

In collaboration with PwC



How Stakeholder Metrics Reporting can Drive Sustainable Business:

A Case for El Salvador, Guatemala and Honduras

WHITE PAPER

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Foreword



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The call to action and the World Economic Forum

In 2021, Klaus Schwab, Executive Chairman and Founder of the World Economic Forum, was invited to join the US Vice-President Kamala Harris' call to action, which originated the Partnership for Central America (PCA), an initiative of private and public entities committed to advancing economic opportunities and environmental resilience in three countries of Central America: El Salvador, Guatemala and Honduras.

The World Economic Forum collaborates with the PCA, and one of its goals is to build an understanding of the important role of sustainability reporting among the business sector operating in the region.

A broad-based consensus has emerged that businesses must behave sustainably, focusing on the long term in all contexts in which business operates – the environment, the economy, employees, investors, consumers and local communities.

Being a sustainable business is now essential to being a successful business.

Encouraging globally aligned sustainability reporting can drive capital allocation and corporate action towards addressing priority social issues and creating environmental solutions, thereby helping to achieve the PCA's objectives.

The World Economic Forum has collaborated with PwC and local institutions working to enhance corporate responsibility (Fundemas in El Salvador, Fundahrse and the Honduran Council of Private Enterprise (COHEP) in Honduras, and Centrarse in Guatemala) to review the sustainability reporting environment in Central America and to raise awareness of the Stakeholder Metrics (SMs) – a sustainability reporting tool for national and international businesses in the region to get started on or enhance their sustainability reporting journey.

This paper will:

- Explain the Stakeholder Metrics
- Share findings on the sustainability reporting context in the region and exemplify with business case studies
- Make recommendations for companies who want to improve the quality and comparability of the sustainability information they share

The role of governments and regulators is also of significant importance in broadening the scope of education on sustainability, creating incentives and developing policy measures to promote globally aligned sustainability reporting.

Public and private leaders should work together to close existing gaps. We hope this paper will inspire leaders to take their engagement with sustainability measurement and reporting to the next level and contribute further to developing the region to its remarkable potential.

Executive summary

Central America is a bio-rich, developing region. It has recently faced civil wars, social upheaval and talent drain from migration flows. It also suffers from low productivity and low levels of investment, public insecurity and, increasingly, the escalating negative effects of climate change. The region needs urgent development that takes into account sustainability issues.

Sustainability issues of urgent importance in the region

Approximately 89% of the companies surveyed for this paper considered climate change significant for their operations. At least 70% had been directly or indirectly affected by climate events in the last five years. Latin America and the Caribbean region issue only 2% of green debt instruments globally. These statistics suggest that even considering environmental matters alone, companies in the region would benefit greatly from developing sustainable practices and reporting.

Additionally, increasing awareness of sustainability in international markets means pressure is building in the region for companies to follow internationally aligned sustainability standards to remain part of or join international supply chains, attract foreign direct investment and not get left behind when converged standards arrive.

Sustainability reporting is still emerging

The research in this paper shows that sustainability practices and reporting in El Salvador, Guatemala and Honduras are at an early stage and not yet at the level to support sustainable practices that would increase socioeconomic opportunities.

Apart from those at transnational companies, most business leaders are not yet engaging with sustainability reporting or initiatives. In fact, 85% of those surveyed were unclear about the purpose and value of sustainability reporting. A further 80% had

not conducted a climate change risk assessment at their company. Nearly half (46%) did not understand how to apply sustainability criteria to their company, while 40% said they did not have the financial resources to execute a new sustainability plan. It is clear from these statistics that many companies feel they do not know where to start.

Using the Stakeholder Metrics to simplify and transform

The Stakeholder Metrics (SMs) allow these companies to begin or enhance their transformation towards sustainability and sustainability reporting. The SMs initiative is useful to connect companies, through a consistent set of priority metrics and narrative, to their commercial stakeholders, such as national and local governments, regulators and banks looking to offer green finance instruments and non-governmental organizations. The SMs offer a coherent, manageable tool to support sustainability reporting.

By considering the context in the region and examining how companies are already using the SMs, three recommendations have been developed, which will allow companies to progress their sustainability reporting journey now:

1. Define a sustainability reporting strategy that makes business sense.
2. Transform reporting operations to create a reliable foundation.
3. Start collecting, measuring and reporting what matters, using the SMs as a guide.

While the product of these recommendations is a corporate report that embeds sustainability considerations, it is not the final destination. The true goal is to encourage companies to embed sustainability into their “business DNA”, thereby unlocking long-term value for the businesses and their stakeholders.





In recent years, the world has become more conscious about sustainability and its meaning for business, the economy, society and the planet. Its definition is no longer restricted to “doing good” for the environment by limiting carbon emissions but stretches further to cover the long-term resilience of companies, governments and communities across social, financial and cultural spheres. COVID-19 threw this new definition into sharp relief as countries fought against inherent fragility to preserve the well-being of their population and the strength of their economies. At the same time, it showed us the complexities faced in tackling problems of a global nature and serious economic impact – such as climate change and social inequalities. It has also revealed tenaciousness, innovation and mass mobilization of resources – particularly at the state level.

Over the same period, as the definition of sustainability has expanded, so has the remit and importance of sustainability reporting. This has been a positive and international trend that is helping stakeholders, including investors, to analyse and evaluate the risks and opportunities that companies face in the sustainability spheres in which they operate – and the implications of these for financial performance.

Relevant, high-quality, comparable measurements and disclosures allow readers of the sustainability report to understand how companies are managing and transforming their business to be more resilient in the face of challenges and deliver sustainable outcomes for all stakeholders.

Even though this sustainability report is not the final objective of companies’ engagement with sustainability, it is a key tool to understand how sustainability issues impact business and how businesses, in turn, impact sustainability outcomes. The reporting process triggers businesses to think about concepts beyond traditional financial value creation and to focus on seemingly separate (but intricately related) areas of value creation in the environment, in society, and in their own approach to governance.

This paper will start by explaining the usefulness of the Stakeholder Metrics (SMs) in beginning or enhancing a company’s journey towards sustainable value creation.

It will then examine the sustainability context in Guatemala, Honduras and El Salvador to give an overview of progress and areas for improvement. It will supplement these findings with the results of a survey conducted by PwC.

This context will be further enhanced with four brief case studies of companies in the region, Holcim El Salvador, Grupo Terra, Grupo Poma and Cemaco, to map sustainability practices there. Case studies from companies using the SMs will demonstrate the value of the initiative in developing sustainability practices and reporting for companies operating at all levels.

Finally, recommendations and a conclusion will be presented to outline suitable actions for companies in the region to take now, as well as actions for investors and other stakeholders.

The World Economic Forum's Stakeholder Metrics

One goal, many frameworks

One of the results of rapid advancement in the importance and depth of sustainability reporting has been the proliferation of standards and frameworks from which companies can choose to report. In contrast to the well-established financial reporting standards (International Financial Reporting Standards (IFRS), US Generally Accepted Accounting Principles (GAAP)), there was no single generally accepted international standard for sustainability reporting. There are many different frameworks, including the Global Reporting Initiative Standards (GRI Standards), the UN Sustainable Development Goals (SDGs), the US Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project (CDP), the Integrated Reporting Framework and the Task Force on Climate-Related Financial Disclosures (TCFD).

The SMs: catalysing progress towards a global sustainability reporting solution¹

Navigating this array of frameworks, standards and tools has posed a significant challenge to reporting organizations. The clamour for greater alignment and harmonization prompted the chief CEOs in the World Economic Forum's International Business Council (a community comprising approximately 120 large multinational businesses) to establish the SMs initiative in 2019 with support from Deloitte, EY, KPMG and PwC.

The initiative's goal was two-fold. First, to boost comparability and consistency in how companies measure their sustainability performance, and second, to accelerate the evolution of the sustainability reporting ecosystem towards rigorous and globally-accepted sustainability reporting standards.

At the heart of the initiative is the belief that sustainability issues and sustainable value creation are increasingly material to business performance. As such, they should be included in the main report with equal prominence and integrated into core business strategy.

Against the backdrop of the many available frameworks and standards, the initiative used a lengthy and detailed consultation process across key players to identify a set of priority industry-

agnostic topics that are so important to business, the economy, society and the planet that all businesses should be reporting on them – or explaining why they are not.

Progress on convergence

The World Economic Forum's SMs project contributed to the formation of the International Sustainability Standards Board (ISSB) in 2021 by the IFRS Foundation. This is a sister organization to the IFRS International Accounting Standards Board (IASB), responsible for the widely-used IFRS. The ISSB has released two exposure drafts of standards so far – one on general requirements of sustainability-related financial information and the other on climate – and these are expected to be final in Q1 of 2023. Other thematic and industry standards will follow, which are expected to be adopted worldwide.

The World Economic Forum SMs are an important tool to help companies prepare for and align with global standards. The climate elements of the World Economic Forum SMs are already embedded in the ISSB climate standard. The ISSB also references the SMs as useful to help companies identify, measure and report on other material sustainability topics.

Companies in El Salvador, Guatemala and Honduras that find a way to report on sustainability now and prepare themselves for internationally accepted standards will not only be valued by stakeholders, but they will also be making a positive difference to the urgent social and climate-related issues in the region, and the acute need for rapid development.

The SMs: how it works – core and expanded metrics

The priority topics are organized into four pillars (governance, planet, people and prosperity), aligned with the UN SDGs. Each signpost frequently used standards that they can apply to assist them with their strategy, transformation and reporting.

The 21 core metrics are primarily quantitative metrics for which information is already being reported by many companies or can be obtained with reasonable effort. The core metrics focus

primarily on activities within a company's boundaries – for example, TCFD implementation, total tax paid and anti-corruption governance methods.

A further 34 metrics look to emerging leading practices, tend to be less well-established in standards and often have a wider value chain scope or convey impact in a more sophisticated or tangible way, such as in monetary terms.

They represent a more advanced way of measuring and communicating sustainable value creation, and companies are encouraged to report against them where appropriate. Such metrics include, for example, alignment of strategy and policies to lobbying, the impact of water pollution, and infrastructure investments and services supported (see Appendix 1).

FIGURE 1 **SMs – 21 core topics and metrics organized into four pillars, aligned with the UN SDGs**



Source: World Economic Forum, *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*, 2020.

The impact of the SMs

So far, nearly 200 global companies with a combined market capitalization of more than \$6.5 trillion have adopted the SMs. The World Economic Forum also endorsed the establishment of the ISSB and was part of the preparatory working group that delivered the ISSB's first two exposure drafts incorporating content from the SMs. As the ISSB presses ahead with the standard-setting process, the Forum continues the dialogue with its technical teams by contributing business input from its extensive corporate partner base.

While the SMs is an excellent tool to give companies a running start on their sustainability reporting journey by guiding their early stages and shaping initial approaches and strategy, large companies that have been pursuing sustainability reporting for some time have also reported benefits. For example, one of the world's largest brewers, Heineken,² has said that the primary advantage of the SMs is their acquired capacity to report sustainability progress in a consistent and comparable way with their peers. Similarly, at SABIC, one of the world's leading chemical companies, reporting against the SMs has meant that transparency is valued within the company and has led to important leadership conversations that have enabled progress on complex issues.

Sustainability contexts:

El Salvador, Guatemala and Honduras

Broader challenges in the region

The three countries of focus in this paper – El Salvador, Guatemala and Honduras – are part of the Central American region that also includes Costa Rica, Nicaragua and Panama. Belize and the Dominican Republic also participate in the regional integration system. Since the 1990s, in contrast to the previous two decades, the region has benefited from a stable economic and social environment. However, there are still significant challenges and – as elsewhere – room for improvements in economic and social inequality, citizen insecurity and institutional infrastructure. According to the World Bank (see Appendix 2), Central America's economic growth has lagged far behind the rest of Latin America, East Asia³ and other middle-income countries. The World Bank also notes lower regional productivity levels than other developing geographies.

Countries in the region have alarming security indicators, with high homicide rates.⁴ Demanding social and economic conditions, informality and environmental vulnerability mean the region is subject to the destabilizing influence of mass migration – a serious obstacle to building and retaining a talented workforce.

Additional challenges emerge from the climate itself since, despite being a low-carbon emitter (with only 4.4% of global emissions), the region is vulnerable to the effects of natural disasters. As a result of two hurricanes that hit the region in 2020,⁵ according to the World Food Programme, 6.8 million people lost their homes and livelihoods, and 200,000 hectares of staple food and cash crops were destroyed.

Approximately 89% of companies surveyed by PwC consider climate change significant to their operation, at least 70% have been directly or indirectly affected by climate events in the last five years, and more than 60% consider social and labour inclusion a priority in their agenda. This makes formal assessments of vulnerability and preparedness essential for businesses to be resilient and competitive, whether they are nationally orientated or part of international value chains.

Remarkable growth potential

Despite these challenges, Central America has extraordinary growth potential and is considered strategically important by many international companies. It is a territory filled with precious natural resources, with fertile land and access to forest and marine resources. It has relatively low employment costs and is close to huge markets, including the US and Mexico, with access to international trade routes. As a result, several of the companies in Central America are connected to global value chains and total exports from the region increased by 28%⁶ in 2021 compared to 2020.

These international connections have introduced the requirement to establish sustainability practices to remain competitive. Sustainably orientated companies can significantly impact social and environmental issues in the region, attracting global investment, boosting markets, improving society and protecting a fragile yet rich environment.

To protect the regions' valuable resources and help prepare these countries for a fair transition, sustainable investment is needed from businesses and governments. Since the region only issues 2% of green debt instruments worldwide, there is a significant opportunity for investment.⁷

Regional context of broader sustainability progress

Currently, Central America's national sustainability indicators are mixed. With respect to positive environmental indicators, categories such as renewable energy consumption and carbon dioxide emissions per capita, results are above average (see Appendix 3). Yet, as suggested earlier, social indicators present a more challenging picture, with access to clean water, sanitation and electricity showing room for improvement.

The private sector, which provides nine out of ten jobs in the region, has indicated that it is alarmed most by problems in the economic and social spheres and that its actions, therefore, must be aligned with these areas of greatest concern to generate value for businesses, the economy and society.⁸

According to the interviewees for this paper, the sectors that have the most advanced sustainability practices and reporting are:

- Agribusiness
- Construction
- Energy
- Food and beverage
- Financial

Progress on the UN SDGs is low overall, with El Salvador 79th, Honduras 112th and Guatemala 117th on the global progress ranking (see Appendix 4).



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National economic snapshots

El Salvador: key facts⁹

Gross domestic product (GDP) 2021: \$28.74 billion

Exports (goods and services): \$8.49 billion

Key sector for green growth: Energy

Poverty index: 30.7% (2020)¹⁰

Selected government UN SDG commitments:

- Develop a national climate change plan.
 - Implement the Ecosystem and Landscape Restoration Program.
 - Reduce economic losses in the agricultural sector caused by climate variability by 1% of GDP.
-

Green finance initiatives: Launch the green protocol of the financial system, which seeks to ensure that financing has a sustainable component.



Guatemala: key facts¹¹

GDP 2021: \$85.99 billion

Exports (goods and services): \$15.9 billion

Key sector for green growth: Agriculture

Poverty index: 50.5% (2014)¹²

Selected government UN SDG commitments:

- Reduce greenhouse gas emissions by between 11.2% and 22.6% by 2030.
 - Obtain 80% of electricity from renewable energy by 2027.
 - Improve energy savings in the industry and commerce sector by 25% by 2027 versus 2013.
-

Green finance initiatives: Part of the UN Sustainable Stock Exchanges Initiative.



Honduras: key facts¹³

GDP 2021: \$28.49 billion

Exports (goods and services): \$10.96 billion

Key sector for green growth: Agriculture

Poverty index: 52.3% (2019)¹⁴

Selected government UN SDG commitments:

- Continue progress towards the implementation of a climate policy framework.
 - Reduce net greenhouse gas emissions by 16% by 2030.
 - Achieve 80% of electricity supply from renewable sources by 2038.
-

Green finance initiatives: Intends to create a Resilient Green Finance Strategy.



Source: World Bank, 2021

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Current response to sustainability reporting

Central American companies do not yet consider the reporting of sustainability indicators a priority. As previously stated, currently 85% of respondents to the PwC survey are unclear about the purpose and value of sustainability reporting.

Of those who report on their sustainability, only 25% use an international standard for their disclosures.

The World Economic Forum's SMs are now being socialized with local organizations, such as Centrarse, Fundahse, the Honduran Council of Private Enterprise (COHEP) and Fundemas, who, together with the World Economic Forum, PwC and KPMG, ran three events in Guatemala, Honduras and El Salvador in August 2022. The aim was to raise awareness of global developments and how the metrics can help companies start or progress their sustainability reporting. More than 200 company representatives attended these events. It will take a further and combined public and private effort to design incentives for meaningful sustainability reporting that can underpin economic and social development.

International corporations operating in the Central American region are more mature in implementing standards and reporting and establishing successful social and environmental programmes. The large, consolidated groups in the region have managed to implement a culture of sustainability. Medium and small local companies lack the technical knowledge, structure and resources to do the same. Consequently, they cannot articulate consolidated sustainability practices or strategies and embed them in the business models.

As part of the research outlined in this paper, it was determined that there is no consistency in applying a framework for sustainability practices between companies and countries. Those that already apply some practices and have implemented some metrics have not necessarily established goals aligned with the UN 2030 Agenda and the SDGs. Few companies have information systems with well-defined processes and controls that allow them to set targets and identify metrics to measure progress accurately and comparably.



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Sustainability in action: case studies

This chapter presents four case studies – one international and one from each of the three countries – to illustrate how some companies in the region are already integrating sustainability into their reporting. Further case studies¹⁵ from other Forum corporate partners around the world are also available, and these show in concrete terms how the Stakeholder Metrics are helping companies.



CASE STUDY 1

Holcim: International and El Salvador



Company introduction

Holcim is a cement producer and marketer operating worldwide. In Central America it operates in El Salvador, Nicaragua and Costa Rica. Its goal is to be the biggest building solutions company in the world. In El Salvador, it has two cement plants, nine concrete plants and an aggregate plant, a building solutions franchise, and a service division for infrastructure projects. Holcim, El Salvador, is trying to expand production in the region and reactivated one of its cement plants in 2022.

What is the company doing about sustainability?

The company has a sustainability strategy called “accelerating green growth”. This is based on four pillars: climate, circular economy, nature and people. Selected goals include a global commitment to a 40% reduction in carbon emissions per tonne of cement by 2030 and scope 1 carbon neutrality by 2050. To achieve this, it is prioritizing a transition to low-carbon products. Currently, one-third of the group’s net sales are in sustainable building solutions.

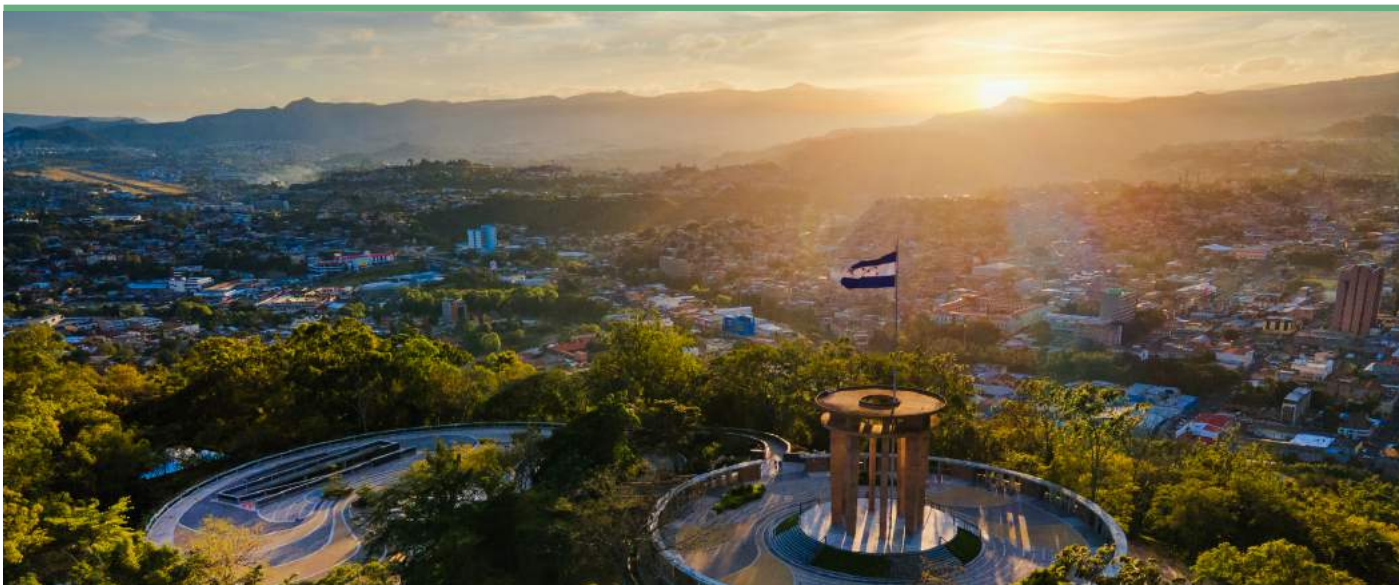
How does it currently report on sustainability?

Holcim generates three annual reports that bring together the main sustainability key performance indicators (KPIs) in the business:

- An integrated annual report that gathers financial and non-financial information to communicate results and plans to stakeholders.
- A sustainability performance report to show how the company contributes to the four pillars of its sustainability strategy. This report is developed using GRI and SASB standards (the main sources of metrics for the Forum’s SMs) and is assured by an independent third party.
- A climate report that brings together the roadmap to climate neutrality and a climate risk analysis based on TCFD recommendations.

What challenges has the company encountered? And what successes?

According to Jorge Peña, Sustainable Development Manager at Holcim El Salvador, “When companies start to make decisions based on carbon, things change”. For example, environmental and social KPIs linked to issues such as carbon emissions and health and safety are as relevant as financial KPIs for the criteria in the variable compensation of employees at the company. Peña mentions that keeping up with innovative technologies in recycling and offering sustainable solutions to customers can be hard to do while coping with climate and social changes.



CASE STUDY 2

Grupo Terra: Honduras

Company introduction

Terra Inversiones is an investment firm with a diversified portfolio of companies that have independent legal and operational structures. The firm identifies equity investments and strategic projects based on a great commitment to creating value, innovating and diversifying with a positive and sustainable impact, generating growth, innovation and well-being for the countries it works in. It is committed to investing in accordance with the highest standards and frameworks internationally recognized and has a strong track record in Latin America for responsible business conduct and sustainability-led investing.

What is the company doing about sustainability?

Terra Inversiones follows sustainability criteria when making investment decisions to ensure that they are equitable, sustainable and transparent and that its business partners are aligned with the same principles. Their strategy is designed to manage resources in such a way that the investments achieve a significant impact on society, leaving what it describes as a business legacy with “long-term goals for competitive businesses” that consider stakeholders responsibly and manage economic, social and environmental risks in a way that allows the companies sustainability into the future.

How does it currently report on sustainability?

The firm produces an internal report on its investments under ESG criteria and indicators defined by a materiality process of each business. The report can be publicly disclosed and follows the ISO reference standards, including 9001, 14001, 26000 and 37001 and other sustainability frameworks like Global Reporting Initiative and the stakeholder metrics.

What challenges has the company encountered? And what successes?

In an interview with PwC, María del Carmen Nasser, Chief Sustainability Officer (CSO), and Francisco Hernández, Sustainability/ESG Manager, detailed that the firm’s major challenge at the moment is to issue a single report encompassing the full diversity of the businesses. As a result of the diversity of work, selecting standardized criteria and indicators is a challenge. They have started by providing general guidelines in a standardized way so that the different companies can follow similar indicators and KPIs using the same language supported by a specialized environmental, social and governance (ESG) data-driven software solution.

The company also realizes that the transparency and accuracy of that data are vital, so it has developed a sound governance structure with clear accountability regarding who takes responsibility for which aspects of data verification, approval and sign-off. JLL aims to give stakeholders the maximum possible confidence in the information it discloses, seeking to assure sustainability information to the same standard as financial information. This demonstrates that the governance of the data collection and verification process is just as important as the data itself.



CASE STUDY 3

Grupo Poma: El Salvador

Company introduction

This family-owned company was founded in El Salvador but has expanded its operations in Central America, Colombia, Dominican Republic and the US. Grupo Poma has five main business segments:

- Automobile dealership (Excel Automotriz)
- Real estate development (Grupo Roble)
- Hospitality (Real Hotels & Resorts)
- Finance (Autofácil)
- Industrial (Solaire)

They have integrated sustainability practices in each of their companies with programmes related to social development (particularly in El Salvador through their Poma Foundation) and by integrating sustainability criteria in their business decisions.

What is the company doing about sustainability?

The corporate social responsibility (CSR) and sustainability strategy is developed across three different dimensions:

- First, they develop initiatives internally. Working with collaborators and their families for their well-being, they recognize effective work and offer services and benefits well beyond the legal requirements.
- Second, they work on programmes directed to the communities they operate in. This is mainly, through the Poma Foundation, FUSAL and ESEN on topics related to education, health, culture and the environment.
- The third dimension is related to the way they do business, each of the group's business divisions promotes specific programmes related to its operation, stakeholders and

areas of influence, such as responsible consumption and proper management of natural resources, energy and waste (Real Hotels and Resorts and Grupo Roble) and generation of electrical energy through renewable sources, specifically solar energy.

How does it currently report on sustainability?

The current focus is on sustainable strategies and activities, and not yet on measurement and reporting of sustainability performance. Grupo Poma has been obtaining ISO certifications for their operations (specifically 9001 and 14000). Also, when they develop a real estate project, they seek leadership in energy and environmental design (LEED) certifications.

Alejandro Poma, Director of Grupo Poma, recalls that "Every time we evaluate a new project, we consider measures that contribute to making it responsible and sustainable". The company constantly evaluates innovative projects to ensure efficiency. However, they are also conscious that these innovations contribute to the culture of sustainability that all branches of the business are dedicated to.

What challenges has the company encountered? And what successes?

Sustainability is a cross-cutting element that has always been present in the vision of the different companies that make up Grupo Poma. An example success story is Solaire, the group's industrial division when the decision was made to evolve from being a supplier of architectural materials and products to becoming a consultant specializing in sustainable solutions. The company says there is progress on the level of social awareness and with leaders of institutions who promote a culture of sustainability. However, as the recent results of the social progress index (SPI) indicate, there are still important challenges in terms of sanitation that require regulations and legislation that promote activities aimed at addressing these issues and promoting reporting.



CASE STUDY 4

Cemaco: Guatemala

Company introduction

Grupo Cemaco was founded 45 years ago. It is the leading home improvement, home furnishings, toys and baby products retailer in Guatemala. The company strives to provide real value to their customers by delivering quality products, excellent customer service and a no-questions-asked-return policy to assure customer satisfaction. Grupo Cemaco's purpose is to improve Guatemala, one home at a time. Grupo Cemaco is proud to be a certified B Corporation.

What is the company doing about sustainability?

The company has integrated sustainability into its business strategy and is focused on 3 pillars: **team, community and environment**.

In first pillar (team), they work towards improving the quality of life of their employees and their employees' family members by focusing on four areas: improving their home, health, professional education and financial well-being. Some examples include, debt refinancing and relief, health coverage, access to clinics, financial education and discounts on products sold in Cemaco stores among others.

In the community pillar, Grupo Cemaco has formed alliances with outside organizations focused on improving basic housing and education that have proven track records in Guatemala through donations and volunteer work.

Finally, in the environment pillar, Grupo Cemaco has taken steps to reduce waste, measure and increase recycling within the organization; support and promote reforestation efforts in Guatemala; improve energy efficiency and increasingly source their energy from renewable energy (currently more than 25% of their energy is self-generated through solar panels, and more than 70% of their total energy consumption comes from renewable sources). The company has committed to become carbon neutral by 2030.

Through the different measurements and certifications that the company undergoes, it constantly identifies areas to improve in its sustainability strategy.

How does it currently report on sustainability?

Grupo Cemaco publishes an annual impact report as a member of UN Global compact. In addition, it undergoes different evaluations that are also reported. Grupo Cemaco is a certified B Corporation. To obtain this certification, it undergoes a thorough evaluation of its operations and impacts with different stakeholders.

Grupo Cemaco is also a member of the Guatemalan centre for social responsibility (CentraRSE) and uses their IndicaRSE assessment to measure performance. (IndicaRSE is homologous to ISO 26000 standards and can be vintilated with UN Global Compact and GRI4).

What challenges has the company encountered? And what successes?

The company stated that adapting to global standards and reporting in a timely manner has been a challenge.

The measurement of all activities within the organization is also challenging; however, the hardest part is measuring activities within the supply chain, as there are suppliers with different levels of sophistication and ability to measure their different impacts.

In addition, because of the nature of the business, many of the products being sold are not optimized for sustainable sourcing or packaging. Grupo Cemaco is working with local suppliers as well as improving its international sourcing in order to obtain products for its customers that are not only great value but also sustainable.

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Practical recommendations to boost sustainability reporting in Central America

Sustainability is no longer a topic detached from the strategic management of a successful business. Throughout the research conducted and exemplified in this paper, Central American companies have demonstrated that they are making good progress on sustainability reporting despite a challenging context. The key reporting challenges outlined by some of the companies include:

- Selecting standardized criteria to report on a range of diverse business activities
- Adapting to accepted sustainability standards and reporting in a timely manner
- Reporting concisely
- Scarcity of technical support.

Other companies are not reporting on sustainability at all. For those companies, finding the resources and time to do so can seem a tall order. For both groups – those wanting to start reporting and those already in the journey – the approach to sustainability reporting should be the same in many respects since reporting is a cyclical process that must always be updated. It is a journey where the information matures as the company progresses, creating value by embedding sustainability into its business.

Three key phases define the sustainability reporting journey, whether for the first time or not:

1 Reporting strategy – The objective is to assess the current landscape. Compare current reporting against the sustainability reporting ambition to identify risks and opportunities and define the reporting strategy.

2 Reporting transformation – The objective is to create a foundation for clear, comprehensive, high-quality reporting processes and controls supported by strong governance and a set of policies aligned with the sustainability strategy.

3 Reporting what matters – Report progress against the company's wider business strategy and targets and comply with existing regulatory requirements.

To navigate through these key phases, companies should take into account the following practical recommendations:

Identify what matters to the company and stakeholders

The Central American entities should review their purpose and aspirations in terms of sustainability reporting, identifying what is important to their stakeholders. This process should include assessing reporting requirements to comply with the regulations in all the places they operate and what ratings and certifications would add value.

Assess the current state

It is important to understand where the company is in the sustainability reporting journey. Therefore, they should run a maturity assessment over current sustainability reporting, including people, processes, technology and controls. This will be particularly important to understand what they have already implemented and are doing well and what they need to do to manage risks and accomplish their aspirations.

Identify where the company needs to go

Compare the current state against their aspirations and select the right benchmarks to design the company's sustainability reporting strategy and roadmap. At this stage, the companies should evaluate required capabilities and skill sets and develop an upskilling and/or hiring plan, if needed. Key milestones will depend on the maturity of the company's sustainability reporting journey. It will be relevant to adjust the strategy to fit the company's size, industry and business model.

Integrate sustainability risks and data into the business

Integrate sustainability risks into enterprise risk management and establish a sustainability information governance structure at the programme level, including policies, roles and responsibilities, internal controls and document reporting processes.

Align management incentives

Aligning sustainability KPIs to executive and management incentives is particularly important to embed the strategy in the day-to-day work of executives and give the metrics and reporting the power needed to implement the business strategy.

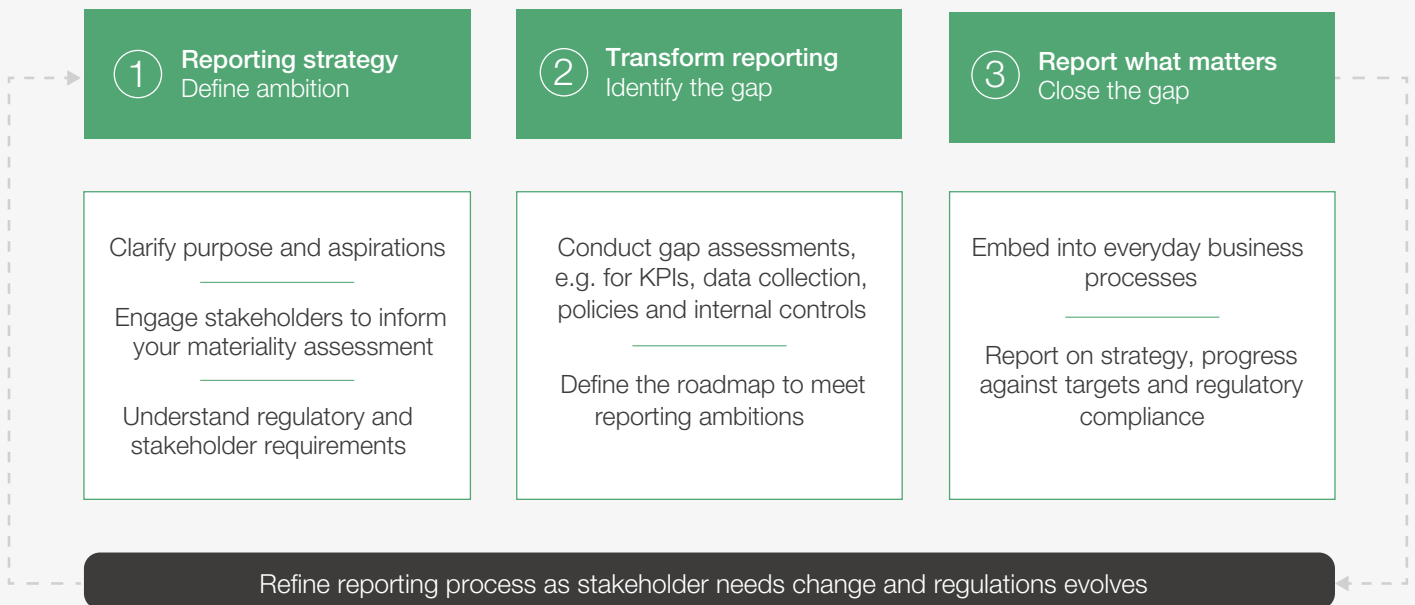
Make it happen

Perform the year-end closing process and issue the report on sustainability performance. This refers to external reports, but the company should consider that preparing frequent, high-quality internal reporting allows the company to track progress against ambitions or publicly communicate targets before formal external reporting. It also allows the company to refine its process and manage any control deficiencies before issuing the external report.

Continuously improve

As mentioned before, reporting is a cyclical and iterative process that should always be reviewed for improvements. It is highly recommended to design a process to refine reporting as stakeholder needs and regulations evolve.

FIGURE 2 Actions to establish effective sustainability steering and reporting



Source: PwC, 2022

For government and policy-makers

Considering their role is mainly to create the necessary conditions and incentives to drive the economy and enable their participants towards a sustainable model. In this regard, the following would be important levers to support the change:

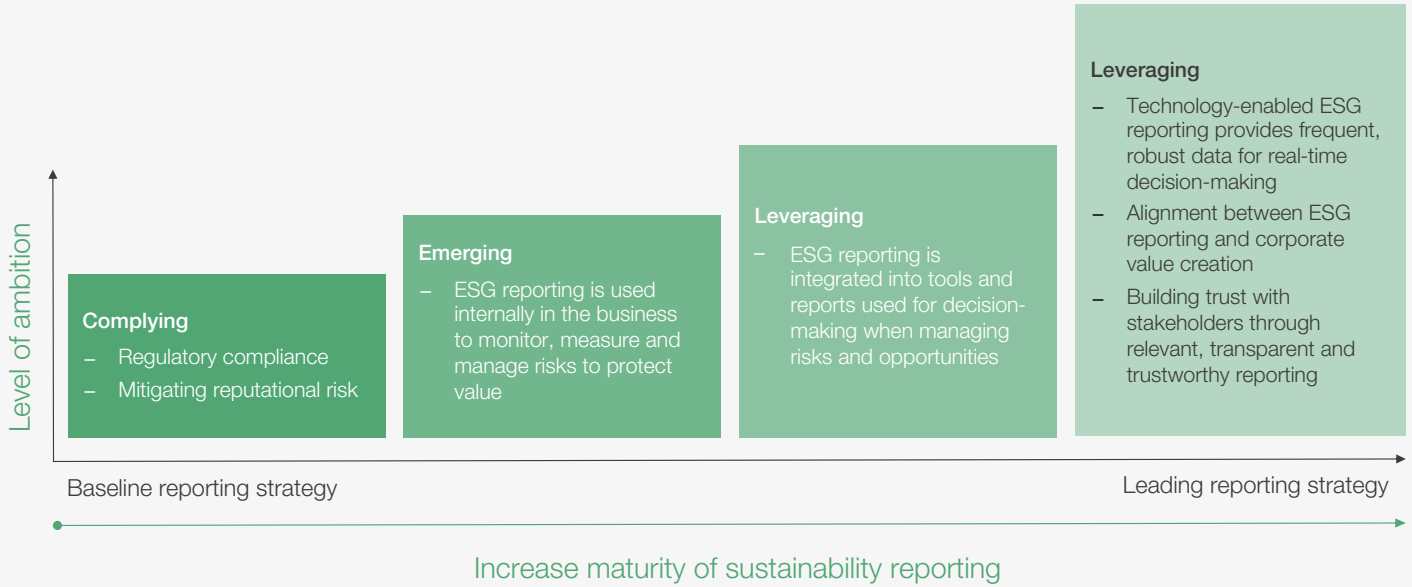
- Requiring information that measures the true costs of environmental and social impacts of products and services would improve transparency and drive the achievement of priority goals.

- Facilitate and incentivize business innovation supported by technology and digital solutions to improve the inclusion of sustainability information.
- Rethink to create a transition plan with incentives and the progressive deployment of new measures for fiscal policy integrating social and environmental indicators.
- Invest in education to improve the technical and scientific capacity of the country to ensure a sustainable long-term model.

For financial institutions and investors

- If the environmental and social risks can be measured, financial institutions should consider incentives and adjust their pricing models to consider these as part of the capital price.
- Work with the policy-makers to create a taxonomy that allows reliable and consistent identification of sustainable projects and businesses that they can support/invest in to ensure sustainable long-term outcomes for the investors and other stakeholders.

FIGURE 3 Sustainability reporting is a journey – the more it matures, the more benefits it brings to the business



Source: PwC, 2022



8

Conclusion

Although similar and integrated in many ways, El Salvador, Guatemala and Honduras hold some differentiated characteristics, yet all three are in vulnerable geographic positions and social conditions. Despite low carbon emissions, they are subject to severe effects of climate change. In social and economic matters, these countries must overcome considerable challenges in society, political culture, regulations, education, housing and healthcare to achieve their development goals.

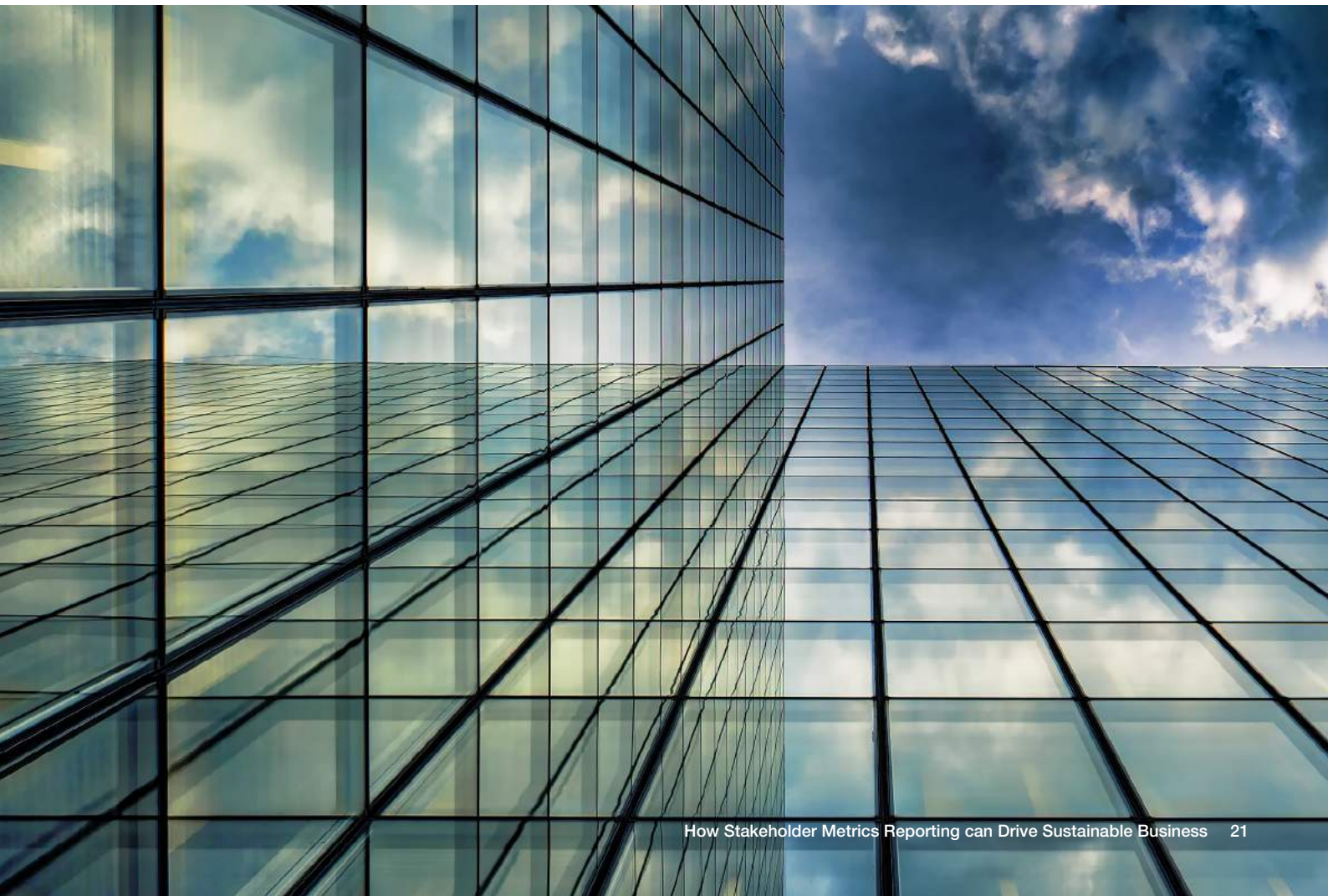
Much of what sustainability reports currently communicate is voluntary, but that will not always be the case. In order to remain competitive both nationally and internationally as part of multinational corporations' value chains, Central American companies already understand that some level of sustainability reporting is essential. Increasingly, all companies are expected to report on sustainability issues under internationally aligned standards. It is better to start now, as this allows companies to grasp opportunities, manage risks sooner and handle the business transformations required to reorientate towards sustainability before it is mandatory.

Governments and regulators also have a significant role to play. More investment in education on sustainability is needed, and a broader and better understanding of what sustainability implies and

what benefits flow from it must be promoted at a structural level. Greater collaboration and coordination between public and private sectors would be beneficial since the government can extend the reach of sustainability, and businesses have the innovative skills to execute action. Only by working together can they enhance the ability to drive social change, mitigate the effects of climate change, slow down global warming and boost prosperity in the region.

So, while reporting is important in achieving sustainable outcomes, it is not the ultimate goal. The real aim for businesses is to create the greatest value possible for the planet and society as they successfully pursue their own business objectives. For this reason, it is recommended that businesses progress their sustainability journey as soon as possible, using the framework of the main corporate report to help integrate sustainability into their strategies and transform the systems and processes behind the information they need for decision-making.

The more companies progress their sustainability journey, the greater the chance that they – and the region in general – will remain successful and competitive into a sustainability-orientated future.



Appendices

A 1

Stakeholder Metrics (SMs): 34 expanded topics and metrics organized into four pillars, aligned with the Sustainable Development Goals (SDGs)



Principles of governance

1	Purpose-led management
2	Progress against strategic milestones
3	Remuneration
4	Alignment of strategy and policies to lobbying
5	Monetary losses from unethical behaviour
6	Economic, environmental and social topics in capital allocation framework



Planet

7	Paris-aligned GHG emissions targets
8	Impact of GHG emissions
9	Land use and ecological sensitivity
10	Impact of land use and conversion
11	Impact of freshwater consumption and withdrawal
12	Air pollution
13	Impact of air pollution
14	Nutrients
15	Impact of water pollution
16	Single-use plastics
17	Impact of solid waste disposal
18	Resource circularity



People








19	Pay gap (% , number)
20	Discrimination and harassment incidents (number) and the total amount of monetary losses (\$)
21	Freedom of association and collective bargaining at risk (%)
22	Human rights review, grievance impact and modern slavery (number, %)
23	Living wage (%)
24	Monetized impacts of work-related incidents on organization (number, \$)
25	Employee well-being (number, %)
26	Number of unfilled skilled positions (number, %)
27	Monetized impacts of training – increased earning



Prosperity

28	Infrastructure investments and services supported
29	Significant indirect economic impacts
30	Social value generated (%)
31	Vitality Index
32	Total social investment (\$)
33	Additional tax remitted
34	Total tax paid by country for significant locations

Source: World Economic Forum, *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*, 2020.

	Guatemala	Honduras	El Salvador
Agriculture 	3.0	3.5	-0.6
Industry 	3.1	3.1	3.3
Manufacturers 	2.8	3.9	2.4
Services 	4.3	4.8	3.3
Transport, warehousing and communications 	7.5	6.4	4.0
Finance, real estate and business 	4.8	7.5	4.1
Wholesale, retail, hotels and restaurants 	3.6	2.9	3.3

A3 | World Bank's development indicators: Global goals: promoting sustainability

	People using safely managed drinking water services	People using safely managed sanitation services	Access to electricity	Renewable energy consumption	Expenditures for R&D	Urban population living in slums	Ambient particulate matter (PM) 2.5 air pollution	Carbon dioxide emissions per capita	Nationally protected terrestrial and marine areas	Intentional homicides
	Percentage of population		Percentage of total final energy consumption	Percentage of GDP	Percentage of urban population	Micrograms per cubic meter	Tonnes	Percentage of total territorial area	Per 100,000 people	
	2020	2019	2018			2017	2018			
El Salvador	Unavailable	Unavailable	97.4	23.2	0.2	22.4	24.5	1.1	2.2	52.1
Guatemala	55.8	Unavailable	95.7	64.1	Unavailable	31	24.1	1.1	10.1	28.2
Honduras	Unavailable	49.7	91.1	49.8	Unavailable	38.6	20.6	1	10.9	38.9
Latin America and the Caribbean	75.4	34.1	98.1	27.9	0.7	20.8	16.7	2.6	21.7	22.3

Source: World Bank, *World Development Indicators: Global goals: promoting sustainability* [Table], <http://wdi.worldbank.org/table/WV.3>.

	El Salvador	Honduras	Guatemala	Latin America and the Caribbean
2022 SDG index score →	69.6	63.1	61.0	69.5
SDG1: No Poverty	↑	→	↗	↓
SDG2: No Hunger	↗	→	→	→
SDG3: Good Health and Well-being	↗	↗	↗	↗
SDG4: Quality Education	→	↗	↗	↗
SDG5: Gender Equality	→	→	↗	↗
SDG6: Clean Water and Sanitation	→	↗	↗	↗
SDG7: Affordable and Clean Energy	↗	↗	↗	↑
SDG8: Decent Work and Economic Growth	→	→	↗	→
SDG9: Industry, Innovation and Infrastructure	→	↗	→	↗
SDG10: Reduced Inequalities	↗	→		
SDG11: Sustainable Cities and Communities	↗	↗	→	↗
SDG12: Responsible Consumption and Production	↑	↑	↑	→
SDG13: Climate Action	↑	↑	↑	↑
SDG14: Life Below Water	→	→	→	→
SDG15: Life on Land	→	→	→	→
SDG16: Peace, Justice and Strong Institutions	↗	→	→	→
SDG17: Partnerships for the Goals	↗	→	→	→

Source: Sachs, Jeffrey D., Guillaume Lafortune, Christian Kroll, Grayson Fuller and Finn Woelm, *Sustainable Development Report 2022, From Crisis to Sustainable Development: the SDGs as Roadmap to 2030 and Beyond*, Cambridge University Press, 2022, <https://s3.amazonaws.com/sustainabledevelopment.report/2022/2022-sustainable-development-report.pdf>.

↑ On track → Stagnating
 ↗ Moderately increasing ↓ Decreasing

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