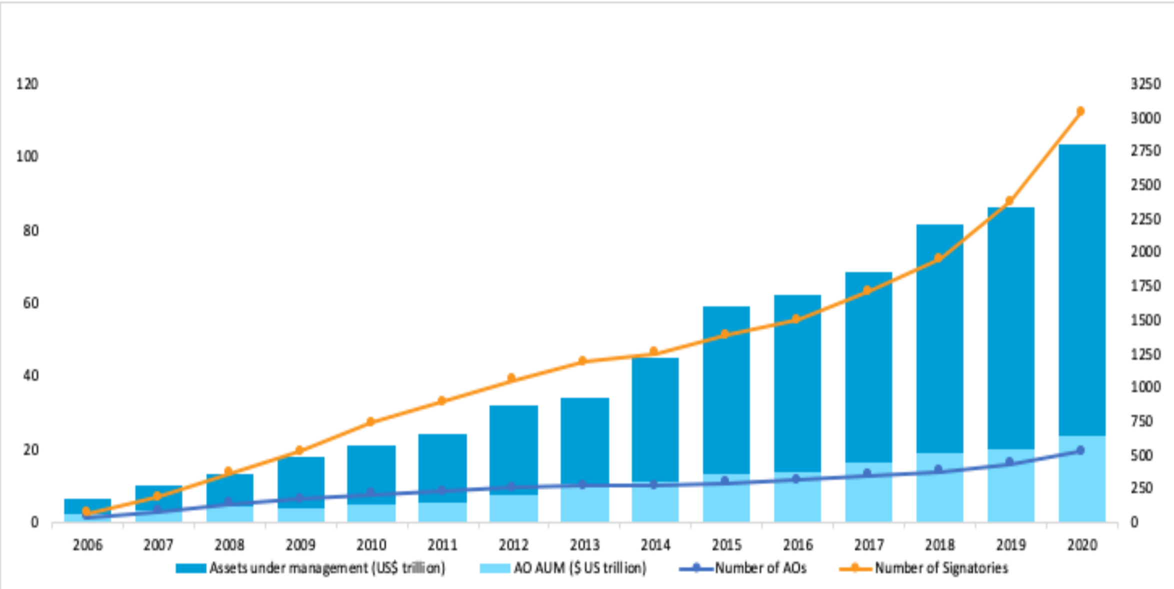
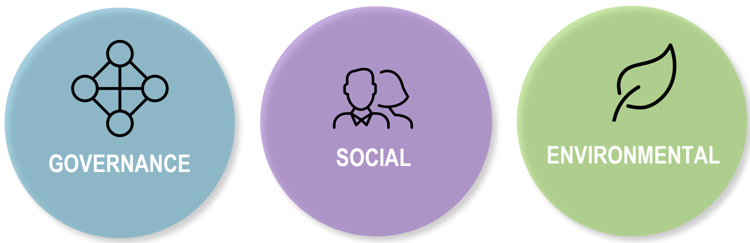


Figure 3: PRI Signatories Growth

Source: United Nations Principles for Responsible Reporting

[33] https://www.msci.com/what-is-esg ; http://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf
[34] https://www.unpri.org/pri

Subsequently, the concept of ESG has now become a highly relevant tool to evaluate the overall performance of a company with axes of assessment which go above and beyond traditional financial reporting. There are a number of ESG Frameworks designed for various contexts and stakeholders. The figure given below provides a list of some of the most widely used frameworks in the world currently:



International frameworks and reports reviewed

World Bank E&S Framework	Taskforce on Climate-related Financial Disclosures	Global Reporting Initiative	MSCI ESG Ratings
International Finance Corporation Performance Standards	Bloomberg Terminal ESG Analysis	Institutional Accounting Standards Board	UN Global Compact
UN Sustainable Development Goals	Dow Jones Sustainability Indices	Sustainalytics	Integrated Reporting
UN Principles of Responsible Investing	Global Real Estate Sustainability Benchmarks	CDP Worldwide	Climate Disclosure Standards board
KPMG ESG Strategy	CDC Group ESG Toolkit	WBCSD ESG Disclosure Handbook	Refinitiv ESG Database
NAREIT ESG Framework Guidelines	Sensefolio ESG Framework	London Stock Exchange Group ESG Reporting Guidelines	Mercer Investment Framework for Sustainable Growth

Figure 4: International frameworks and reports reviewed for this study

3.1 Key features of ESG frameworks

Since ESG frameworks are developed keeping in mind varied contexts and target stakeholders, it is difficult to arrive at a "one size fits all" template for the creation of new frameworks. However, after reviewing multiple frameworks, it can be concluded that there are certain key features which are common to the most widely used international frameworks. These elements are delineated below:

3.1.1 Mission statement and context

A mission statement intends to represent the scope of application of a framework and the transformative impact it intends to achieve. All elements of a framework are designed to meet this mission and all signatories of a framework are expected to align themselves with the same. For instance, the World Bank E&S framework begins with a mention of the World Bank's commitment to environmental sustainability, recognizing this as an essential in a world of finite natural resources. Equally, social development and inclusion are critical for all of the World Bank's development interventions and for achieving sustainable development.

Similarly, the International Finance Corporation mentions in its ESG framework:

"IFC's Sustainability Framework articulates the Corporation's strategic commitment to sustainable development and is an integral part of IFC's approach to risk management. The Policy on Environmental and Social Sustainability describes IFC's commitments, roles, and responsibilities related to environmental and social sustainability. IFC's Access to Information Policy reflects IFC's commitment to transparency and good governance on its operations and outlines the Corporation's institutional disclosure obligations regarding its investment and advisory services."

The MSCI framework, which is an indexing-based framework rather than a document that lists out lender requirements, operates a bit differently. The focus is on resource scarcity, governance standards, global workforce management and evolving regulatory landscapes. The MSCI ESG ratings take a "risks and opportunities" approach and focus on the negative externalities that are generated by an industry and also on the issues that are currently affecting an industry which can later turn into opportunities that a company may work on solving and capitalize on.

3.1.2 ESG integration process

This element outlines the protocol for incorporating the principles laid out in the framework into the business operations and the proposed workflow of the target implementing organizations. Through extensive literature review it has been found that the frameworks can be of various types as outlined below.

Some frameworks pose ***requirements*** that are **mandatory** and must be complied with by all the action takers that are under the jurisdiction of the framework. For instance, under the guidance of the World Bank E&S Framework, every project funded by the World Bank must be subject to a thorough environmental and social assessment. The proprietor of a World Bank funded project is referred to as the Borrower. The Borrower must mandatorily evaluate environmental and social risks associated with the project and take appropriate steps to manage and mitigate the risks. The Borrower must also agree upon an Environmental and Social Commitment Plan (ESCP) which will set out material measures and actions required for the project to remain consistent with the requirements of the framework set out by the World Bank.

Other frameworks comprise of recommendations which are purely **voluntary** and are not mandatory for those economic entities that are using the framework for their sustainability related reporting and decision making. For example, the Task Force on Climate-related Financial Disclosures (TCFD) recommend providing climate-related financial disclosures in their mainstream annual financial filings. This ensures that the climate-related disclosures are subject to internal governance processes. It is also recommended that these disclosures are made in reports that are issued at least annually, widely distributed and available to investors and the general public.

A third type of frameworks is designed to function as **indexes** or **rankings** of economic entities based on their overall sustainability. For instance, the Dow Jones Sustainability Index is a ranking index which is based on the analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices. Index components are based on free-float market capitalization and most main indexes are reviewed quarterly.

It is important to note that each framework adopts only one of the above modes of operation.

3.1.3 Key performance indicators

This is one of the most important elements of any framework. This section outlines the key aspects and parameters that are to be considered or reported under all three areas of Environment, Social and Governance. Performance will be evaluated against these indicators and will aid in further decision making based on the results obtained upon the application of the framework.

A comparative study of ten widely used ESG frameworks, including MSCI, Bloomberg, Global Reporting Initiative among other, reveals Key Performance Indicators (KPIs) under the categories of E, S and G which are commonly considered and have been mentioned in multiple frameworks.[35] These KPI's and their frequency of use (i.e. how many of the ten frameworks mention the KPI) are given below:

Table 1: Frequency of indicator categories across ESG frameworks

Governance KPI	ESG Framework Frequency
Compensation Policy	7/10
ESG Reporting Standards	6/10
Board Level Oversight - ESG	6/10
Governance Policy	6/10
Governance Risk Assessment	6/10

Social KPI	ESG Framework Frequency
Supply Chain - Social	8/10
Stakeholder Engagement	7/10
Health and Safety	7/10
Workforce Development/Human Capital	7/10
Diversity and Equal Opportunity	6/10

[35] https://www.reit.com/sites/default/files/media/PDFs/Research/Nareit_Guide_to%20ESG_Reporting_2_21_19.pdf

Environmental KPI	ESG Framework Frequency
Climate change opportunities and risk	10/10
Emissions - Green House Gas Emissions	9/10
Environmental Policy	8/10
Energy	8/10
Environmental Management Systems	7/10

Source: Nareit Guide to ESG Reporting Frameworks

3.1.4 Operationalization of the ESG framework

This element outlines all the actions that must be taken to ensure that the KPIs are measured and reported. A protocol is also outlined for performance monitoring and any subsequent mitigation and management actions that need to be taken in order to ensure that the activities of the entity in question are satisfactory and within the boundaries set by the framework.

In the case of the World Bank E&S framework, due diligence is completed before the start of a project to evaluate the environmental risks, opportunities and impacts of the project. The Borrower also must make a complete evaluation of the same and World Bank ensure that the ESCP is designed and all risk management/mitigation activities carried out according to the time frame that is satisfactory to the bank. On the other hand, TCFD recommendations are less binding. This framework requires voluntary reporting of climate related information on part of the company in question. This can include various internal environmental and sustainability audits along with any third-party audits.

The MSCI Ratings methodology involves the collection of data by MSCI, a third-party aggregator. The MSCI considers 37 key performance indicators and assigns weights to these indicators based on how relevant they are to a particular industrial sector. These indicators and weights are reviewed at the end of every calendar year. Based on the performance of a company against these weighted indicators, a company is assigned a score on a scale of 0-10, based on which letter grading is then assigned.

3.2 Limitations of ESG frameworks

ESG frameworks are not always comprehensive and have their limitations. There are a number of difficulties encountered in the creation of frameworks, evaluation of KPIs and operationalization of the framework recommendations. For instance, a number of KPIs, especially in the Governance and Social categories are not easily quantifiable and are therefore harder to report and evaluate. Any KPI that relies on self-reporting could be subject to corporate bias and credibility issues which could give a skewed representation of the performance of the entity in question. Frameworks that have been created for adoption by the global business community could face roadblocks in implementation in different geographical locations due to variations in regulations, business and political climate and various other external factors.

4 Designing an ESG framework for selected Ethiopian industries

Ethiopia, as a developing country looking to build and bolster its industrial sector, is seeing a significant influx of foreign investments. At the same time, Ethiopian exports are seeing growing markets in developed parts of the world, such as Europe and North America. Both these trends require Ethiopian industries to operate at a formidable standard of quality. At the same time, the Government of Ethiopia has enshrined sustainability into the very fabric of economic growth and development by releasing strategic documents and policies that show commitment to a green economy. In this context, an ESG framework can act as a bridge to a future that is founded on sustainable development.

ESG has seen a variety of different interpretations and implementations around the world. Due to the wide nature of the concept, there is a great opportunity to develop a framework that closely reflects the context within which it will be implemented. This chapter summarizes the framework that was developed under this project, its tenets, and proposed mechanisms for implementation.

4.1 Objectives of the ESG framework

The objective of such a framework should be to define pragmatic yet ambitious goals relating to the E, S and G verticals at a company level and track the progress of these companies towards achieving these goals. **ESG frameworks can have a transformative impact on how a country performs in terms of its national development goals, the SDGs and the Paris Agreement**. A robust framework should also support the vision for policy development and implementation at the national and sectoral levels. The proposed ESG Framework has also considered the need for being

a) replicable to other sectors,
b) intuitive and easily implementable and,
c) a supporting backbone for domestic and foreign investments, rather than simply an additional layer of efforts.

Finally, the ESG Framework is conscious of the specific industry sector within which it is being applied and provides corresponding guidance to its users on how continuous improvements can be achieved.

4.2 Designing and developing the ESG Framework

The ESG Framework for select Ethiopian industrial sectors developed under this project has been designed to be simple and intuitive in its macroscopic elements, while also remaining deep enough in its ability to measure progress. The framework has four key components that it is built on:

I. **Foundational elements**, which dictate the scope of the framework and how it can be applied

II. **Performance standards**, which define the actual, measurable attributes that the framework seeks to track
III. **Assessment system,** which aims to quantify these performance standards
IV. **Implementation framework,** which outlines the recommended mechanism for the operationalization of the framework

These components have been summarized in Figure 5 below:

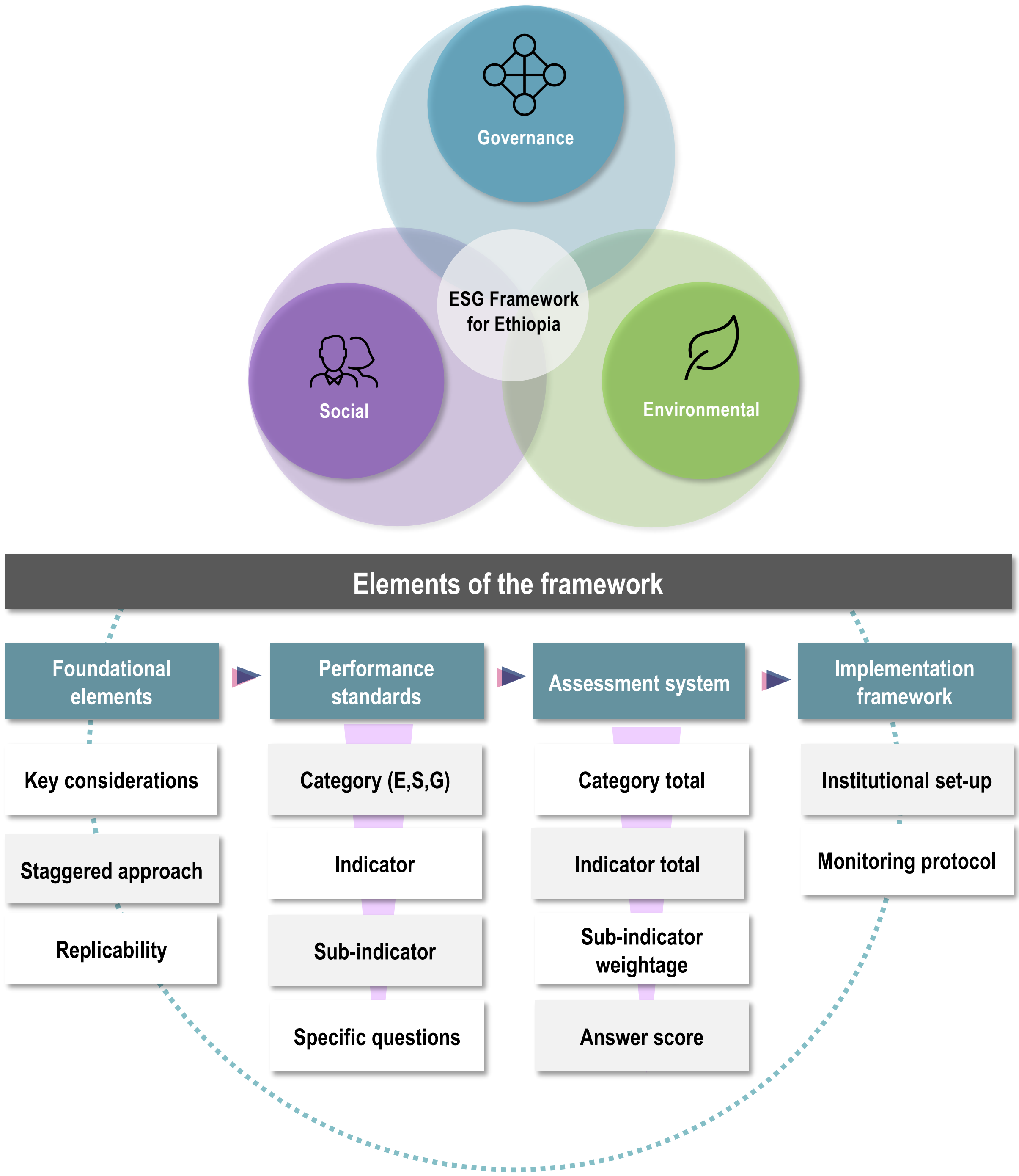


Figure 5: Outline of the ESG Framework for Ethiopia

The following sections present these components in further detail.

4.2.1 Foundational elements

Key considerations

Key considerations are *distinct topics* that are covered under each category in the framework. These help in describing the purpose of the framework, and the scope of information framework intends to capture under the E, S, G headings. Effective ESG strategies require efforts across each of these considerations. It is particularly important to recognize Governance as a central piece of the framework, as it leads to the operationalization of efforts under Social & Environment as well and is often overlooked in conventional sustainability programs. The framework has broken the key considerations to specific indicators, which have been further developed into particular sub-indicators. This granular approach provides a blueprint for sustainability strategies that companies will need to prepare, in implementation of the framework. Figure 6 describes the key considerations that were identified for the framework.

Under Governance, the key considerations largely aim to crystallize the interest towards sustainability at a firm level. This is done by examining high-level commitments such as mission statements and vision documents, to floor-level efforts in managing sustainability. This commitment is further bolstered by the presence of tangible steps taken towards ingraining a culture of ESG know-how, ethical operations and investing in sustainability.

Under Social, it is important to recognize two areas of interest – internal social development, in the form of employee-friendly non-discriminatory policies and infrastructure and responsive health & safety processes, and external social impact on consumers and the larger community as a whole.

The category of Environment covers the ‘inputs’ and ‘outputs’ of the industrial processes, by examining the usage of resources including raw materials, energy, water, etc., efforts towards increasing efficiency in the same (both within facility/company and the value chain), and management of the impact of the company’s operations in the form of waste and pollution, as well as long term impacts such as climate and ecosystem-related.

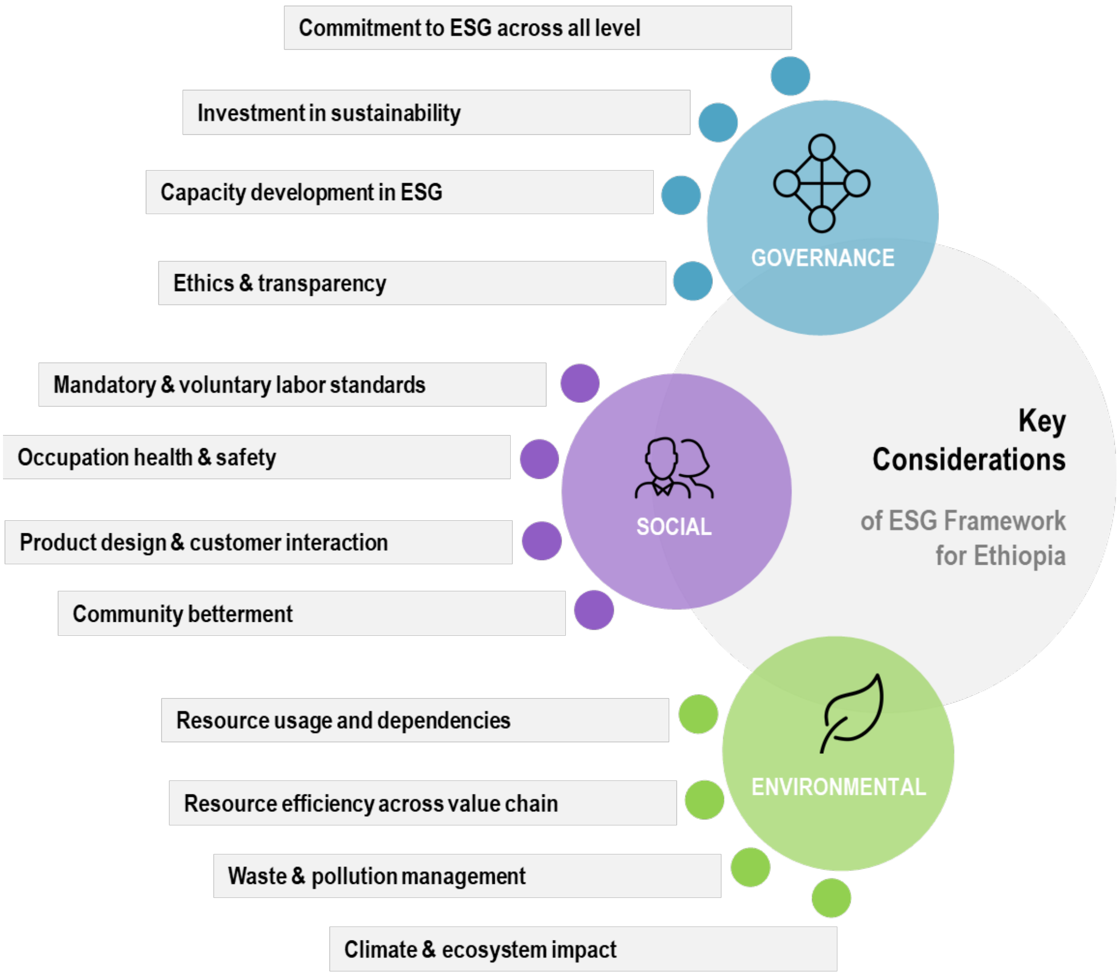


Figure 6: The key considerations for the ESG Framework for Ethiopia

Staggered approach

As described in the previous chapter, ESG frameworks vary as per applications. Many development institutes – indeed, some of the first approaches applied under ESG frameworks – employed a **mandatory** compliance-based design, intended to ensure a certain minimal level of sustainability in the respective companies. Many multilateral agencies and collectives have evolved **voluntary** schemes that take a similar approach while participation into the scheme is not mandated, a stringent monitoring protocol is implemented as opposed to a more relaxed, voluntary one. Competitive, market-based **indices or rankings** have also been on the rise, bringing with them a focus on frequent third-party audits and measuring performance as response to volatile situations. A single ESG framework usually applies only one type of design (voluntary, compliance driven or competitive index), however, in this particular ESG framework, these three types have been envisioned as three integrated steps of implementation.

Ethiopia's growing focus on aligning economic development to sustainability priorities demonstrates a high potential for growth in sustainable business practices. Keeping this in mind, it is recommended that the Ethiopian industrial sector takes advantage of the global learning on ESG by applying a staggered approach to the same. In this context, a multi- ‘step’ (or ‘phase) implementation plan (as shown in Figure 7 below) is recommended. This ‘hybrid’ approach will implement three different designs of the framework sequentially, applying the lessons from the preceding steps into the design of the subsequent ones. It should be noted, however, that the core of the framework (particularly the performance standards) are not changing. Rather, the requirements applied on industries and the rigidity of target-setting is evolving as the capacity to deliver on sustainable practices develops. The three steps are described below:

1. **Voluntary compliance**: Companies operating in the target sectors can be invited to participate in a voluntary scheme for ESG compliance, as a ‘pilot’ project. The aim of this project would be to contextualize and calibrate a larger ESG plan. For this voluntary compliance scheme, certain sector-level minimum standards, as well as more ambitious company-specific targets could be set, with a total project duration of about 1.5-2 years. A baselining exercise for the participating companies would be carried out within the first quarter of the scheme launch, with half-yearly self-audits and yearly third-party audits. The experience of implementation and the results at the end of the project period can be used to prepare a mandatory ESG compliance scheme. In order to attract participants, this scheme could be linked to fiscal incentives that can be availed by the company and potentially its investors. This would be especially important for local companies who might need the support of an external fund or program to meet the costs of running such a scheme. Providing certification of performance improvement could also be explored, as they would provide a testament for high quality performance and operations, thus significantly improving reputation and perspectives on the company.

2. **Compliance-driven development (‘greening’ the baseline):** Once suitable use-cases of ESG compliance are available in an industry sector, the rest of it could be brought up to a minimum, uniform level of sustainable business practices. It is hence necessary to implement a compliance driven development program by having a binding legislation that demands the implementation of certain key aspects of ESG, including but not limited to:
    a. Company level and sector level sustainability-driven strategy plans that cover aspects such as capacity development, investment into sustainability, and adoption of green programs and practices;
    b. Labor plans, programs and practices that enshrine all relevant existing decrees, along with adequate H&S guidelines and training manuals;
    c. Appropriate resource, waste and pollution monitoring processes that meet the standards set for industries by the Environment, Forestry and Climate Change Commission (EFCCC).

The intention of this stage is to create a ‘greener’ baseline for all subsequent developments in the sector. A uniform, sector specific target needs to be set, based on high-level consultations with industry unions, EFCCC, EIC, MOTI, and other important stakeholders. Stringent monitoring protocols that require submission of annual sustainability performance review plans, featuring third party audits is critical to ensure that this baseline is effectively developed over a period of 3-5 years. Such a program will also help demonstrate to foreign investors the sustainable nature of business assured in Ethiopia.

Figure 7: A staggered approach to ESG

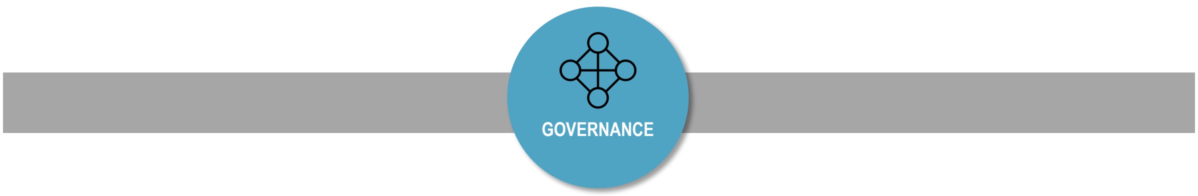
3. **Competitive index participation (a marketplace for ESG):** A longer term plan could be to invite existing global sustainability indices to integrate with a homegrown one in consultation with international agencies, and also encourage companies to *compete* with regards to ESG. A competitive system encourages innovation and brings design thinking to matters relating to sustainability. Ratings are also a good means to demonstrate that the quality and rigor of Ethiopian businesses are at par with the international best performers.

Replicability

Replicability of the framework in different sectors without the loss of either meaning or value is a crucial design element that has been built into the framework. Given that this project addresses sustainability of investments in selected sectors, and that the notion of ESG itself could have a far larger scope, it was deemed important to build the macroscopic elements as largely sector neutral. As demonstrated by the key considerations presented above, the framework seeks to encapsulate a range of information from each company, and not a specific data point. They can thus be applied to other sectors without much loss of meaning. This enables easy replication of the framework into new sectors without significant redesign. On the other hand, if adequate context-specific information is not captured by the framework, the true performance of a company cannot be adequately determined, For this reason, the performance standards have been developed in a manner that at a micro-level, the framework is able to gather relevant sector-specific information, while at a macro-level, the criteria for comparison remain common. At this point, it is also important to acknowledge that while all sectors may have comparable criteria for sustainability, their individual contribution may (and in some cases, should) vary from sector to sector. This is actualized by developing a performance standard assessment system which allocates differential scoring at both criteria and a category level. This system is explained in further detail later in the chapter.

4.2.2 Performance standards

Performance standards are implementable and measurable forms of key considerations, designed to be able to capture vital information. These standards have two main purposes – to establish granular targets for every key consideration, and to track growths and improvements in a company at a disaggregated level. These performance standards have been designed based on the experience of the project consortium, literature review, and expert engagements. While each performance standard can be used as an indicator, they can also be broken into sub-indicators.[36] **Performance standards are common across sectors, while their components are sector-specific wherever possible**. This allows for an easy comparison across different companies and industry types. Performance standards developed for the project are given below:



G.1. Sustainability Commitment
G.1.1 Mission Statement
G.1.2 Corporate Policies
G.1.3 Management Systems & Standards
G.1.4 Code of Ethics

G.2. Sustainability Expertise
G.2.1 Employee Training
G.2.2 Dedicated Experts & Resources

G.3. Sustainability in Operations
G.3.1 Supply Chain
G.3.2 Product Design

G.4. Transparency
G.4.1 Audits
G.4.2 Public Disclosure of Audits

G.5. Economy
G.5.1 Job Creation
G.5.2 Profits
G.5.3 Innovation & R&D

[36] In the subsequent sub-chapter, these standards will be further disaggregated into a detailed questionnaire that can be used for various purposes such as baselining and performance tracking.

SOCIAL

S.1. Employee Welfare & Standards
S.1.1 General Labor Standards
S.1.2 Child Labor & Forced Labor
S.1.3 Salary
S.1.4 Other Benefits
S.1.5 Grievance System

S.2. Occupational Health & Safety
S.2.1 Rules & Procedures
S.2.2 Equipment
S.2.3 Emergency Response Mechanisms
S.2.4 Dedicated Personnel

S.3. Training & Capacity Building
S.3.1 Health & Safety Training

S.4. Equal Opportunities/Non-Discrimination
S.4.1 Fair & Transparent Hiring Practice
S.4.2 Inclusive Workplace

S.5. Product Safety
S.5.1 Testing
S.5.2 Standards

S.6. Customer Relations
S.6.1 Customer Satisfaction

S.7. Local Community Betterment
S.7.1 Positive Impact on Local Workforce & Businesses
S.7.2 Corporate Social Responsibility

ENVIRONMENTAL

E.1. Energy
E.1.1 Energy Management Practices
E.1.2 Energy Efficiency
E.1.3 Renewable Energy
E.1.4 Energy Management System

E.2. Water
E.2.1 Water Management – Practices & Processes
E.2.2 Water Efficiency

E.3. Waste
E.3.1 Waste Management – Practices & Processes
E.3.2 Non-Hazardous Waste Management
E.3.3 Hazardous Waste Management
E.3.4 Awareness Raising on Waste Management Practices

E.4. Pollution
E.4.1 Air Pollution
E.4.2 Water Pollution
E.4.3 Land Pollution
E.4.4 Noise Pollution

E.5. Procurement
E.5.1 Raw Material
E.5.2 Packaging
E.5.3 Durability
E.5.4 Procurement Practices

E.6. Resource Efficiency
E.6.1 Manufacturing Efficiency
E.6.2 Eco-Design

E.7. Climate Action
E.7.1 Carbon Footprint & Carbon Markets
E.7.2 Climate Resilience

E.8. Ecosystem Impacts
E.8.1 Biodiversity
E.8.2 Habitat

Figure 8: Performance standards (indicators and sub-indicators) considered under the ESG Framework

The list of indicators considered under the ESG Framework for Ethiopia is substantially wider than that of most frameworks. This has been done keeping in mind the expectations to use this framework as a foundation for sustainable investments in the concerned sectors. As a baselining exercise with only high-level and generic indicators is sure to leave out essential information on a company's current and expected efforts towards sustainability, the list of performance standards given above provide an almost audit-level depth, thus building a more robust and informed baseline. The drawback of such a detailed list is that the key indicators considered (5, 7 and 8 under G, S and E respectively) and their numerous components collectively present a rather complex assessment. To mitigate this concern, the **system of scoring evolved for the framework allows users to generate contextualized, category-wise scores**. This assessment system is explained below.

4.2.3 Assessment system

The framework intends to balance the complexity brought by having a detailed set of indicators, with the clarity and intuitiveness of single value totals. In other words, the main challenge for the assessment system has been to ensure that high-level total scores could be generated while taking into account the differences in priorities of indicators and sub-indicators. For this reason, the framework assumes that all questions are equally relevant[37]. The assessment system applies an additive approach to the calculations. First, every question is scored on a scale of 0-1, where 0 is awarded to the 'least desirable' responses, 1 to the 'most desirable' response, while fraction scores such as 0.25, 0.5 and 0.75 are awarded to answers with 'intermediate desirability'. The score of a sub-indicator is the average score of its questions, expressed as a percentage. Thus, if a sub-indicator has three questions with the scores of 0.5, 0 and 1, the score of the sub-indicators is (0.5+0+1)/3 or 0.5. Second, at the sub-indicator level, a weightage is assigned, that can vary between 0-3. Sub-indicators weighed as 1 are 'low priority' while those weighed as 3 are 'high priority'. 0 weightage is given to sub-indicators deemed irrelevant to the analysis[38].

Finally, scores for higher levels are simply the sum of their components. So, the score of an indicator is the sum of score of the sub-indicators. Similarly, at the category level, the score is the sum of score of all indicators. At the category level, the framework recommends expressing the score as a percentage to enable comparison across contexts (as the absolute totals may vary from application to application). The calculation methodology is represented in Figure 9.

[37] This assumption was put in place to ensure that indicators with more questions do not automatically have higher shares of scores. A previous iteration of the framework applied two levels of weightages – at a question level and at a sub-indicator level. Disproportionate skewing in favor of large question sets was observed, due to which changes at question or sub-indicator levels had little to no impact on the totals at indicator and category level. Due to this non-sensitive nature, a single level of weightage was preferred. Further versions of frameworks, especially automized ones, could consider such multi- weightages again.
[38] This option could be used to develop a 'lite' version of the framework if needed, where certain indicators/sub-indicators are not assessed.

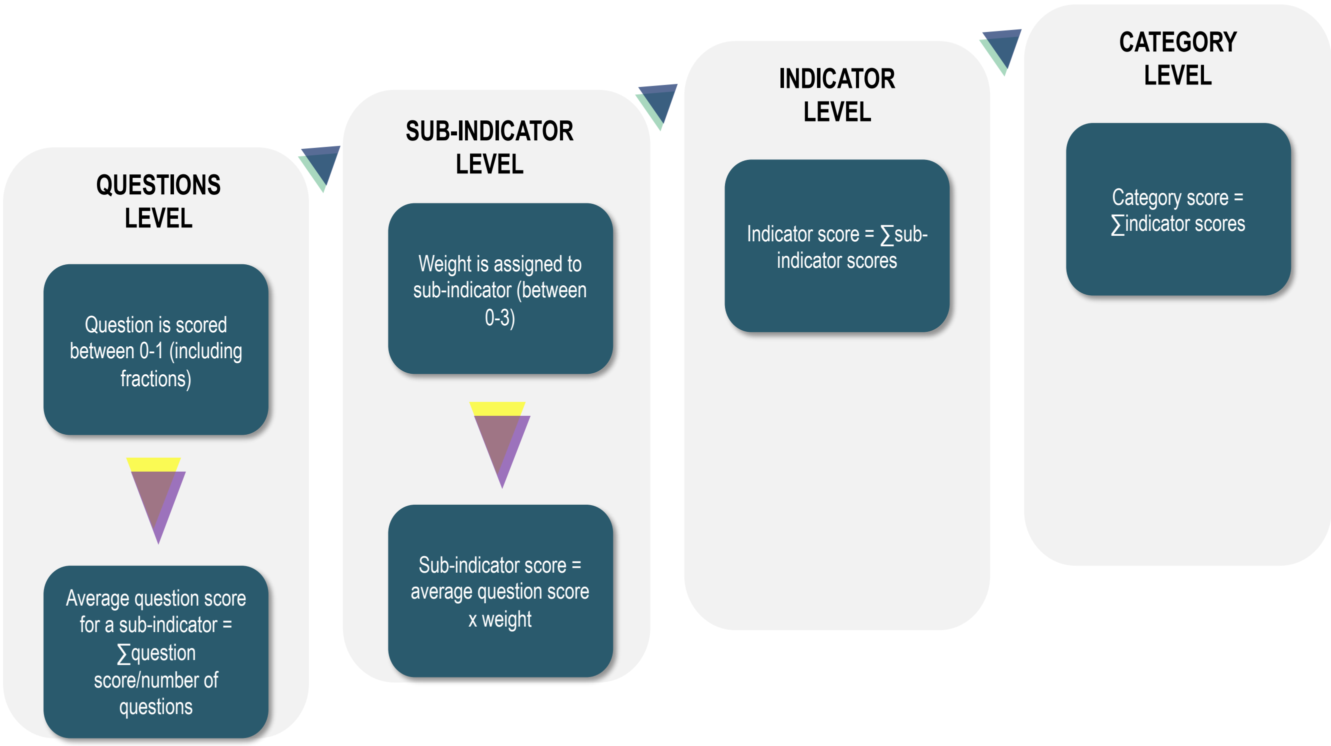


Figure 9: Methodology for the assessment system

The weightage of the sub-indicators can be varied from sector to sector, so that the priorities identified by the assessment is in line with the ground reality. Impact of the variation in total score between categories or even sectors can be circumvented by the percentage score. The consortium's weightages for sub-indicators for the five sectors that was used to assess the 18 case studies is given in annex III.

4.2.4 Implementation framework

Institutional set-up

In order to ensure that there is sustained implementation of the framework, there is a need for a dedicated, national level body that is in charge of overseeing efforts towards enshrining ESG. This body will work with key government ministries and agencies to develop the vision and national ESG strategy, which, on agreement by government ministries, will be adopted to sectoral targets and roadmaps, in discussion with key industrial unions. The national level body will also empanel auditors to provide support in the first baselining exercise and carry out subsequent audits. Companies will directly report the results of their half-yearly self-audits to this national body. Yearly third-party reviews will be conducted with all high-level stakeholders to present the progress made during the year, and to implement any course corrections if necessary. The national level body will also leverage existing knowledge within the industries through linkages with the BRI-SIP, UNDP and other relevant partners. The recommended institutional set-up is given below:

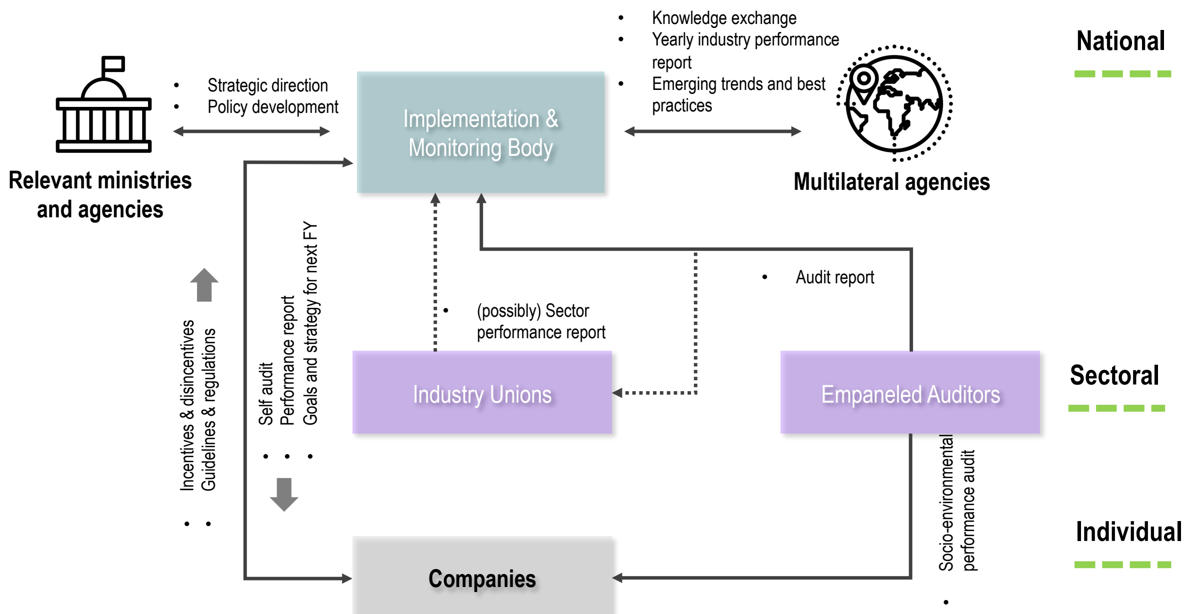


Figure 10: Proposed institutional set-up

The specific nature of this national level body is to be decided by relevant high-level actors such as the EIC, MOTI, EFCCC etc. A steering committee approach can be applied to ensure a quick implementation; however, such a committee would have limited power and financial support to effectively carry out the aforementioned roles and responsibilities. The implementation body could also be designed as a secretariat housed within a key government agency such as the MOTI or EIC – such a body would require significant time and resources for development but will also have greater power and longevity to oversee the development of ESG practices in the country.

Implementation & monitoring

As discussed in the previous sections, the framework will rely on periodic self-conducted as well as third-party audits to track company performance and progress. The national level body would be responsible for disaggregating developmental goals of the country, its NDCs and the SDGs into ESG ambitions by developing sustainability strategies and roadmaps at sectoral levels.

Sectoral targets will not only help drive macrolevel decision-making and course-correction, but also provide a useful metric for measuring performance in line with the CRGE strategy and other similar programs. The extensive baselining exercise, outlined for both the pilot project and the large-scale compliance program, can be conducted using guidelines and questionnaire developed in this project. With support from industrial associations, sectoral targets would need to be disaggregated to company level minimum requirements as well as more ambitious targets. While the minimum requirements should be uniform across the sector (as an effort towards 'greening' the baseline), the ambitious targets should be self-declared by companies.

The implementation of the framework should by cyclical in nature, with a pre-defined cycle length (Anywhere between 2-5 years), at the end of which a detailed assessment of the entire program must be conducted. It is critical to ensure that all targets set are in line with the cycle length (i.e. shorter cycles have less ambitious targets than longer ones). The detailed cycle assessment should be presented in front of all high-level stakeholders, and the following discussion should provide the foundation for the next cycle strateg

4.3 ESG policy gaps and relevant institutions

4.3.1 ESG policy gaps

This sub-chapter identifies ESG policy gaps by analyzing provisions of relevant national policies and regulations against the ESG Framework outlined in Chapter 4.2. above and contained in Annex I. For each of the sections on Governance, Social and Environmental relevant existing legal provisions where matched against sub-indicators. Using a traffic light system with gaps (red), partial gaps (yellow) and no gaps (green), the result of this exercise is shown in Annex II and briefly summarized in Table 2 below:

Table 2: Summary of ESG Framework policy gaps by section and sub-indicator

	% of sub-indicators without policy gap	% of sub-indicators with a partial policy gap	% of sub-indicators with a policy gap
Governance	15%	23%	**62%**
Social	**71%**	18%	11%
Environmental	21%	13%	**66%**

Most gaps exist regarding sub-indicators of the sections on Environmental (66%) and Governance (62%). For the Environmental section, gaps regarding the following aspects should be highlighted: energy use and energy efficiency equipment and practices, use of off-grid renewable energy sources as back-up for power outages, water use and water efficiency, waste management practices and awareness-raising thereof, noise pollution, procurement practices, making use of carbon markets for reducing greenhouse gas emissions, increasing climate resilience of company operations and taking actions to prevent the loss of biodiversity. For the Governance section, sub-indicators that currently do not seem to be reflected in national policy or regulation include the sustainability commitment, policies and management system of a company as well as issues regarding in-house expertise on sustainability issues the design of supply chains and products in a sustainable manner. For the Social section, most sub-indicators seem to be partially (18%) or fully (71%) covered by existing national policies and regulations. The findings of the case studies presented in Chapter 5 underline this finding by showing that the highest scores achieved by companies across industry sectors are in the Social section. Two notable exceptions regarding the comprehensive existing legislation in this area are with regard to competitive salaries and inclusive hiring practices and production facilities.

4.3.2 Relevant institutions

Addressing the policy and regulatory gaps identified in sub-chapter 4.3.1. above to attract the right type of investment based on ESG criteria requires a concerted effort between different government ministries, specialized commissions and agencies, industrial development institutes and sectoral business associations. Despite Ethiopia's great progress in this area, the identified policy gaps show the need to further increase efforts towards a more ESG compatible industrialization process. Especially in the Governance and Environmental areas the existing legislation could be strengthened or new legislation developed. The following institutions have been identified as critical players in this context based on their agenda setting capabilities and through their deep sectoral knowledge:

Ministries:
- Ministry of Trade and Industry (MoTI)
- Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)
- Ministry of Labour and Social Affairs (MoLSA)
- Ministry of Finance and Economic Cooperation (MoFEC)
- Ministry of Agriculture (MoA)
- Ministry of Innovation and Technology (MINT)
- Ministry of Education (MoE)
- Ministry of Science and Higher Education (MoSHE)

Commissions:
- Ethiopian Investment Commission (EIC)
- Environment, Forestry and Climate Change Commission (EFCCC)
- Job Creation Commission (JCC)

Agencies:
- Agricultural Transformation Agency
- Ethiopian Standards Agency (ESA)
- Public Procurement & Property Administration Agency (PPPAA)

Specialized Entities:
- Industrial Parks Development Corporation (IPDC)
- Ethiopian Industrial Inputs Development Enterprise (EIIDE)

Sectoral Associations:
- Ethiopian Textile and Garment Manufacturers Association (ETGMA)
- The Ethiopian Horticulture Producer Exporters Association (EHPEA)
- Ethiopian Leather Industries Association (ELIA)
- Ethiopian Tanners Association (ETA)
- Ethiopian Cotton Producers, Ginners and Exporters Association (ECPGA)

Industrial Development Institutes:
- Ethiopian Textile Industry Development Institute (ETIDI)
- Ethiopian Institute of Textile and Fashion Technology (EITFT)
- Ethiopian Leather Industry Development Institute (LIDI)

Features
Aligned to national vision & strategy
Staggered approach
Cyclical / periodic
Sector considerate
Nuanced assessment
Replicable
Commitment to ESG across all level
Investment in sustainability
Capacity development in ESG
Ethics & transparency
Governance
Social
Environmental
Resource usage and dependencies
Resource efficiency across value chain
Waste & pollution management
Climate & ecosystem impact
SDG
Linkages
Mandatory & voluntary labor standards
Occupation health & safety
Product design & customer interaction
Community betterment
ESG Framework
for Ethiopia

5 Case Studies

5.1 Objective

The objective of the deep-dive consultations with 18 companies[39] across the four industrial focus sectors has been two-fold:

1. To understand where sectors and companies stand in terms of sustainability of their operations and what challenges they face in this regard; and
2. To test the draft ESG Framework developed for Ethiopia as described in Chapter 4 against the reality of companies on the ground and to refine the draft by reflecting those local realities in the final ESG Framework.

5.2 Methodology

Criteria for the selection of case study companies have been developed in close collaboration with the Ethiopian Investment Commission (EIC) and the United Nations Development Program's (UNDP) country office in Ethiopia and included a balance between: the four industrial focus sectors with the sugar and sugar-related industry treated as distinct sub-sector under agro-processing; the geographic regions within the country; companies located within industrial parks and outside industrial parks; companies owned by foreign and local investors; and larger and smaller companies in terms of revenue and number of employees.

Following the selection criteria, a short-list of suitable potential case study companies was developed from which 18 companies were selected for deep-dive consultations. These 18 case studies were then carried out through a survey and in-person interviews with managers and other company employees from July to October 2020. The following sub-chapter 5.3. gives a more in-depth overview of the case study companies to serve as context for the case study results. Findings on institutional, economic, social and environmental sustainability of the case study companies are then presented in sub-chapter 5.4. based on their assessment against the ESG Framework. Finally, sub-chapter 5.5. provides insights on how the results of the case studies helped to refine the ESG Framework proposed in chapter 4.

5.3 Case study companies

Figure 11 below shows the names, locations, industrial sectors and ownership structure for the 18 case study companies, including four companies from the garment and textile industry, five from the leather and leather product industry, four from the horticulture industry, five from the agro-processing industry, including one from the sugar and sugar-related industry. Travel restrictions imposed due to the COVID-19 pandemic made it necessary to focus on companies located in Addis Ababa and its vicinity. These restrictions also limited the selection of companies located in industrial parks and the number of companies owned fully or partially by local investors.

[39] While the study had initially only foreseen four case studies, the number of case studies was increased to 18 to obtain more salient results across, including perspectives of both foreign-owned and domestic-owned companies in each of the four industrial sectors and a separate case study from the sugar and sugar-related industry.

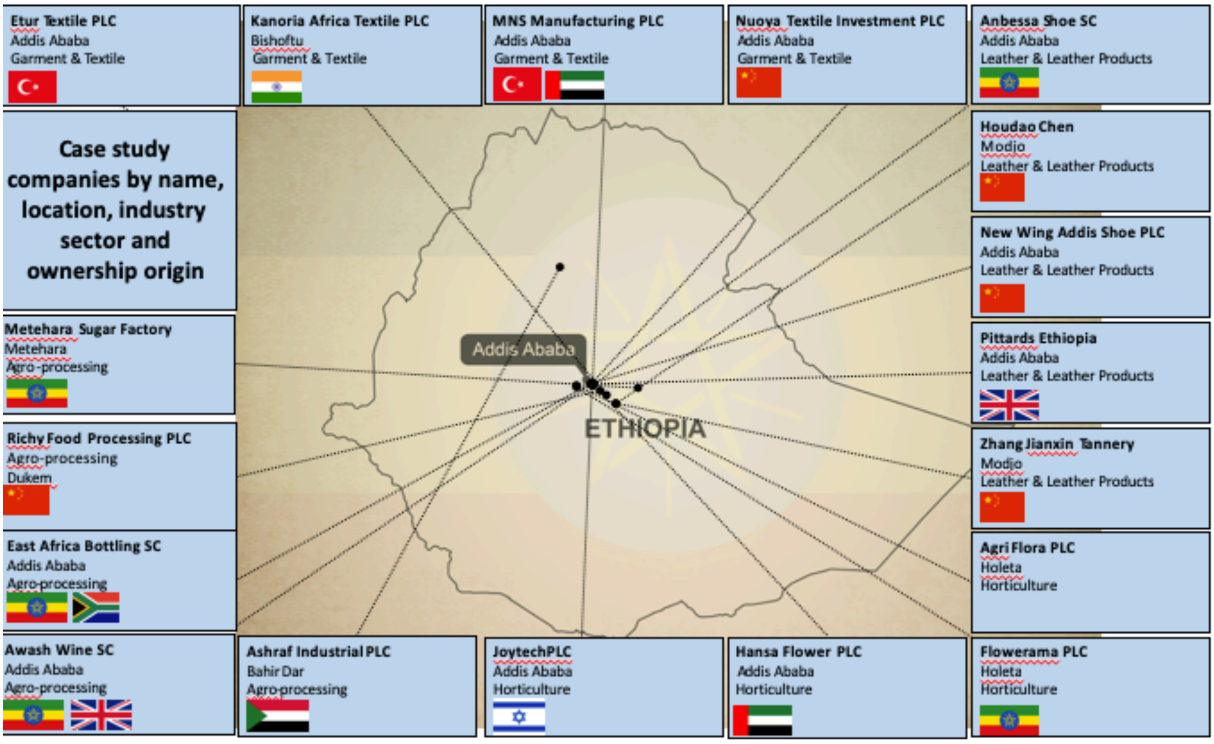


Figure 11: Overview of case study companies by name, location, industrial sector and ownership origin

Further information on the selected case study companies is provided in the tables below.

Table 3: Case study companies in the garment and textile industry

	ETUR textile PLC 2010	Kanoria Africa Textiles PLC	MNS	Nuoya Textile Investment PLC
Year of establishment	**2010**	**2012**	**2013**	**2011**
Products	Fibers, yarns, fabrics, garments	Yarns, fabrics & garments	Fabrics, yarns, carpets & towels	Bedsheets, blankets, carpets
Number of employees	260	1200	750	870
Ownership structure	Foreign (Turkey)	Foreign (India)	Foreign (Turkey/UAE)	Foreign (China)
Website	www.eturtextile.com	www.kanoria-africa.com	www.mnstextile.com	n/a

Table 4: Case study companies in the leather and leather product industry

	Anbessa	**Houdao Chen Tannery**	New Wing	Pittards	**Zhang Jianxin Tannery**
Year of establishment	1935	2016	2016	2005	2011
Products	Footwear	Leather	Leather & footwear	Gloves, footwear, leather goods	Leather
Number of employees	Ca. 2000	Ca. 600	Ca. 1000	600	Ca. 230
Ownership structure	Local	Foreign (China)	Foreign (China)	Foreign (UK)	Foreign (China)
Website	www.anbessashoesc.com	n/a	www.newwing.com.hk	www.pittards.com	n/a

Table 5: Case study companies in the horticulture industry

	Agri Flora PLC	**Flowerama PLC**	**Hansa Flowers (Oromia Wonders PLC)**	Joytech fresh
Year of establishment	2006	2017	2015	2003
Products	Flowers	Flowers	Flowers	Herbs and flowers
Number of employees	Ca.260	Ca. 250	Ca. 320	Ca. 1500
Ownership structure	Foreign (?)	Local	Foreign (UAE)	Foreign (Israel)
Website	http://agriberries.com/	n/a	www. hansaflowers.com	www. joytechfresh.com

Table 6: Case study companies in the agro-processing industry, including the sugar and sugar-related industry

	ASHRAF	Awash Wine Since 1936	Coca-Cola	**Metahara Sugar Factory**	Richy One
Year of establishment	1996	1936	1959	1970	2019
Products	Edible oil	Wine	Beverages	Sugar, molasses and ethanol	Food and beverage packaging
Number of employees	Ca. 300	Ca. 670	Ca. 2200	Ca. 5000	Ca. 30
Ownership structure	Foreign (Sudan)	Local / Foreign (UK)	Local / Foreign (South Africa)	Local	Foreign (China)
Website	www.ashraf.com.et	www.awashwines.com	www.cocacolasabco.com	n/a	n/a

5.4 Results

The assessment of the 18 case study companies was carried out against the draft ESG Framework as presented in Chapter 4 above and Annex I below. To allow for comparison across sectors, the same indicators and sub-indicators were used for all case study companies. At the same time some questions and weightages of sub-indicator were adjusted to reflect sector-specific aspects. After the initial assessment of four case study companies, some slight adjustments were made to the assessment framework. The high-level overview of scoring of case study companies by category and industrial sector are included in Table 7 below. At the sector-level, the agro-processing industry, including sugar and sugar-related products ranks the highest with an average of 61% of the maximum score reached by case study companies. Also, the overall highest-ranking company of the assessment (73%) is part of this group of case study companies. On the other end of the spectrum there is the leather and leather products industry, whose case study companies only achieved 38% of the maximum score on average. It is also in this sector that the two overall lowest-ranking companies are found with an average of 25% and 27% of achievable points, respectively. The garments and textile and horticulture sectors almost came out at par with a case study company average of 55% and 53% of the maximum total score, respectively. The overall second-highest company ranking was achieved in the horticulture sector with a total of 72% of the attainable score. With regard to the scoring of categories, case study companies of the agro-processing sector, including sugar and sugar related products, scored in average the highest on Governance (58%), the horticulture sector on Social (78%), narrowly followed by agro-processing (76%) and garment and textile (75%) sectors, and companies from the agro-processing sector, including sugar and sugar-related products also scored the highest in the Environmental category (48%).

Table 7: Overview of results of the ESG Framework assessment of case study companies by categories and industrial sectors

	Industrial sector	Governance score	Social score	Environmental score	Total score	Total average score by industrial sector	Governance average score by industrial sector	Social average score by industrial sector	Environmental average score by industrial sector
Kanoria Textile	Garment & Textile	41%	78%	51%	57%	55%	48%	75%	43%
MNS Garment		53%	81%	43%	59%				
ETUR Textile		56%	79%	42%	59%				
Nuoya Textile		40%	60%	35%	45%				
Anbessa Shoes	Leather & Leather Products	23%	44%	19%	29%	38%	34%	61%	21%
Houdao Chen Tannery		10%	50%	16%	25%				
Zhang Jianxin Tannery		18%	54%	8%	27%				
New Wing Addis Shoes		54%	81%	29%	55%				
Pittards Ethiopia		65%	75%	31%	57%				
Agri Flora	Horticulture	59%	78%	15%	51%	53%	55%	78%	27%
Flowerama		35%	67%	17%	40%				
Hansa Flower		42%	74%	31%	49%				
Joytech		83%	91%	43%	72%				
Ashraf Industrial	Agro-processing, including sugar and sugar-related products	49%	66%	38%	51%	61%	58%	76%	48%
Awash Wine		53%	80%	54%	62%				
East African Bottling		68%	94%	57%	73%				
Richy Food		52%	70%	45%	56%				
Metahara Sugar		70%	71%	44%	62%				

5.4.1 Governance

The Governance category includes sub-categories on Sustainability Commitment, Sustainability Expertise, Sustainability Design, Transparency and Accountability and Economic Sustainability. Scores per sub-category by case study company are included in Table 8 below.

Table 8: Results of the ESG Framework assessment of case study companies on governance

	Industrial sector	Sustainability Commitment	Sustainability Expertise	Sustainability Design	Transparency & Accountability	Economic Sustainability
Kanoria Textile	Garment & Textile	40%	0%	25%	73%	83%
MNS Garment		35%	50%	79%	67%	42%
ETUR Textile		33%	100%	68%	40%	42%
Nuoya Textile		15%	50%	36%	53%	67%
Anbessa Shoes	Leather & Leather Products	35%	0%	14%	40%	0%
Houdao Chen Tannery		2%	0%	0%	27%	33%
Zhang Jianxin Tannery		79%	0%	25%	27%	33%
New Wing Addis Shoes		60%	50%	50%	40%	83%
Pittards Ethiopia		85%	50%	36%	100%	50%
Agri Flora	Horticulture	62%	50%	29%	87%	0%
Flowerama		27%	50%	29%	27%	44%
Hansa Flower		66%	50%	29%	40%	0%
Joytech		80%	100%	57%	83%	0%
Ashraf Industrial	Agro-processing, including sugar and sugar-related products	45%	100%	38%	67%	0%
Awash Wine		29%	100%	62%	100%	0%
East African Bottling		67%	100%	100%	87%	0%
Richy Food		43%	100%	43%	13%	0%
Metahara Sugar		89%	100%	67%	87%	0%

Sustainability Commitment: Mission, Corporate Policies, Management System and Standards and Code of Ethics

Eight out of the 18 case study companies demonstrated advanced level of commitment towards sustainability by scoring above 50% of the maximum score. These companies demonstrated a pro-active implementation of sustainability policies, hiring of dedicated experts or the explicit mentioning of ESG relevant aspects in their mission statements. Especially companies from the agro-processing sector, including sugar and sugar-related products as well as from the and horticulture sector, scored high and seem to be more active in establishing sustainability commitment in their production processes. Companies from the leather and leather products sector also maintain a sustainability commitment within their governance structure by following ISO certified management standards in their day-to-day operations or through the establishment of sophisticated water treatment facility to manage waste responsibly. The overall average score on Sustainability Commitment in the garment and textile sector is 50%.

As Figure 12 below indicates, almost all companies interviewed have some sort of ESG policy in place. Health and Safety Policy (16), Environmental Policy (14), Equal Opportunity Policy (12), Social Responsibility Policy (10), Environmental Policy (9) and Anti-Corruption/Anti-Bribery Policy (9).

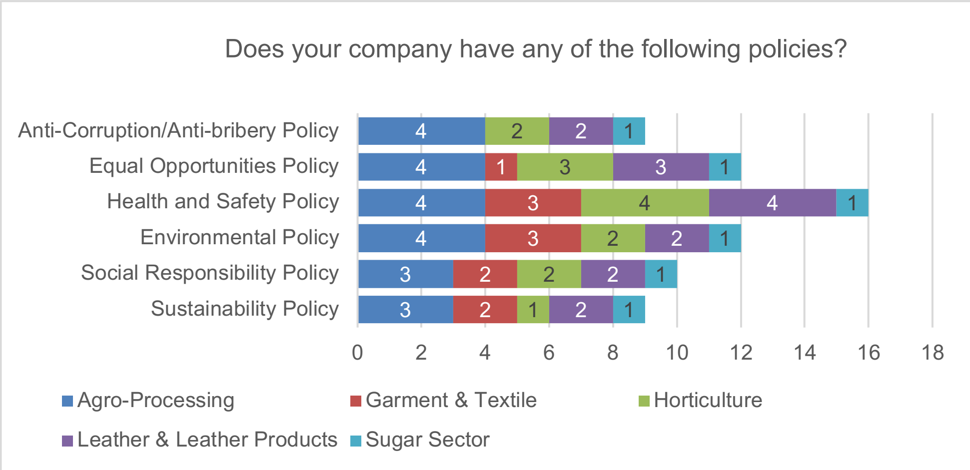


Figure 12: Sustainability policies applied by sector

The level of certified standards varies among the interviewed companies. Companies with strong foreign shareholder or government involvement (Pittards Ethiopia, East Africa Bottling, Metahara Sugar Factory) have Environmental Management Standard (ISO 14001) in place. Most of the interviewed companies have sector specific standards in place. For example, companies in the horticulture sector (Agri Flora and Joytech) both have G.A.P. standards[40] implemented. Companies in the Garment & Textile sector (Kanoria Africa Textiles, MNS Manufacturing and Etur Textile) have OECO Tex[41] or Business Social Compliance Initiative (BSCI)[42] implemented. Only four companies (Metahara Sugar Factory, Pittards Ethiopia, East Africa Bottling) have so far implemented ISO 9001 (see Figure 13).

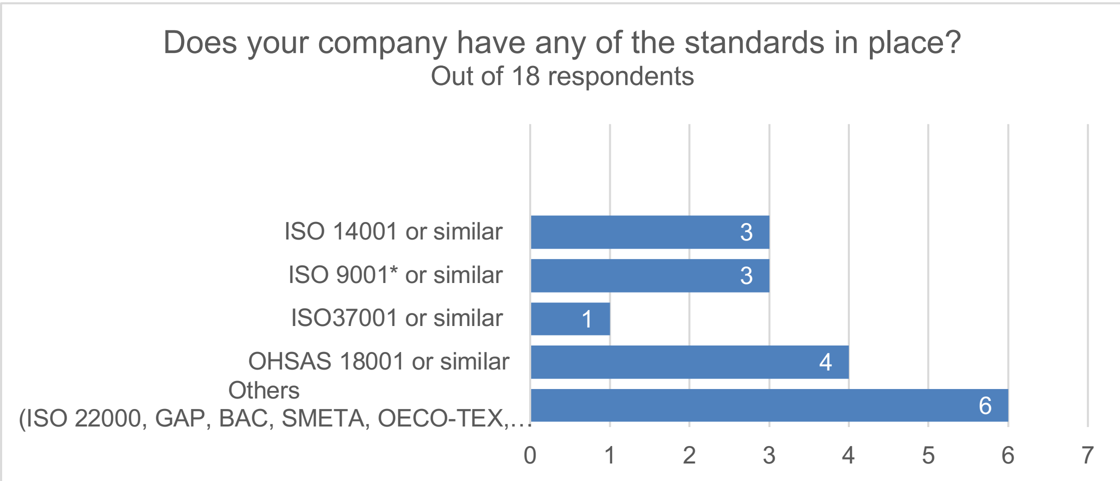


Figure 13: Sustainability standards applied by interviewed companies
**Awash Wine and Richy Food are currently in the process getting ISO certification*

[40] https://www.globalgap.org/uk_en/
[41] https://www.oeko-tex.com/en/our-standards
[42] https://www.amfori.org/content/amfori-bsci

While some companies have shown strong sustainability commitment, it is not always obvious that the commitment translates into sustainability expertise. Sustainability expertise is comprised of regular employee training, dedicated experts & resources, established supplier selection process and utilization of sustainable designs for production or packaging.

In this regard, companies in the agro-processing and sugar related sector, in the horticulture and garment and textile sectors have scored the highest points for sustainability expertise showing a dynamic development process towards sustainability within these sectors. On the other hand, three companies from the leather sector scored the least points (0%) for sustainability expertise, reflecting a structural governance issues within the sector. Those companies with strong commitment and expertise have established dedicated departments or have hired dedicated personnel overseeing aspects of sustainability and good governance (Figure 14 below).

Sustainability Commitment: Employee Training and Dedicated Experts and Resources

To boost the sustainability expertise of companies, dedicated experts are dealing with environmental, health and safety and quality standards. For example, a company in the agro-processing sector has established a Safety, Health and Environment (SHE) department with dedicated professional staffs and another in the horticulture sector established a dedicated department for audit, standards and certification with a total 4 personnel (auditor, assistants, and a trainer).

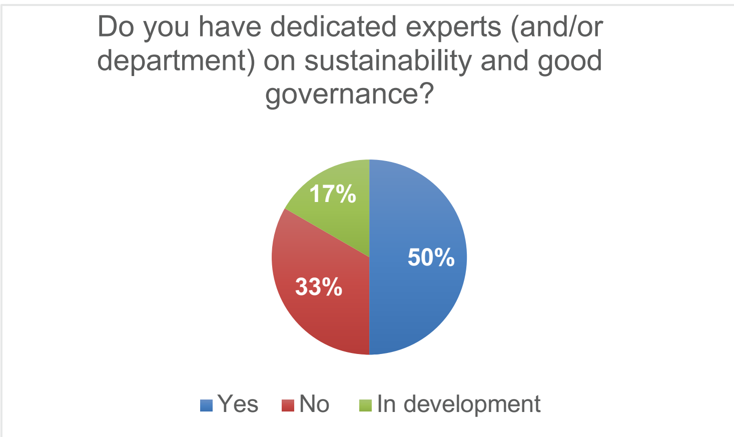


Figure 14: % share of companies employing dedicated ESG experts

In addition, to increase the sustainability expertise, majority of the interviewed companies have indicated that they provide regular training to employees on aspects of ESG, including hygiene, anti-harassment, different manufacturing practices or emergency management. These companies also provide regular training to their employees on production process, company's social norms as well as on aspects related to environment management, such as waste management. Companies that are in the process of getting ISO certified[43] send their management staff to regular training to absorb the management practices of different international standards.

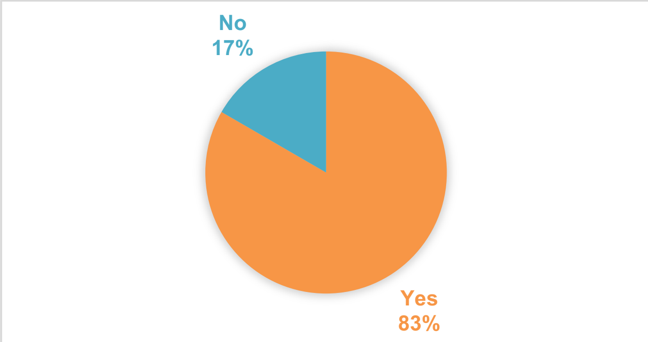


Figure 15: % of companies providing ESG training to employees

Anbessa Shoes: Talent acquisition program

As the company is always in need of skilled workforce it established its own training program to recruit and train new entrants independently. Through its talent acquisition program, the company offers training to its prospective future employees while paying them a per-diem from the start. By the time the employees take on responsibilities within the company, they are well prepared and motivated to start. Once they enter the company, they receive further training to boost productivity.

Sustainability Design: Supply Chain and Product Design

Sustainability design refers to supplier selection process as well as how companies are utilizing product designs to advance ESG in their companies. In their day-to-day process, out of 15 respondents 11 have highlighted to have a supplier selection process, with six having a formal and documented procedure in selecting their suppliers, while five are using informal and undocumented approach (see Figure 16 below). In selecting suppliers, responding companies from the horticulture and agro-processing sector sectors scored the highest points, with East Africa Bottling scoring the highest score of 100%. Joytech a horticulture scoring overall 57% is explicitly looking at sustainable business practices when selecting suppliers. Other respondents emphasize financial stability, environmental and social commitment, product reliability and past references when selecting suppliers (Methahra Sugar Factory, East Africa Bottling, Awash Wine and MNS Manufacturing). Those with no formal selection process, often scoring low on sustainability design, only check for price competitiveness by obtaining different

[43] Awash Wine, Richy Food

offers from suppliers. Companies receiving their inputs directly from their parent company also do not undertake formal or informal supplier selection, scoring overall lower on this indicator.

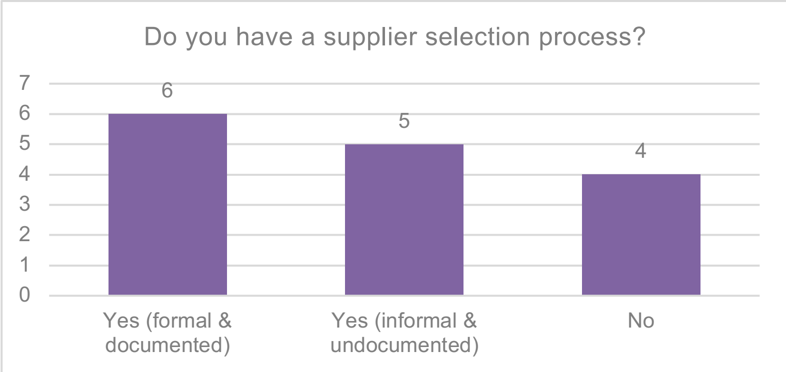


Figure 16: Type of supplier selection process

Transparency and Accountability: Audits and Public Disclosure

Transparency and accountability refer to formal auditing process and the public disclosure of these audits for public consumption. Companies such as Pittards Ethiopia, Awash Wine scored the highest point (100%) as they regularly undertake and publish their audits. Again companies in the agro-processing and horticulture sector score high in this regard with Metahara Sugar Factory, Agri Flora and East Africa Bottling (all 87%) and Joytech (83%). Agri Flora states on its website that it has "*obtained the Bronze Level as per the Code of Practice*[44]*, this indicates our readiness and our conformity towards the Environment as well as our contribution towards the Social conditions*".[45] The company also exhibits additional certificates from Global G.A.P. (standard for Good Agricultural Practice; Supplier Ethical Data Exchange (SEDEX)[46] as well as certificate of the British Royal Consortium (BRC)[47], a trade association for the UK Retail. According to the company, showing these certificates is important aspect to position the company as a reliable partner for its customers as it indicates proper measures have been put in place, i.e. appropriate Environmental Impact Assessment, and that it has been approved by authorities such as the Ethiopian Forest and Climate Change Commission (EFCCC).

Kanoria Africa Textiles (scoring 73%) highlights publicly the eco-friendly production of its finished products. Certification from OEKO-TEX[48] as well as Cotton Made in Africa[49] are shown on the company's website in addition to certification from Carbon Initiative Improvement

[44] https://ehpea.org/code-of-practice/
[45] The Ethiopian Horticulture Producer Exporters Association Code of Practice is the result of an initiative taken by the sector to introduce a voluntary system of continuous professional and technical development, monitoring and self-regulation into the sector and is designed to address market and civil society concerns about standards for social and environmental performance in the sector and also to guide the sustainable development of the sector. See more at https://ehpea.org/code-of-practice/ http://agriberries.com/about-us/
[46] https://www.sedex.com/
[47] https://www.brcgs.com/
[48] https://www.oeko-tex.com/en/
[49] https://cottonmadeinafrica.org/en/standards-verification-system/

Initiative (CPI2)[50] for its sustainable water usage.[51] New Wing Addis Shoes is displaying certificate received from the local policy station showing the good community relation between the company and the community.[52] East Africa Bottling responded that the company regularly shares its ESG activities through different media outlets. Pittards Ethiopia shares its different social activities publicly on its website, highlighting the company's involvement in school building as well as in supporting local charity organizations catering for disadvantaged young people.[53]

Interviewed companies have responded to actively applying multiple measures to increase transparency and accountability in their respective companies. Measures such as full compliance with Ethiopian labor laws, transparency in company's management style as well as working closely with trade unions have been highlighted as important aspect to avoid corruption and increase transparency (Figure 17). 50% of the responding companies see in following a stablished anti-corruption policy, transparent process in giving and receiving approvals and multilayer decision-making as useful ways in fostering transparency and anti-corruption behavior and increase the companies code of ethic. For example, Agri Flora emphasizes the good relation between management and employee unions to identify solutions to problems associated with working on the farm, including creating a more transparent decision-making process.

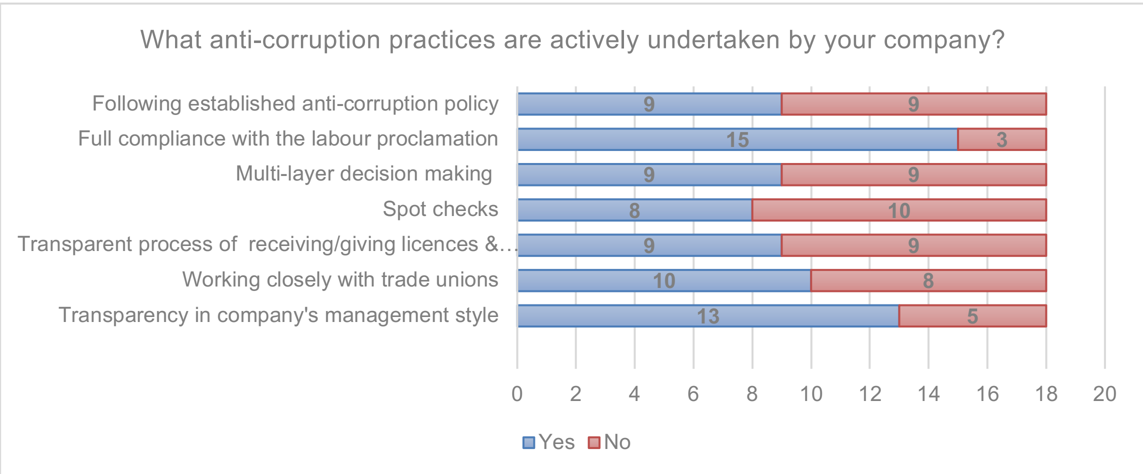


Figure 17: Type of anti-corruption practice applied by interviewed companies

Interviewed companies have also indicated that they undertake regular audits in the financial, social, environmental, water and energy areas. Companies have indicated to undertake internal and external auditing process in one or more areas. 12 companies explicitly indicated their financials are checked internally as well as externally. For example, in the past five years, MNS Manufacturing received external financial audits by the Ethiopian Revenue Authority as well as a quarterly audit by the Development Bank of Ethiopia (DBE) as the company received

50 https://www.cpi2.org/en/
51 http://www.kanoria-africa.com/social-responsibility/
52 https://newwing.com.hk/#mission
53 https://www.pittards.com/about/community-partners/

a substantial financing from DBE when they started investing in the country. In addition, the Business Social Compliance Initiative (BSCI) requires MNS Manufacturing to go through a rigorous audit for environment and social standards. According to the company, these audits have supported MNS Manufacturing to upgrade its activities in line with the requirements received from the auditing institutions as well as national standards imposed by the host government.

Economic Sustainability: Job Creation, Profits and Innovation and R&D

Under economic sustainability, the ability to companies to create jobs for local employees as well as if companies are undertaking any innovation and R&D has been measured. Two companies in the garment and textile sector, Kanoria Africa Textiles (83%) and Nuoya Textile (67%) as well as two companies in the leather and leather products sector, New Wing Addis Shoe (83%) and Pittards Ethiopia (50%), scored higher, highlighting that these companies are investing in innovation and R&D. Interestingly, companies in the Horticulture and agro-processing are scoring the least points for this indicator.

5.4.2 Social Sustainability

The category of Social sustainability scored by far the highest points compared with the other two categories of Governance and Environmental sustainability. This may be in part due to Ethiopia’s strong labor law, which has been revised in 2019 and seems to be adhered to by case study companies. Sub-categories under Social include Employee Welfare and Standards, Occupational Health & Safety, Training and Capacity-building, Equal Opportunities, Product Safety, Consumer Relations and Local Community Betterment. Scores per sub-category by case study company are included in Table 9 below.

Table 9: Results of the ESG Framework assessment of case study companies on social sustainability

	Industrial sector	Employee Welfare & Standards	Occupational Health & Safety	Training & Capacity-building	Equal Opportunities	Product Safety	Customer Relations	Local Community Betterment
Kanoria Textile	Garment & Textile	84%	97%	50%	50%	83%	100%	75%
MNS Garment		91%	97%	75%	75%	57%	58%	79%
ETUR Textile		99%	100%	75%	75%	33%	42%	75%
Nuoya Textile		84%	100%	0%	63%	13%	0%	58%
Anbessa Shoes	Leather & Leather Products	55%	47%	75%	75%	13%	67%	25%
Houdao Chen Tannery		63%	41%	25%	38%	47%	58%	63%
Zhang Jianxin Tannery		61%	44%	50%	38%	83%	58%	50%
New Wing Addis Shoes		54%	81%	100%	88%	97%	100%	92%
Pittards Ethiopia		72%	91%	100%	88%	27%	50%	79%
Agri Flora	Horticulture	73%	100%	75%	75%	57%	83%	50%
Flowerama		65%	63%	75%	88%	57%	100%	50%
Hansa Flower		58%	69%	75%	100%	57%	100%	83%
Joytech		96%	100%	75%	100%	100%	67%	71%
Ashraf Industrial	Agro-processing, including sugar and sugar-related products	94%	44%	50%	75%	27%	100%	67%
Awash Wine		99%	56%	75%	100%	40%	100%	88%
East African Bottling		99%	100%	75%	100%	100%	100%	75%
Richy Food		74%	75%	50%	75%	100%	33%	50%
Metahara Sugar		88%	88%	75%	50%	27%	67%	75%

Employee Welfare & Standards

The sub-category goes beyond the labor law and labor standard by also including aspects on a competitive salary and other benefits. In Ethiopia it is critical for companies operating in the country to follow the labor law and ensure that employee welfare is met. The Ministry of Labor and Social Affairs regularly checks companies if they are operating in line with Ethiopia's Labor Proclamation[54]. As shown in Table 9 above, all companies give employee welfare due attention, with companies in the garment and textile, agro-processing and horticulture sectors scoring high scores. None of the companies scores below 50% of the total score. All 18 companies interviewed confirmed to strictly follow the country's labor standards, by providing written contracts to their employees, allowing for collective bargaining and paying overtime based on 8h/day and 48h/week arrangement and providing severance payment. Having a strong union is also seen as an advantage and companies such as Agri Flora, Etur Textile, MNS Manufacturing and East Africa Bottling indicated to actively encourage employee association to work closely with the company's management to help improve the overall working conditions, especially on salary negotiation, welfare facility improvement as well as community engagement.

[54] https://chilot.me/2019/10/labour-proclamation-no-1156-2019/

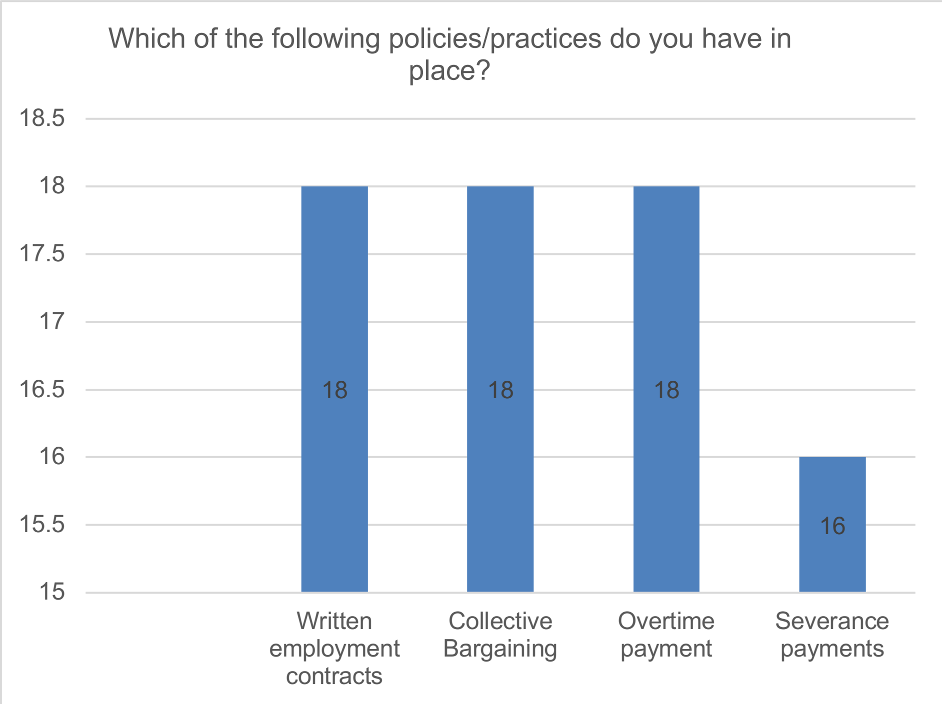


Figure 18: Labor policies and standards applied by interviewed companies

In terms of welfare facilities for employees, companies interviewed highlighted to provide the necessary facilities for their employees (Figure 19). For example, all interviewed companies provide canteen, different toilets for female and male employees as well as sufficient waste bins on their factory floors. Five companies (Joytech, Agri Flora, Etur Textile, Nuoya Textile and East Africa Bottling) indicated to provide free food or subsidized canteen facilities to employees. Although it is not mandatory to provide a dedicated canteen, companies operating in Ethiopia see the provision of canteens as an advantage to increase efficiency of day-to-day operations. In addition to canteens, 16 companies responded to provide safe and clean drinking water to their employees. As transportation to and from work is a constant challenge in Ethiopia and a major hurdle to companies' efficiency, 13 companies indicated to provide transportation services to their employees to tackle this challenge. Only eight (8) companies provide recreation facilities to their employees.

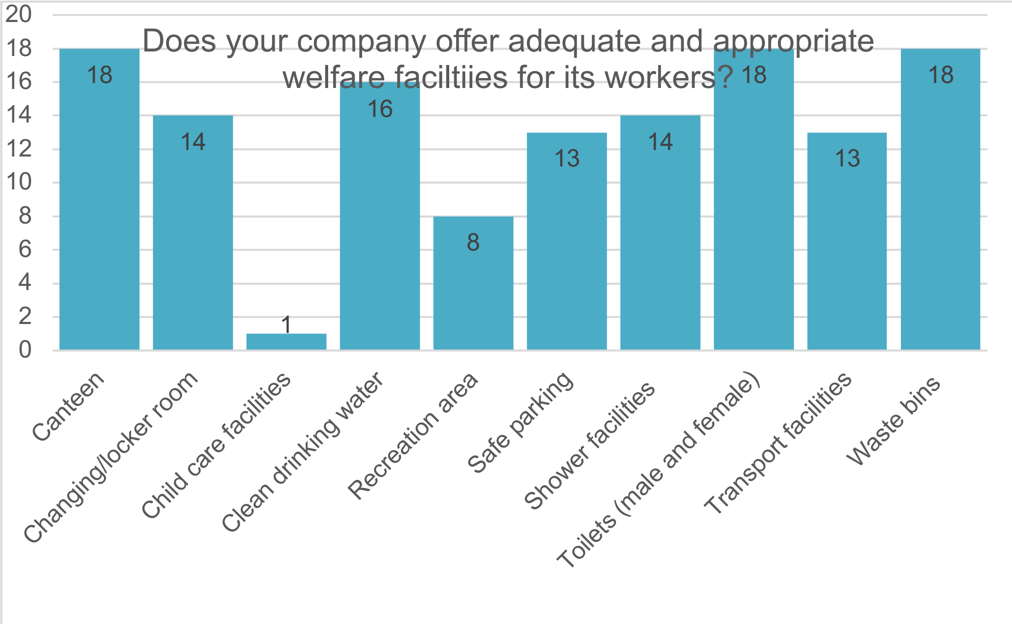


Figure 19: Type of welfare facilities provided by interviewed companies

Salary

Ethiopia does not have a minimum salary. Therefore, companies usually follow industry wide payment approaches or create their own calculation system to determine the minimum wage at their respective company. For example, one of the interviewed companies (Etur Textile, scoring 99% in employee welfare and standards) is using a fair remuneration quick scan guide[55], which it accessed through its regular GRS/BSCI audit process. Based on this approach the company takes the average salary compared to employee's family size, then considers if this could become a minimal living salary for its workers. For example, according to the company, Etur Textile pays 1000 ETB for a cleaning person working at the company. All 18 companies say that they pay the same salary for female and male workers. 15 of them indicated to employ female works on the factory floor. On the other hand, establishing a minimum wage for sector specific tasks would help to align payment across different companies within the same sector and help avoid the employee fluctuation.

[55] https://www.amfori.org/sites/default/files/Template%205%20Living%20Wage.pdf

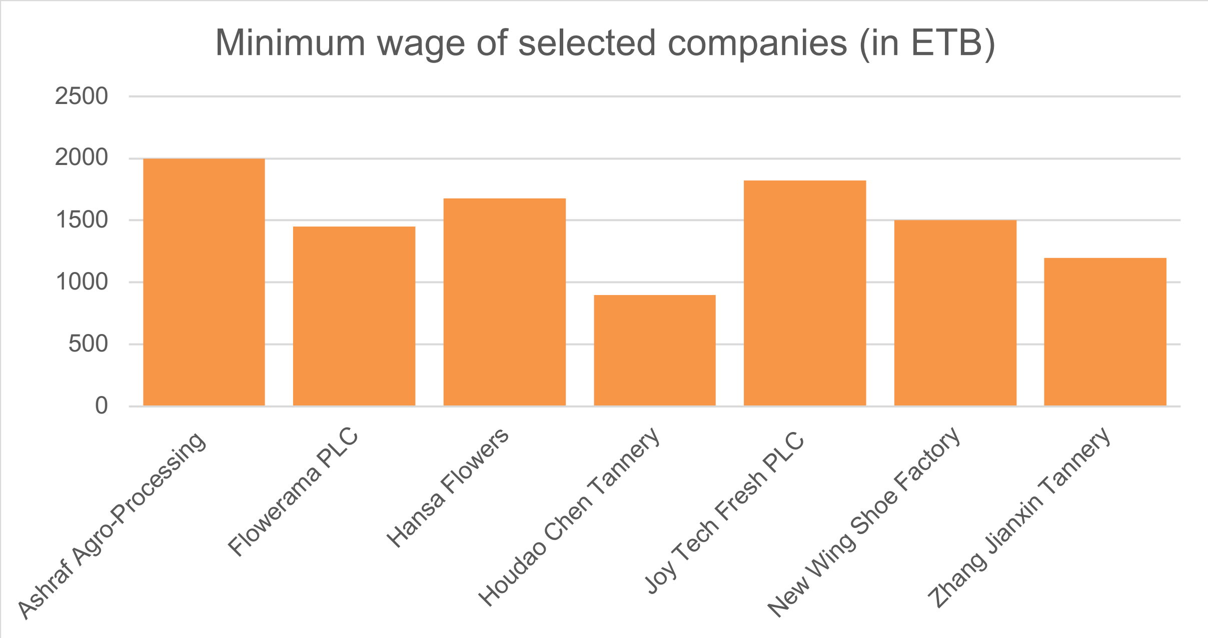


Figure 20: Minimum wage payment from selected companies

Half of the respondents say to hire their workforce on a permanent payroll with the intention to keep them as employees for a longer period (Figure 21). Almost all companies interviewed provide their employees opportunities for professional growth through regular on the job and external trainings. They also offer scheduled annual salary increments and performance-based promotions. Equally, eleven companies interviewed have highlighted to pay their employees equal to, or more than, the local average salary for their respective roles in the company. Labor intensive companies within the leather and agro-processing sectors are frequently using temporary staff when there are peaks in workload. Pittards Ethiopia provides for annual salary increments based on the annual earning of the company. Ashraf Industrial pays a minimum net salary of 2,000 ETB and applies an annual promotion appraisal system as well as provides its employees education allowance. Joytech pays a minimum of 1,820 ETB and additional transportation allowance for its employees.

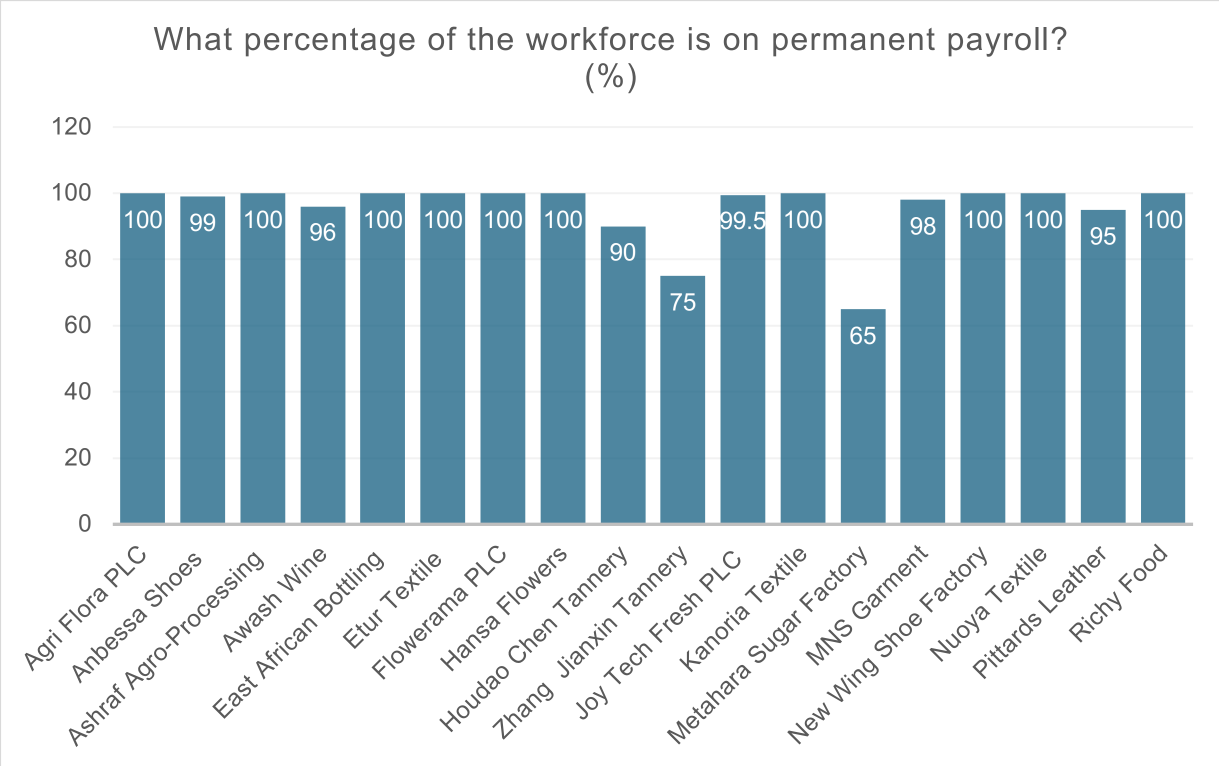


Figure 21: % of workforce hired permanently by interviewed companies

Companies provide their staff members with additional benefits that go beyond salary payment (Figure 22), including family health insurance, paid leave, maternity and paternity leave, capacity development, severance pay and retirement policy. In addition, some companies provide work-related allowance. For example, Hansa Flowers provides employees working in the cold room, where flowers are kept fresh for export, a “cold allowance” of 300 ETB per month. Awash Wine provides full education scholarship for its employees and considers itself to be the pioneer in providing paternity leave, even before the law came into force. Flowerama provides a career growth development for its employees allowing them to move up from daily laborer to supervisory position. The company also provides on the job training by visiting other flower farms. Joytech provides maternity leave for 4 months even though the law only stipulates for 3 months.

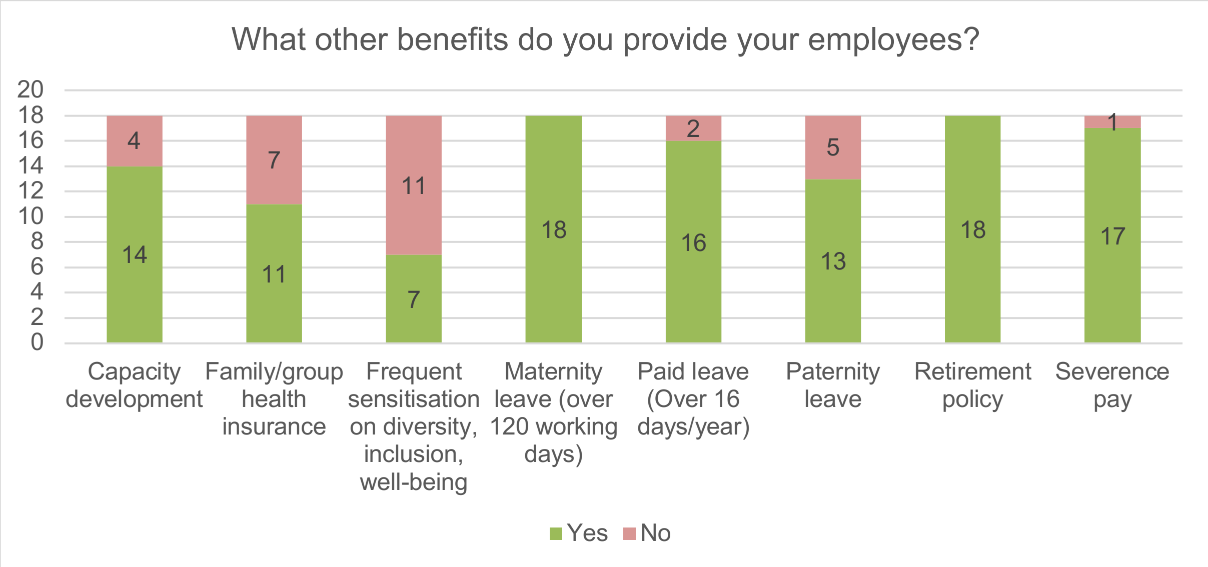


Figure 22: type of benefits provided by companies interviewed

Grievance System

Eleven of the interviewed companies indicated to have put in place a functioning grievance management system (Figure 23). For example, Awash Wine has established a grievance procedure unit to address any complaint concerning the wellbeing of the workers. At Hansa Flowers, employees have established a committee to deal with grievance at workplace including a gender committee led by women handling any sensitive harassment issues, should they arise. East Africa Bottling confirmed to have a secure, anonymized mechanisms for grievance expression, and redressal available to employees. Guidelines on how employees can express their grievances are attached to the employees' contracts. Moreover, the company has put sealed boxes at its facilities to encourage employees express their grievance secretly and it has also established a harassment prevention committee with periodic anti-harassment sensitization program. At Joytech there is a dedicated box collecting comments and the boxes are opened every month to be discussed with management and employees. On the other hand, two companies from the leather sector have indicated that they do not have an explicit system to express grievances or report harassment issues, these issues are mostly dealt with by their human resource department.

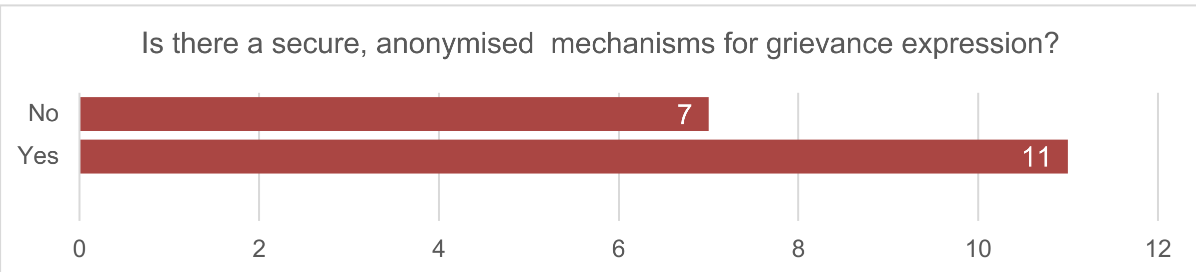


Figure 23: Number of companies having a secure and discrete mechanism for grievance

Occupational Health and Safety

This sub-category includes the following aspects: existing rules and procedures for workers, available equipment, such as suitable personal protective equipment, emergency response mechanisms as well as if there are dedicated personnel in the company dealing with health and safety measures. Five companies scored full 100% for fulfilling OH&S. Four companies scored below 50% (three in the leather and one in agro-processing sector) showing further improvement is needed. Those scoring less than 50% indicated that although they have some sorts of, more informal OH&S in place, they have not yet established adequate mechanism due to shortage in manpower or lack of knowledge how such systems could be implemented properly. Companies who have scored high scores indicated implementing appropriate OH&S measures at workplace constitute an integral part of their day-to-day activity (see Figure 24)

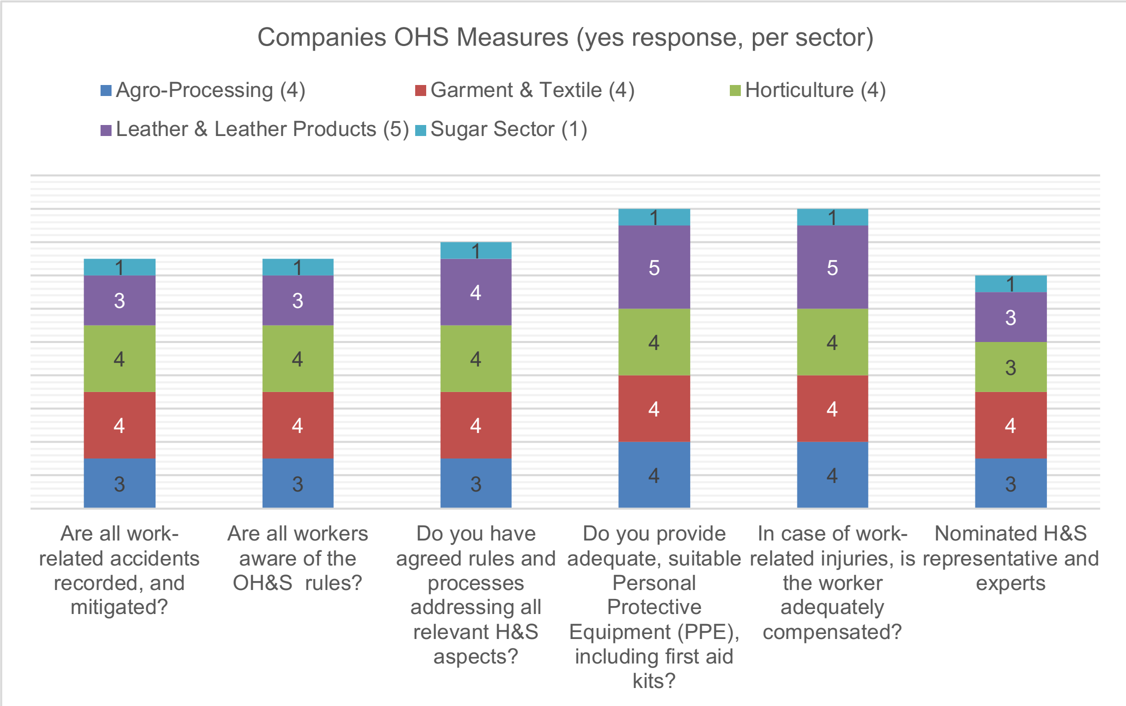


Figure 24: Companies' OHS Measures

All interviewed companies have indicated that they provide adequate and suitable Personal Protective Equipment (PPE) to their employees. For example, Flowerama has a dedicated committee for health and safety issues at the company and it provides PPE to its employees, such as gloves and masks for chemical sprayers.

Training and Capacity Building

Two companies from the leather sector (Pittards and New Wing Shoe) both scored 100% for their regular training and capacity building programs. On the other hand, two companies scored way below 50% as they have not yet established a regular training and capacity building programme for their employees. On the hand, companies such as Anbessa Shoes have used regular trainings to get their prospective employees identified.

Equal Opportunity

In assessing equal opportunity, this study looked at fair and transparent hiring practices as well as at inclusive workplace management. Four companies from the agro-processing and horticulture sector scored the highest points (100%). They have proper HR management in place that allows inclusive and non-discriminatory hiring process. Especially women and people with disability are given opportunity to work at these companies. In this category only two companies from the leather industry are scoring below 50%.

Joytech: A sustainable and inclusive work place

A part of Ethiopia's horticulture sector since 2003, Joytech among the largest exporters of fresh herbs, vegetables and flowers. The company is well versed in ESG practices given that its European customers require a range of standards and practices in this regard. For example, Joytech is pursuing a resource efficient hydroponics growing system and reuses fertilizer, which overall also helps the company save up to 120,000 Ethiopian Birr per month. According to Joytech, they were also the first horticulture company in Ethiopia to recruit hearing impaired workers, who Joytech considers to be among the most efficient and reliable employees within the company.

Product Safety

Product safety measures how companies are undertaking their quality control to ensure product safety and wellbeing of consumers as well as which methods they have put in place to meet national and international standards. In this category three companies scored the highest possible point of 100% (two from agro-processing and one from horticulture sector). Although all companies interviewed indicated to have put product quality control system in place (Figure 25), eight companies scored below 50% showing a room for improvement to set up adequate quality control mechanisms in the textile, leather agro-processing sectors. Interestingly, all companies from the horticulture sector scored above 50%. All companies in the horticulture sector (4) do a daily quality check of product standards (i.e. checking proper cutting stage for flowers) as only properly produced flowers will be sold to mostly export clients through auctions or direct sales. Companies from the Garment and Textile sector, Leather & Leather Products sector and Agro-Processing sector have indicated to have quality control steps at every step of their production process.

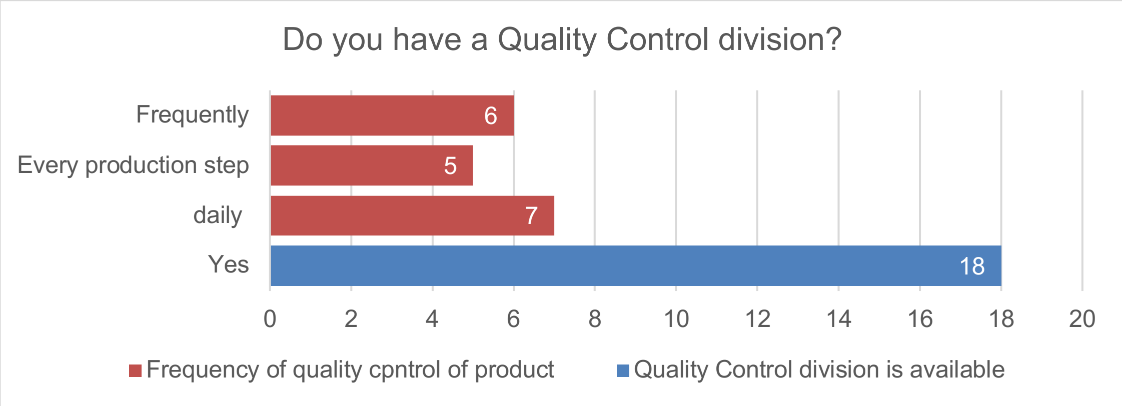


Figure 25: Number of companies with Quality Control in place and frequency of quality control of products

Customer Relations

To ensure customer satisfaction companies need to address not just pre-sales but also after-sales support and long-term commitments. Product quality as well as follow up support and responses to customers is integral to long term sustainable growth of business. Customer satisfaction measures how companies have put in place processes to provide products sales and after sales services and if these services are in line with international standards. Companies from garment and textile (one), from leather (one), from horticulture (two) and from agro-processing sector (three) scored the highest possible scoring point of 100%. Two companies from the garment and textile sector scored below 50% with one scoring the lowest point possible for customer relation indicating that the company has not yet put in place adequate customer relation services in place.

Local Community Betterment

Companies can have positive impact on local work force and economy. Ideally, all suppliers of a company are local, but this is not always feasible since many raw materials may not be available locally. Companies can buy as local as possible to grow the local economy, support local businesses and reduce cost of transport (as well as emissions). It is also considered a good practice if companies employ as many local workers as possible, if the right skills are available, as this promotes the local economy. Companies can also undertake activities to support local youth, such as internship or work placement programmes to empower them and increase their skills and capabilities contributing directly to the local economic development. In addition, through Corporate Social Responsibility (CSR) is companies can initiate community improvement projects and create community awareness.

All case study companies have active Corporate Social Responsibility programmes and dedicated local improvement projects in their respective communities. For example Hansa Flower (83% score) indicated to supply water to most sections of the Holeta City where the company is located. In return, the community protects the farm when there is strife around the farm. Through its periodic community conversation program – at least twice a month- Awash Wine has been able to provide concrete betterment activities to the local community where it operates its business. This includes provision of cookstoves for 200 households for free, raising community awareness on waste disposal management as well as lobbying the regional government to get electricity for the community. Zhang Jianxin Tannery (50%) and Houdao Chen Tannery (63% score) contribute to the local community through money donation and supporting of the local security forces. ETUR Textile has built a mosque and supports the community by providing potable water and supporting an orphanage.

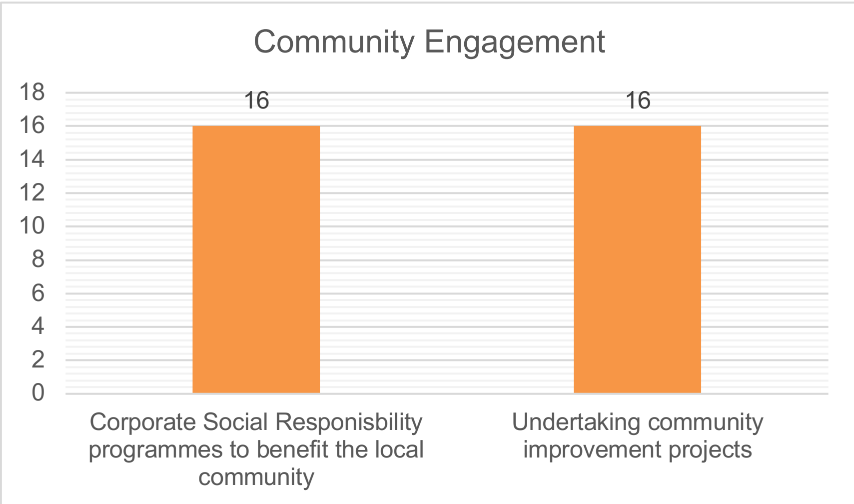


Figure 26: Number of companies with CSR activity

5.4.3 Environmental Sustainability

The assessment of the 18 case study companies against the draft ESG Framework showed that environmental sustainability is the category against which companies performed the weakest with in average across industrial sectors of only 34% of the maximum scores achieved, in comparison to 49% in Governance and 72% in Social. However, the Environmental category also has the largest differences between highest and lowest performing case study companies by indicator, including energy, water, waste, pollution, procurement, resource efficiency, climate action and ecosystem impact. While for each of the indicators there is one or more case study companies that scored zero, there are also many companies that scored 100% on some of the same indicators, e.g. water, waste, procurement, resource efficiency and ecosystem impact (see Table 10 below). The one indicator that stands out as the overall lowest ranking, with many companies scoring zero, is climate action. This indicator is comprised of whether a company measures its carbon footprint, utilizes carbon markets to access climate finance and has taken any actions to increase climate resilience of its operations. The individual indicators are further explained and substantiate with more data below.

Table 10: Results of the ESG Framework assessment of case study companies on environmental sustainability

	Industrial sector	Energy	Energy average score	Water	Water average score	Waste	Waste average score	Pollution	Pollution average score	Procurement	Procurement average score	Resource Efficiency	Resource Efficiency average score	Climate Action	Climate Action average score	Ecosystem Impact	Ecosystem Impact average score
Kanoria Textile		40%		70%		67%		47%		45%		100%		17%		11%	
MNS Garment	Garment & Textile	34%	38%	30%	43%	67%	56%	22%	37%	75%	45%	100%	100%	0%	4%	11%	14%
ETUR Textile		22%		30%		63%		44%		55%		100%		0%		22%	
Nuoya Textile		56%		40%		28%		33%		5%		100%		0%		11%	
Anbessa Shoes		0%		0%		100%		0%		0%		0%		0%		11%	
Houdao Chen Tannery		0%		10%		42%		17%		30%		0%		0%		0%	
Zhang Jianxin Tannery	Leather & Leather Products	0%	11%	0%	12%	23%	42%	17%	21%	5%	25%	0%	20%	0%	10%	0%	7%
New Wing Addis Shoes		21%		30%		34%		39%		40%		50%		0%		0%	
Pittards Ethiopia		36%		20%		11%		31%		50%		50%		50%		22%	
Agri Flora		0%		33%		50%		0%		0%		0%		0%		22%	
Flowerama	Horticulture	0%	22%	10%	38%	25%	43%	47%	12%	17%	20%	0%	0%	0%	6%	44%	39%
Hansa Flower		38%		7%		48%		0%		63%		0%		25%		44%	
Joytech		50%		100%		50%		0%		0%		0%		0%		44%	
Ashraf Industrial		28%		10%		6%		0%		67%		100%		50%		100%	
Awash Wine		38%		20%		65%		8%		79%		100%		50%		100%	
East African Bottling	Agro-processing, including sugar and sugar-related products	53%	49%	50%	24%	55%	46%	8%	21%	100%	55%	100%	73%	0%	20%	100%	71%
Richy Food		71%		0%		100%		0%		0%		0%		0%		0%	
Metahara Sugar		53%		40%		4%		88%		31%		67%		25%%		56%	

Energy: Energy Management Practices, Energy Efficiency, Renewable Energy and Energy Management Systems

The energy demand of case study companies is predominantly met with electricity from the national grid (84%) and through diesel to power generators and boilers (16%). Diesel generators are commonly used as backup source for electricity generation in times of power outages of the national grid. Companies reported varying frequencies and durations of such power outages, ranging from a few short outages per year to frequent and extended outages. The overall use of diesel generators to compensate for the power outages varies accordingly and covers between a minor 2% (Awash Wine, Hansa Flowers, MNS Manufacturing, Etur Textile, Nuoya Textile) all the way up to 50% (East Africa Bottling) of the individual company's energy demand. Interestingly, many of the companies that are using diesel generators stated that they are planning to invest in the installation of solar panels to reduce their dependency on fossil fuels and limit their high energy costs (Etur Textile, New Wing Addis Shoes).

Overall, 50% of the case study companies have taken one or multiple actions in the last three years to increase energy efficiency. This includes the replacement of old machines, the use of energy recovery processes, such as heat recovery from boilers, and the use of energy efficient controls, such as sensor switches, as shown in Figure 27 below.

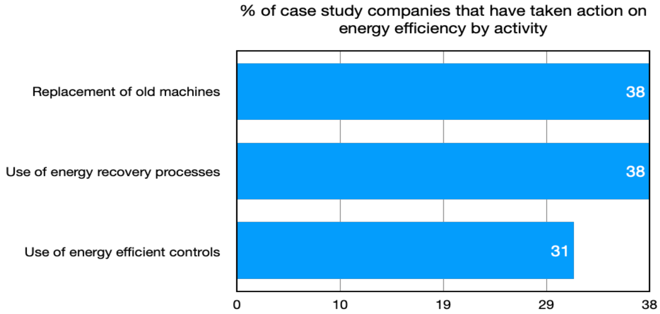


Figure 27: % of companies taking actions on energy efficiency

Water: Water Management Practices and Water Efficiency

88% of the case study companies haven put in place measures in the last three years to reduce their use of water. 58% of companies have increased the recycling of polluted water for reuse in their operations. 41% of companies have increased their reuse of cooling water. 35% of companies have increased rainwater harvesting and also 35% have switched their operations to more water efficient technologies or processes. 29% of companies reduced their water consumption through fixing of leakages or water losses (see Figure 28 below). For example, MNS Manufacturing indicated to use steam efficiency technology for drying towels, reducing water usage by 40%.

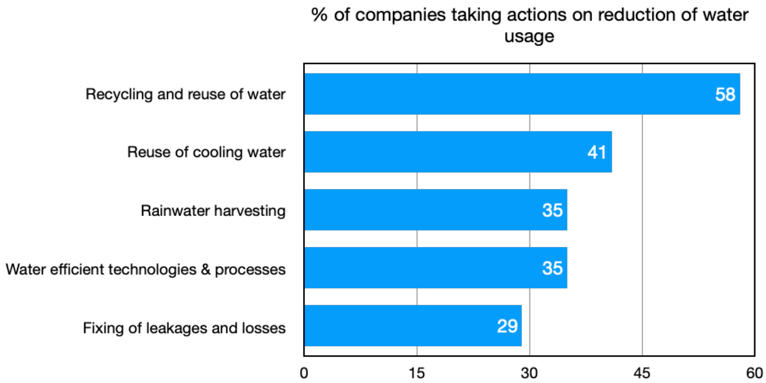


Figure 28: % of companies taking actions on the reduction of water usage

Zhang Jianxin Tannery: Innovation in Resource Efficiency and Waste Management

The company is located in the city of Mojo, where a number of other leather tanneries are also producing leather goods for local and international market. For more than one year, the company was not able to take its solid waste material to the local dumpsite, due to the closure of the dumpsite by the local authorities. Confronted with mounting waste material from the tannery, the company came up with a new idea to establish a dog food manufacturing facility on its premise and utilize its organic waste as an input for the dog food. The company has changed an immediate problem into a product that will become an additional revenue stream once the factory is operational.

Waste: Waste Management Practices and Awareness-Raising, Non-Hazardous Waste and Hazardous Waste

While some companies manage to use all of their raw materials, other companies, for example in the leather and leather products industry have up to 50% of their raw materials going to waste. Companies such as Zhang Jianxin Tannery are planning to use some part of the organic waste as an input to the dog food factory the company is currently building within its premises.

In average 35% of the raw materials used by case study companies of the leather and leather products industry ends up as waste. In the garment and textile industry this is only around 9% according to responses from case study companies. However, all case study companies have waste management systems in place and half of the companies regularly raise awareness and provide employee training on waste management practices.

Kanoria Africa Textiles

The company has invested in sustainable production process to make its integrated denim plant eco-friendly, helping it attract a number of additional customers. The company uses a state of the art zero-liquid discharge wastewater treatment plant recirculating water, helping the company reduce its water usage and associated cost substantially. Furthermore, the company converts its solid/organic discharge to crystals and supplies the crystals to cement manufacturers and leather tanneries as input. These dedicated sustainable activities helped the company in reducing waste as well as in lowering its carbon footprint, enabling the company receiving a number of certifications from leading international institutions attesting to its sustainable textile production methods. Kanoria is also planning to invest in renewable energy sources to reduce its dependency on electricity from the national grid.

Procurement: Raw Material, Packaging, Durability and Procurement Practices

In average case study companies procure about 29% of their supplies locally. This varies significantly between industries with the leather and leather product industry having with 71% the highest average of local procurement and horticulture with only 11% the lowest. Low percentage of input for the agro-processing sector is due to unavailability of adequate local inputs. For example, Ashraf Industrial indicated to import most of its inputs, including the raw sunflower seeds. In addition, Awash Wine highlighted to have very limited local suppliers as it imports majority of its inputs from Europe. In terms of sustainable procurement, 73% of the responding companies ensure that their suppliers are certified in accordance with sustainability-related standards.

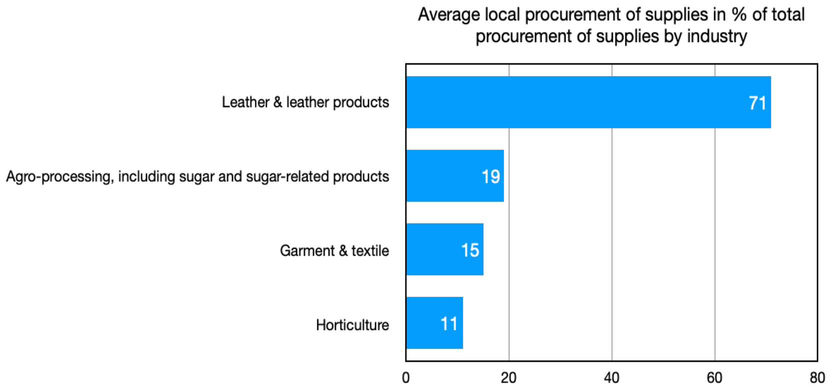


Figure 29: Local procurement of supplies by industry

Climate Action: Carbon Footprint, Carbon Markets and Climate Resilience

Only one of the case study companies is conducting periodic calculations of its carbon footprint (Pittards Ethiopia) and only one of the companies is participating in a carbon market scheme (Awash Wine). Only about a quarter of the responding companies (28%) are concerned about adverse impacts of climate change and have taken actions to increase the climate resilience of their operations.

Ecosystems Impact: Biodiversity and Habitat

None of the case study companies considers its operation having any adverse impact on local biodiversity. More than half of the companies (56%) state that they take active steps to prevent the loss of biodiversity, e.g. through tree planting.

Awash Wine

The company has established a dedicated department overseeing the recycling of resources across all lines of production. Through its recycling practice the company transforms its grape residue into organic fertilizer which is then used on the company's farms. Beside reducing cost for fertilizer import this practice has also reduced the company's footprint on the environment.

5.5 Observations

- **Thanks to strong labor policies, there is deep understanding of social concerns.** In most companies, general labor standards were observed and adhered to, with many companies going out of their way to support their employees. This was illustrated by numerous examples; one company used parts of their land to grow fruits and vegetables which the employees could take home, while others provided advantages like free meals. Many industries saw themselves as central to the local socio-economic fabric, and thus extended their support to the local community through efforts such as COVID-19 relief packages.

- **Understanding of sustainability is limited, especially in domestic companies**. As described above, current operationalization of sustainability is heavily skewed towards social elements as opposed to ESG as a whole. The experience of conducting the case studies showed that it was difficult to reach a common understanding with the company representatives on the topics covered in the case study questionnaire as there was little institutional knowledge on sustainability, especially in domestic companies. One direct illustration of this issue is the fact that some of the foreign companies had an appropriate sustainability linked department or personnel who were well-versed with the industrial performance and functions under the ESG topics. In comparison, the domestic companies quite often lacked an equivalent department.

- **There are many examples of innovation and investment in sustainability, but they are not curated.** As many of these ‘good practices’ were evolved organically to serve an existing need (such as a leather company establishing a dogfood production factory on the premises to process organic by-products or a horticulture company working towards constructing wetlands in line with local needs for minimizing impact on environment), and therefore often escape notice from a sustainability perspective. If these good practices are not adequately captured in an ESG framework, this existing inclination towards innovation might get disrupted in favor of compliance measures.

- **There is a clear gap between implementing sustainable practices and committing to them.** There is limited interest in committing to altruistic or supportive good practices from a strategic point of view – while companies are willing and interested to support their employees and the local community, they are reluctant to include such initiatives at a planning stage as doing so would mean committing to carrying out these actions. There is a preference for a more ad-hoc take on sustainable practices wherein no prior commitment (and financial pledge) is made.

- **There is a general sense of reluctance towards public disclosures/transparency.** Transparency is a critical feature of ESG frameworks and indeed, one of the key motivations for the same. In this context, there was a tendency to avoid sharing information that is increasingly observed in the public domain (such as financial performance, employment statistics, etc.). While company spokespersons were willing to speak about these indicators, they were reluctant to show any physical evidence.

5.6 Refinement of the ESG Framework

The initial draft ESG Framework has been refined through various iterations both on its thematic scope and level of detail in the different thematic areas. The same accounts for the detailed ESG Assessment Framework as contained in Annex V that was used for the assessment of the case study companies. The Assessment Framework provides detailed guidelines on delineating sustainable investment compliance requirements that need to be fulfilled at the company level. The Assessment Framework allows for comparability across industrial sectors, while at the same time taking into differences between sectors through sector-specific scorecards. The scorecards were developed based on adjusted weightages of scored for sustainability issues that are considered most important for the specific sector (see Annex III). The weightages were developed through an iterative process based on feedback from Company performance assessment. The experience of the case studies also provided insight to important aspects of interventions, which have been encapsulated in this version of the report. Some key insights were:

- **There needs to be greater focus on capacity development, particularly for governance and environmental performance.** The experience of conducting the case studies showed that there is a need for hand-holding the companies on a number of sustainability indicators. This may be due to two reasons: a. There is a lack of knowledge on sustainability at the individual/respondent level and/or b. there is a lack of knowledge at an institutional (company) level. In both cases, companies should be encouraged to conduct capacity development programs so that the knowledge can cascade across the organizational hierarchy. In a few instances (particularly for larger companies with foreign investors) the presence of a dedicated sustainability department or personnel helped ensure that at least some information related to ESG was being collected and maintained internally. As this framework that intends to raise the sustainability ambitions of industries, there is a need to encourage similar efforts towards data curation.

- **Not all performance standards are equally matched.** The ESG framework designed under this project takes a detailed and comprehensive look at sustainability, with about 13 indicators covering about 60 sub-indicators across the three categories. While this is a valuable endeavor to maintain a robust baseline, it is also important to take into consideration the ability of the companies to adequately respond to the questions asked. Based on our experience in conducting the 18 case studies, we have mapped the different indicators on the ease of obtaining responses:
    - **GREEN** – companies are able and willing to share this information adequately
    - **ORANGE** – willingness and ability to respond varies
    - **RED** – companies are either unwilling or unable to adequately share this information

  The result of this mapping is presented in the table below:

Table 11: Indicator mapping based on ease of obtaining responses

Governance

G.1. Sustainability Commitment G.1.1 **Mission Statement** G.1.2 **Corporate Policies** G.1.3. **Management Systems & Standards** G.1.4 **Code of Ethics**	**G.2. Sustainability Expertise** G.2.1 **Employee Training** G.2.2 **Dedicated Experts & Resources**	**G.3. Sustainability Practices** G.3.1 **Supply Chain** G.3.2 **Product Design**

G.4. Transparency G.4.1 **Audits** G.4.2 **Public Disclosure of Audits**	**G.5. Economy** G..5.1 **Job Creation** G..5.2 **Profits** G..5.3 **Innovation & R&D**

Social

S.1. Employee Welfare And Standards S1.1. **General Labor Standards** S.1.2 **Child Labor & Forced Labor** S.1.3 **Salary** S.1.4 **Other Benefits** S.1.5 **Grievance System**	**S.2. Occupational Health and Safety** S.2.1 **Rules & Procedures** S.2.2 **Equipment** S.2.3 **Emergency Response Mechanisms** S.2.4 **Dedicated Personnel**	**S.3. Training & Capacity Building** S.3.1 **Health & Safety Training**	**S.4. Equal Opportunities/Non-Discrimination** S.4.1 **Fair and Transparent Hiring Practice** S.4.2 **Inclusive Workplace**

S.5. Product Safety S.5.1 **Testing**[56] S.5.2 **Standards**[57]	**S.6. Customer Relations** S.6.1 **Customer Satisfaction**	**S.7. Local Community Betterment** S.7.1 **Positive Impact on Local Workforce & Businesses** S.7.2 **Corporate Social Responsibility**[58]

[56] Primarily relevant for agro-processing and horticulture
[57] Primarily relevant for export-oriented companies
[58] However, note that there are no dedicated/strategic CSR planning efforts except in floriculture due to supportive associations

Environmental		
E.1. Energy E.1.1 **Energy Management Practices** E.1.2 **Energy Efficiency** E.1.3 **Renewable Energy**[59] E.1.4 **Energy Management System**	**E.2. Water** E.2.1 **Water Management – Practices and Processes** E.2.2 **Water Efficiency**	**E.3 Waste** E.3.1 **Waste Management – Practices and Processes** E.3.2 **Non-Hazardous Waste Management** E.3.3 **Hazardous Waste Management** E.3.4 **Awareness Raising on Waste Management Practices**
E.4. Pollution E.4.1 **Air Pollution** E.4.2 **Water Pollution** E.4.3 **Land Pollution**[60] E.4.4 **Noise Pollution**[61]	**E.5. Procurement** E.5.1 **Raw Material** E.5.2 **Packaging** E.5.3 **Durability** E.5.4 **Procurement Practices**	**E.6. Resource Efficiency** E.6.1 **Manufacturing Efficiency** E.6.2 **Eco-Design**
E.7. Climate Resilience E.7.1 **Carbon Footprint & Carbon Markets** E.7.2 **Climate Resilience**	**E.8 Ecosystem Impacts** E8.1 **Biodiversity** E8.2 **Habitat**[62]	

This mapping highlights the need for greater comprehension and comfort on the side of the company for many indicators (especially, as highlighted earlier, under G and E). One solution could be to reduce the weightage of such indicators or remove them from the assessment for the time being (as low ability to respond indicates a lack of legislative push/support). However, this does not mean that such indicators should be removed permanently as many of them are considered crucial for ESG assessments. Rather, the aforementioned capacity building program, alongside any policy development in this area, should take into account this varied understanding of sustainability and identify concrete methods to overcome this issue.

- **The assessment questionnaire was cumbersome.** A general feedback from the ground was that the assessment questionnaire was quite lengthy, requiring about half a day's worth of time commitment from the companies who were more prepared to engage for an hour-long discussion. There was also some concern regarding the overlap in the indicators, as some high-level questions asked under 'G' have more specific indicators under S or E. While it would be difficult to reduce the questionnaire to one-third of its original size, those perceived overlaps in the questionnaire were reviewed and minimized.

[59] Not counting the hydropower contribution to the grid
[60] Contingent on local laws and sensitivity to land pollution
[61] Especially relevant for textile and garment sector
[62] Contingent on location in habitat-sensitive areas

- **Good practices need to be captured and rewarded outside of the performance standards.** The case studies brought to light many interesting and innovative efforts towards sustainability. Many of these 'good practices' like COVID-19 relief packages or by-product co-processing set a pioneering example for the sectors while others, such as constructing wetlands, on-site farming or providing free lunch demonstrate how companies can go out of their way to support their employees and their local environment and community. These good practices should be inculcated beyond the boundaries of the performance standards. In this regard, it would be important to provide a space within the ambit of the framework to curate these examples at a sectoral and national level. Further, incentivizing innovation alongside compliance will help ensure that companies are motivated to institutionalize sustainability, and not just do the bare minimum to meet requirements.

The framework presented in this report encapsulates the learnings from the case studies. Additional details on how these lessons can be adequately implemented alongside the framework are given in chapter 6.

6 Recommendations on operationalizing the framework

The ESG Framework for Ethiopia presented in this document is a result of research and analyses of various similar frameworks across the world and is tailored by ESG and sustainability experts for the Ethiopian context, with a particular focus on the garment & textile, horticulture, leather and leather products, and agro-processing, including sugar related sectors in the country. The framework, tested on a small section of the industry representatives, has been received positively and has been modified/adapted over the past several months to make it relevant and specific to the target sectors.

The experience from the ground shows a motivated, if inconsistent policy and practice landscape, with encouraging examples of innovation and good practices. The aim of implementing the framework then begins to hone these existent skills, while providing a stronger foundation to industrial sustainability. Building on the observations presented in the previous chapter, the following overarching recommendations can be provided:

- **There is potential to adapt the framework to the needs of context.** This not only includes any sector-to-sector adaptation, but also the development of a 'lite' framework to match expectations from the ground. While simplification of the framework is not recommended as a permanent measure, it is important to remember that the current understanding of ESG and sustainability in general is largely limited, and thus some indicators and sub-indicators are unlikely to see meaningful responses in near future.

- **Implementation of the framework requires action across various key aspects.** The project consortium has identified seven key areas where action needs to be mobilized, in order to successfully execute the framework. Aspects such as institutional setup, implementation and monitoring had been built into the fabric of the framework while capacity building, legislative support and technology development came out as important considerations from the case studies. Financing mechanisms, stakeholder engagement are other areas of interest, based on the knowledge and expertise of the consortium.

- **Many decisions relating to the framework still need to be taken.** This project provides a bird's-eye view towards designing a mechanism for ensuring ESG-oriented investments. In this context, the framework acts as a potential bridge between global examples and ground reality. The process of implementation, however, requires an even deeper analysis, that is conducted in consultation with a diverse group of stakeholders. In this context, the framework in its current form is the necessary foundation, onto which the actual rules of engagement for sustainable investments need to be built. This includes discussions on roles and responsibilities of key players, necessary capacity development for all relevant stakeholders, terms of reference for different parties involved, development and approval of necessary elements (financing mechanism, policy/legislation, institutional setup), and the roadmap for implementation.

- **The scope of this study was fairly limited.** A robust pilot phase (voluntary compliance) is necessary to not only adequately calibrate the framework, but to also set Ethiopia-specific benchmarks for the performance standards. While building the ecosystem for ESG-informed investments is likely to take a few years, the first step in the implementation of the framework should be a pilot study covering a realistic period of 2-3 years. Participation in the pilot needs to be a representative sample for each of the sectors considered.

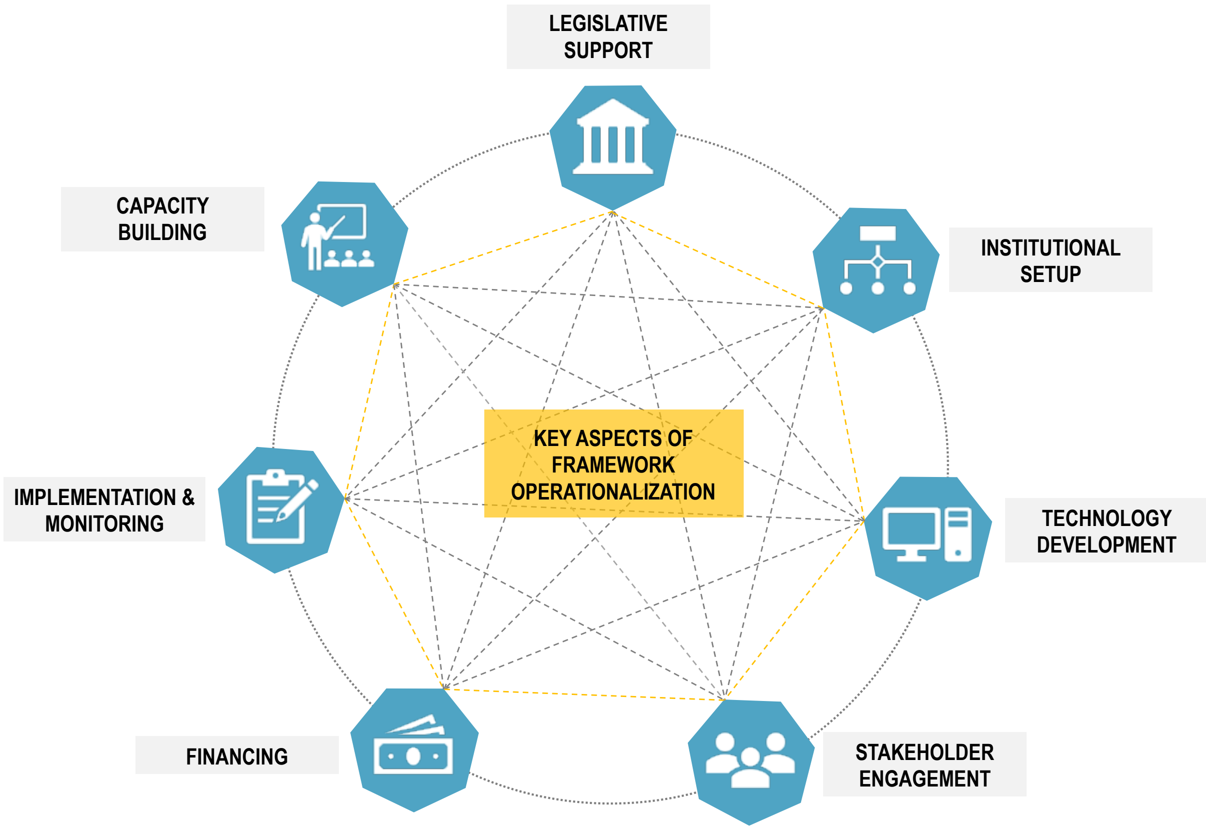


Figure 30: Key aspects of framework operationalization

To provide a more action-oriented perspective, these recommendations have been deepened into concrete ‘next steps’ that can be applied to successfully operationalize the framework.

6.1 Next steps

6.1.1 Institutional set-up to operationalize the ESG

- A National Steering Committee (NSC) comprising of representatives from key Ministries and agencies, industries, academia, national and international sustainability experts should be formed to **oversee the planning of the framework** in the coming years. The main function of this committee would be:

- Leading the work on policy formulation and amendments in line with the framework requirements
- Initiating necessary efforts towards institutionalizing the framework through a dedicated national body (detailed below)
- Overseeing formulation of capacity development curricula to be implemented alongside the framework
- Acting as an intermediary between the Governmental entities and industrial sector in finalizing the framework elements.

Recommended time of operationalization: Year 1

- We recommend the formation of a dedicated and empowered body (National Sustainable Investments Body – NSIB) at the national level that can **oversee the implementation of the framework** and act as an interface between the industries and the Government agencies. The NSIB will be a distinct body from the NSC as the latter would have supervisory powers over the former. Such a body can be housed within EIC, and partially (if not fully) funded by a sustainable investments fee/tax or that can be levied on investors (both foreign and domestic) with the aim of ensuring high quality standards. Support from financing institutions could also be procured for funding this body or existing facilities, such as the CRGE Facility under MoFEC, could be used to provide the initial funding to set up the NSIB. Key responsibilities of the NSIB would be:
    - Executing the strategy document and its key tenets by preparing periodic implementation plans, developing and signing contracts with relevant stakeholders (particularly industries, industry associations and third-party auditors)
    - Designing and planning capacity building endeavors such as industries, along with training of trainers sessions for auditors and personnel from associated Ministries or Agencies.
    - Developing and implementing a certification process for certifying (i) trained auditors and (ii) Companies successfully achieving their ESG targets on periodic reviews
    - Implementing a stringent monitoring protocol by housing a neutral body of auditors that govern the empaneled agencies/auditors. This would be a clean, transparent body that holds all auditors responsible for the audits, and ensures fair, transparent, and balanced audit reports.
    - Negotiating the terms of reference for incentives related to ESG performance between Ministries and industries
    - Maintaining a record of performance on participating sectors and companies, and releasing periodic reports which highlight the experiences, strengths, challenges and good practices observed. This report should be shared with multilateral agencies such as the SIP.

- Develop guidelines for specific elements of framework implementation, as and when required (such as the template and methodology for audits), to be followed by all participants
- Planning subsequent phases of framework implementation (pilot/voluntary compliance phase, compliance driven development phase and competitive index participation phase), based on previous experiences, including relevant changes/course-corrections, as continuous improvement is the key to a strong ESG framework.
  Recommended time of operationalization: Year 2 (or 3)

6.1.2 Planning the framework implementation

- A thorough stakeholder mapping and analysis exercise should be conducted to understand not only their interests in sustainable investments, but to also capture their perspectives on sustainability and existing capacity. Some key stakeholders consider are:
  - Ministries and Agencies mandated to oversee investments in Ethiopia such as EIC and MOTI as they will be tasked with the ‘ownership’ of the framework
  - Ministries and Agencies mandated to protect environmental and social rights – such as the MEFCCC and MOLSA as they can guide the framework implementation plan
  - Ethiopian Standards Agency, Ministry of Finance, National Bank of Ethiopia and/or similar national-level bodies (including commissions, agencies, and specialized entities) that can provide support to the framework[63]
  - UNDP, SIP and other multilateral agencies with presence in Ethiopia and interest in national sustainability endeavors
  - Industries and industry associations from the target sectors
  - Domestic and foreign investors operating in Ethiopia, to understand their approach to sustainability and experience in other contexts
  - Non-governmental and civil society organizations entrenched in the area of sustainable development who can share unbiased perspectives on the framework implementation plan

  The stakeholder mapping should first take into account the interests and influences of the stakeholders, ideally through a simple matrix approach (see Figure 31). Secondly, through one-on-one engagement, their understanding of sustainability (particularly in the context of sustainable investments) should be discerned. This will help identify sensitization and awareness raising needs within the stakeholder cohort.
  Recommended time of operationalization: Year 1

[63] Recommended list of high-priority stakeholders is provided in Chapter 4, Section 4.3.2.

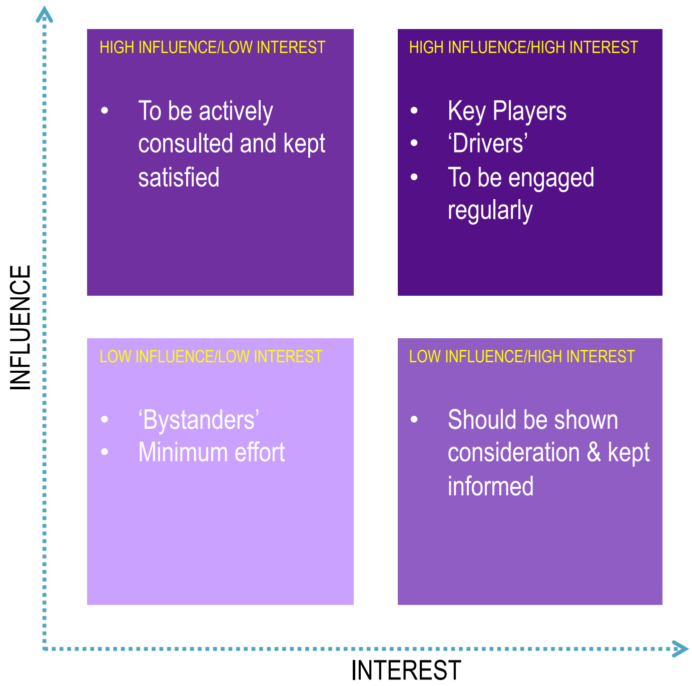


Figure 31: A simple matrix approach to stakeholder mapping

- On the basis of the stakeholder mapping, a series of consultations need to be planned with high priority stakeholders, to develop the vision and plan for framework deployment. This is necessary to strengthen the framework with adequate inputs from the stakeholders. Important elements of the framework that should be discussed include:
    - Implementation plan for the pilot/voluntary compliance phase (targets, duration process etc.), along with a roadmap for subsequent phases (compliance driven development and competitive index participation)
    - Monitoring and reporting protocols to be followed
    - Roles and responsibilities of key stakeholders
    - Incentives for participation (for industries and industry associations)
    - Financing mechanisms for implementing the framework

  These consultations should be initiated and chaired by the NSC. Involvement of industries and industry associations is extremely important at this stage as the first stage of framework implementation is voluntary in nature.

  Recommended time of operationalization: Year 1

- The ESG assessment system (questionnaire) prepared for this project provides detailed guidelines on areas that companies need to focus on, and how auditors can assess the performance. To ease usage across third-party auditors, and to ensure that there is no change or discrepancies, this assessment system should be automized and evolved into an intuitive and user-friendly tool that can generate sector-specific questionnaires and save responses into a central database (that can be housed with the NSIB). A full-fledged web tool with dedicated dashboards for different users (companies, industry associations,

auditors, NSIB, Ministries) can also be considered as such a tool will ease the process of self-audits and report generation.
Recommended time of operationalization: Year 2

6.1.3 Legislative and Policy support to boost ESG

- Based on the stakeholder consultations, a strategy document should be written and formalized to govern developments in sustainable investments. The aim of this document should be to align ESG ambitions to existing national level strategies and legislation (such as the CRGE, HGER etc.) and outline the key actors, institutional mandates, roles and responsibilities, financing mechanisms and a roadmap to be achieved. This document will act as the foundation for the framework implementation, and thus should be prepared with extensive involvement of all key stakeholders. The writing of this document should be spearheaded by the NSC, with the NSIB being the custodians of its contents.
Recommended time of operationalization: Year 2

- The legislative mapping presented in this report shows existing lacunae in policies with regards to sustainable industrial practices. To take this work forward, amendments to existing legislations (such as the Environmental Act, Industrial Development Policy, Foreign Investment Policy, etc.) or supportive legislations must be developed and implemented before or alongside the framework implementation, in order to ensure that there is a legislative/regulatory foundation to the requirements put forth by the framework, especially from companies. This will be particularly important for some of the performance standards under Governance and Environmental categories such as CSR investment, transparency/public disclosure, climate resilience, water consumption and audits, etc.
Recommended time of operationalization: Year 2

6.1.4 Implementing the ESG framework

National

- Once the strategy document is operationalized by NSIB, companies from selected sectors should be invited to participate in the pilot phase (voluntary compliance) of the framework implementation. Care needs to be taken to ensure that there is diversity among the selected companies in terms of size, ownership, location, export-orientation, etc. Short-term incentives should be made available for the participating companies. On selection, companies will need to work with the industry association and the NSIB to define their sustainability ambition. While certain compliance-linked targets will be set, companies should also be encouraged to be innovative in their approach to sustainable practices.
Recommended time of operationalization: Year 3

- An extensive set of capacity building curricula need to be developed in consultation with one or more national training institute with the aim to introduce a holistic perspective to sustainability. There is a wide group of stakeholders that will be directly or indirectly affiliated with (or indeed, impacted by) this ESG framework. To ensure that all stakeholders are well-versed on topics covered under the framework, and sustainability in general, different capacity development programs will be required, such as:

- Half-day conclave on 'sustainable industries to introduce the concept of sustainability and its relevance to Ethiopia's development initiatives in general and the industrial sector in specific – for Ministries and Agencies laterally associated with the framework
- One-day workshop on 'sustainable investments' for all key stakeholders identified in the mapping exercise. This event will walk the participants through the framework and its implementation plan to align all expectations
- Two-day 'introduction to the framework' programs for companies and associations in a sector, that will introduce the framework and its elements, and outline the steps that need to be taken at company and sectoral level to meet the framework requirements. This program will be targeted at the management level and should include field visits to exemplary companies.
- Two -day 'training of trainers' sessions aimed at the body of impartial auditors for training third party auditors seeking empanelment
- Two (or three)-day certification program for third-party auditors that will detail out the step by step process they need to conduct during the sustainability assessments of companies
- Longer programs for company officers to understand the concept and elements of sustainability and how to operationalize them. Unlike the other programs that can be organized under NSIB, this certification-level course should be offered by training institutes, and aim at building capacity of officers and engineers in sustainability (i.e. make them 'sustainability officers')

Recommended time of operationalization: Year 2 onwards

- Individuals or firms with experience in conducting sustainability audits can be empaneled with the NSIB and be charged with conducting the periodic third-party audits required under the framework. Empaneled auditors should be required to complete the certification program highlighted above, with a refresher course being conducted periodically.

  Recommended time of operationalization: Year 3

- An extensive baselining exercise has been identified as the first step of the pilot phase. The assessment system prepared for this project (and used for the case studies) can be used as a basis for the baselining questionnaire. However, it should be kept in mind that the intent of a baseline is not to assign value to current practices, but to capture the existing reality. Thus, this exercise should try to capture deep, disaggregated data from participating companies across all three E, S and G categories. Apart from speaking to senior management, auditors conducting the baseline should prioritize field visits and one-on-one interviews with employees.

  Recommended time of operationalization: Year 3

- The pilot phase of the framework beginning with the baselining exercise should be implemented for a set cycle period (between, say, 2-5 years). Companies will be required to pursue the targets set for them (whether they are common across the sector or oriented to the company), with half-yearly self-audits and yearly third-party audits being conducted through the cycle period.
  Recommended time of operationalization: Year 4 onwards

Sectoral

Existing sectoral bodies, such as industry associations are critical entities in ensuring successful implementation of sustainable investment practices. In this context, industry associations should be involved in all planning discussions regarding the framework implementation plan. They can also play an active role in ensuring effective uptake of the framework by taking certain measures:

- Given that the pilot phase will require mobilization of institutional, policy and financial levers, industry associations can support these endeavors by introducing sectoral standards sectoral standards in line with the ESG framework. These standards can be evolved into performance standards under the framework over time, thus becoming a key feature of the sector, and not an additional expectation. The existing standards in the floriculture sector are a good example of this. Governance and Environmental standards, in particular, will be an important area of implementation for these standards
  Recommended time of operationalization: Year 1 (or 2)

- Industry associations can also help drive innovations by supporting the NSIB in promoting good practices in sustainability through periodic 'award' systems wherein best performing companies are publicly recognized
  Recommended time of operationalization: Year 4

- Industry associations can also partner with NSIB in capacity development by ensuring that their members and management committee are appropriately trained.
  Recommended time of operationalization: Year 3-4

- Other industries can build on the successful example of the **Ethiopian Horticulture Producer Exporters Association: Code of Practice**, which in itself is an ESG framework. It provides the sector a "voluntary system of continuous professional and technical development, monitoring and self-regulation into the sector and is designed to address market and civil society concerns about standards for social and environmental performance in the sector and also to guide the sustainable development of the sector"[64]
  Recommended time of operationalization: Year 2

[64] https://ehpea.org/code-of-practice

Company-level

Participating companies sit at the core of the framework and are instrumental to any efforts in implementing sustainable industrial practices. In this context, they are highly important to all aspects of the framework. At an individual level, companies can begin with familiarizing themselves with the concept of sustainable industries, particularly with the ESG performance standards. Whilst executing the requirements of the framework, companies can also implement the following:

- Planning for sustainability by making budgetary and strategic decisions in favor of sustainable practices. This will include budgeting for a sustainability officer if not a department, reviewing existing processes, protocols, policies and systems to ensure they are up-to-date and efficient, setting internal targets E, S and G targets, etc.
  Recommended time of operationalization: Year 1

- Conducting periodic sensitization and capacity building on sustainability, through NSIB approved curriculum for both staff and management
  Recommended time of operationalization: Year 3 onwards

- Preparing and submitting accurate, unbiased, and un-doctored half-yearly self-audit reports on sustainability performance, focusing on both successes and areas of improvement
  Recommended time of operationalization: Year 4 onwards

  A set of specific guidelines on good practices for companies was also developed under the ambit of this project and is available in Annex IV.