FEBRUARY 2026

Tapping Into Value Chains

Boosting impact transparency through inclusive sustainability management and reporting

Executive Summary

Sustainability management and reporting, understood as the processes by which companies identify, measure, monitor, and disclose their material environmental, social, and governance risks, opportunities, and impacts, has become **increasingly essential to how businesses build competitiveness, resilience, and trust in today's economy.** At the same time, sustainability management and reporting are a **critical foundation for system-level impact transparency,** particularly when adopted consistently across value chains. **Yet for most small and medium enterprises** (SMEs)—especially in emerging markets and developing economies (EMDEs)—**the business case remains unclear, and the pathway to implementation often feels out of reach**. Limited resources, capacity and technical know-how, combined with emerging sustainability-related reporting requirements designed primarily for large corporations, make it difficult for SMEs to engage meaningfully.

Against this backdrop, **corporations have become pivotal actors** in advancing sustainability management and reporting across value chains. While global regulatory momentum is shifting—with slowdowns in parts of the US and Europe—investors and corporations continue to demand reliable sustainability information. As these expectations cascade through supply chains, SMEs increasingly must demonstrate credible sustainability performance to remain competitive, meet buyer requirements, and access capital - contributing to greater impact transparency across markets.

GSG Impact, through its partnership across 48 countries, is **working to highlight the role of corporations and their unique position to drive impact transparency** by enabling more inclusive, practical sustainability management and reporting across value chains. This document—informed by **200+ stakeholders across Nigeria, Brazil, Thailand and Malaysia**—intentionally focuses on ***market-driven* approaches** emerging from businesses themselves, rather than from regulation or standard setters alone.

Fostering sustainability through business activity does not reduce the importance of **collective action**. While corporations are central to accelerating progress, governments, investors, standard setters, business associations, and SMEs each have critical roles to play.

Only through coordinated action can sustainability management, reporting, and impact transparency scale globally and equitably.

Our findings show that **real progress depends on holistic solutions combining**: 1) incentives, 2) capacity building, 3) data and technology systems, and 4) partnerships for innovation. When approached and designed together, these solutions reinforce one another, enabling both corporations and SMEs to create tangible value—driving efficiency, competitiveness and positive impact across value chains.

Sustainability management and reporting are no longer optional—they are a foundational enabler of impact transparency, which in turn underpins resilient, forward-looking, and impact-driven economies. The opportunity ahead is to ensure that these systems work for all, with SMEs being empowered to innovate and prosper, and where every business decision contributes to enduring value for people and planet.

Key takeaways:

Sustainability reporting for SMEs will scale through value chains. SMEs are being pulled into sustainability expectations primarily by the corporations they supply, not by regulation, making value chains the most powerful channel for widespread adoption.

Corporations are the critical leverage point for accelerating impact. By aligning incentives, capacity building, technology and innovation support, corporations can help SMEs move beyond one-off compliance toward real performance, innovation and long-term competitiveness.

Lasting progress requires coordinated, multi-actor action. Governments, investors, standard setters, business associations, and SMEs must align to reduce fragmentation and build an inclusive, practical system where sustainability creates value for all.

Glossary

AI	Artificial intelligence
CSRD	Corporate Sustainability Reporting Directive (European Union)
DFI	Development Finance Institution
EMDE	Emerging markets and developing economies
ESG	Environmental, social, and governance
EU	European Union
GDP	Gross domestic product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IFC	International Finance Corporation
ISSB	International Sustainability Standards Board
KPI	Key performance indicators
NGO	Non-governmental organization
NIS	Sustainability Reporting Standards (Mexico)
NP	National partner
NSRF	National Sustainability Reporting Framework (Malaysia)
SAMENTA	Small and Medium Enterprises Association (Malaysia)
SDG	Sustainable Development Goals
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
UN	United Nations
VSME	Voluntary Sustainability Reporting Standard for non-listed SMEs

Introduction

In today's world of accelerating social, environmental, and economic disruption, operating sustainably is no longer optional—it is a business imperative. Climate change, resource scarcity, biodiversity loss and widening social inequality are reshaping markets and exposing new risks and opportunities for companies across every sector. Stakeholders—including investors, consumers, regulators and employees—are demanding greater accountability and transparency in how businesses operate.

Across industries, a profound shift is underway: one that expands the definition of business success beyond short-term financial performance toward models that integrate social and environmental impacts into decision-making, risk management and innovation. This **shift** also **requires** greater alignment across the global economy, where **transparent and harmonised standards, shared expectations, and accountability enable all** market participants—from multinational corporations to SMEs—**to create long-term value for people and planet**.

Since the creation of the Global Reporting Initiative (GRI) in 1997, sustainability disclosure has been largely voluntary.[1] This tendency began to change in the late 2010s and accelerated in the 2020s as disclosure shifted from voluntary to regulated reporting for state-owned enterprises (SOEs), listed companies, and large enterprises. Some countries introduced national standards. For example, Malaysia's National Sustainability Reporting Framework (NSRF) was implemented in 2024 and Mexico's Sustainability Reporting Standards (NIS) in 2025.[2] In other cases, countries adopted international standards, such as the case of Brazil which was the first to officially adopt the International Sustainability Standards Board (ISSB) standards in 2023.[3] Unlike jurisdiction-specific standards, the ISSB aims to provide a global baseline for sustainability-related financial disclosures. As of June 2025, **36 countries have adopted or are preparing to adopt the ISSB standards**.[4]

Although these **regulations primarily target large corporations, their implications cascade through entire value chains**—now the dominant structure through which multinational companies organise production.[5] **Large companies depend** on suppliers, many of which are **SMEs in EMDEs**, to meet sustainability expectations. **SMEs that cannot demonstrate responsible practices risk losing access to markets, contracts, and growth opportunities**.[6]

These evolving requirements present a pivotal **opportunity for businesses to shift from a narrow compliance mindset toward one that prioritises innovation, resilience, and shared value creation**. Sustainability management and reporting, when understood as strategic tools rather than administrative tasks, strengthen decision-making, enhance operational resilience and unlock new forms of competitive advantage. They enable organisations to identify material risks and opportunities, embed sustainability into core business functions and drive measurable improvements across value chains.

1 Climate Impact Partners. November 11, 2024. "Sustainability Reporting." Available at: https://www.climateimpact.com/news-insights/insights/sustainability-reporting/#:~:text=However%2C%20the%20first%20major%20milestone,and%20report%20their%20sustainability%20performance.

2 PWC. October 2024. "Spotlight on sustainability: National Sustainability Reporting Framework." Available at: https://www.pwc.com/my/en/publications/2024/national-sustainability-reporting-framework.html; and Arbor. Amar, Omer. September 18, 2025. "A Guide to Mexico's Sustainability Reporting Standards (NIS)." Available at: https://www.arbor.eco/blog/mexico-nis-sustainability-standards#:~:text=a%20company's%20efficiency.-,%E2%80%8D,Social%20(6%20Indicators)

3 Eye on ESG. Bezerra, Luiz Gustavo, Beatriz Lavigne, and Priscilla Santos. October 27, 2023. "Brazil Sets Global Precedent: First Nation to Embrace ISSB Sustainability Financial Reports." Available at: https://www.eyeonesg.com/2023/10/brazil-sets-global-precedent-first-nation-to-embrace-issb-sustainability-financial-reports/#:~:text=Business%20and%20Finance-,Brazil%20Sets%20Global%20Precedent:%20First%20Nation%20to%20Embrace%20ISSB%20Sustainability,Board%20(%E2%80%9CSASB%E2%80%9D).

4 International Financial Reporting Standards. June 12, 2025. "IFRS Foundation publishes jurisdictional profiles providing transparency and evidencing progress towards adoption of ISSB Standards." Available at: https://www.ifrs.org/news-and-events/news/2025/06/ifrs-foundation-publishes-jurisdictional-profiles-issb-standards/#:~:text=Thirty%2Dsix%20jurisdictions%20have%20adopted,them%20into%20their%20regulatory%20frameworks.

5 Ferreti, Tommaso. October 19, 2023. Impact Investing and Sustainable Global Value Chains: Enabling Small and Medium Enterprises Sustainability Strategies. In Vol. 23, Issue 5, 2023, AIB Insights. Academy of International Business.October 19, 2023. Available at: https://insights.aib.world/article/88529-impact-investing-and-sustainable-global-value-chains-enabling-small-and-medium-enterprises-sustainability-strategies.

6 International Monetary Fund. December 27, 2019. Kamali, Parisa. Exporting Through Intermediaries: Impact on Export Dynamics and Welfare. Available at: https://www.elibrary.imf.org/view/journals/001/2019/302/article-A001-en.xml

Realising this potential requires recognising the diverse needs and realities of different actors, strengthening collaboration and ensuring that sustainability management and reporting become foundations for long-term competitiveness and inclusive growth.

Because value chains are interconnected, sustainability goals cannot be achieved in isolation.

In this context, large corporations play a critical role in strengthening the sustainability capabilities of SMEs in their supply chains. Globally, SMEs are the main engine of the economy, making up 90% of businesses, employing 70% of the population, and generating around 50% of gross domestic product (GDP).[7] In EMDEs, they contribute a similar share of GDP and 45% of formal jobs, and their role in sustainable development is particularly significant.[8]

SMEs drive economic diversification, job creation, poverty reduction and inclusive growth—often serving women, youth and underrepresented workers who are overlooked by larger firms.

By supporting SME adoption of sustainability management and reporting, corporations not only meet their own regulatory obligations but also **strengthen value chain resilience, foster innovation and drive shared prosperity**. For **SMEs**, sustainability offers opportunities to **differentiate themselves, strengthen competitiveness, access new markets in regulated jurisdictions and unlock new financing**—including green and sustainability-linked capital.

The definition of an SME varies across countries. The International Finance Corporation's (IFC) thresholds based on assets, sales, and employment often exceed the scale of many SMEs in EMDEs.[9]

To maintain inclusivity, this report defines SMEs as small and medium-sized enterprises operating within value chains led by larger companies that are required—or will soon be required—to report on sustainability, even if the SMEs themselves are not yet subject to regulation.

7 International Finance Corporation. June 27, 2024. Small Business, Big Impact: Empowering Women SMEs for Success. Available at: https://www.ifc.org/en/stories/2024/small-business-big-impact.

8 World Bank Blogs. Faye, Issa and Goldblum, Dan. June 14, 2022. "Quest to better understand the relationship between SME finance and job creation: Insights from new report." Available at https://blogs.worldbank.org/en/psd/quest-better-understand-relationship-between-sme-finance-and-job-creation-insights-new-report#:~:text=Small%20and%20medium%2Dsized%20enterprises,GDP%20can%20reach%2040%20percent; World Economic Forum. June 14, 2023. "Why Africa's SMEs need more than money to ensure their growth." Available at: https://www.weforum.org/stories/2023/07/why-priming-africa-s-smes-for-growth-is-about-more-than-money/#:~:text=Why%20Africa's%20SMEs%20need%20more,on%20Unsplash; Bpeace. March 13, 2025. "Small Businesses, Big Impact: How SMEs Shape our Global Economy." Available at: https://www.bpeace.org/blogs/small-businesses-big-impact-how-smes-shape-our-global-economy#:~:text=In%20emerging%20economies%2C%20SMEs%20contribute,alone%E2%80%94their%20impact%20is%20undeniable.

9 According to the IFC definition, micro-enterprises are businesses with less than 10 employees, total assets less than $100,000 and annual sales less than $100,000; small enterprises are businesses with between 10 and 50 employees, total assets between $100,000 and $3 million and annual sales between $100,000 and $3 million; and medium-sized enterprises are businesses with between 50 and 300 employees, total assets between $3 million and $15 million and annual sales between $3 million and $15 million. International Finance Corporation. "IFC's Definitions of Targeted Sectors." Available at: https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors.

Yet the **transition is challenging. SMEs often lack the skills, systems, funding and internal capacity needed to effectively measure, manage and report on sustainability performance**. Smaller businesses struggle to achieve economies of scale, negotiate with corporate clients or secure financing for sustainability investments. These barriers reinforce the need for coordinated support across value chains and ecosystems.

To explore these challenges and emerging solutions, **GSG Impact conducted two major research engagements.** In 2024, the organisation consulted more than 500 stakeholders across nine EMDEs through the report *Impact Transparency From the Ground Up*, highlighting systemic barriers facing SMEs. In 2025, GSG Impact expanded this work, engaging over 200 stakeholders across Nigeria, Brazil, Thailand, and Malaysia to identify practical, business-driven, and context-specific solutions to strengthen sustainability management and reporting in value chains.

This report presents the insights from the latest research, focusing on the approaches that SMEs, corporations and ecosystem actors consider most valuable for driving progress.

The role of SMEs is evolving from recipients of compliance to being an active agent of sustainability. This is a challenge but also an opportunity to transform the ecosystem as SMEs are the engine of any economy."

Executive Director,
National Chamber of Commerce

About the Project

GSG Impact's mission is to build impact economies across the globe, meaning economies where every investment, business, consumption and government decision is taken to deliver impact.

Building on the findings from [Impact Transparency From the Ground Up]() and leveraging its capabilities as a global market builder, convener and orchestrator with members in 48 countries, during 2025 GSG Impact led a project in four key EMDEs aimed at:

- Shifting the focus from diagnosing challenges for adopting sustainability management and reporting to exploring practical, market-driven solutions that can be implemented across value chains.
- Fostering collaboration to co-create practical solutions to ensure that enable value creation for all actors, with an emphasis on SMEs in EMDEs.

While this project focused on the role that corporations can play to support SMEs, it also highlighted the important contributions from other actors. Achieving sustainability goals requires a collective effort from many different stakeholders, including: governments and policy makers; regulators and standard setters; corporations; SMEs; chambers of commerce/associations; and others (including service providers such as accounting firms/assurers, legal firms, software/ technology companies; university and academia; and end consumers).

Building impact economies is a multi-stakeholder effort that requires collective action.

Given that sustainability management and reporting are still relatively new for many and are evolving at a rapid pace, this report does not intend to arrive at set conclusions. Rather, the aim is to propose possible solutions and collaborations to adopt sustainable practices, to open questions for each reader to consider, depending on their role in the sustainability and impact landscape, and the particular context of their country and sector. Collectively, as part of a global dialogue, the objective is to ensure that positive impact for people and planet can extend across the globe.

4 National Partners (NPs)

- Aliança pelo Impacto in Brazil
- Impact Investors Foundation in Nigeria
- Thailand Investing for Impact
- Malaysia Impact Alliance

4 virtual roundtables with 188 participants

- SMEs (20%, 37 participants),
- Corporates (26%, 49 participants),
- Others (54%, 102 participants)[10]

20 one-on-one interviews across the four NPs with global experts

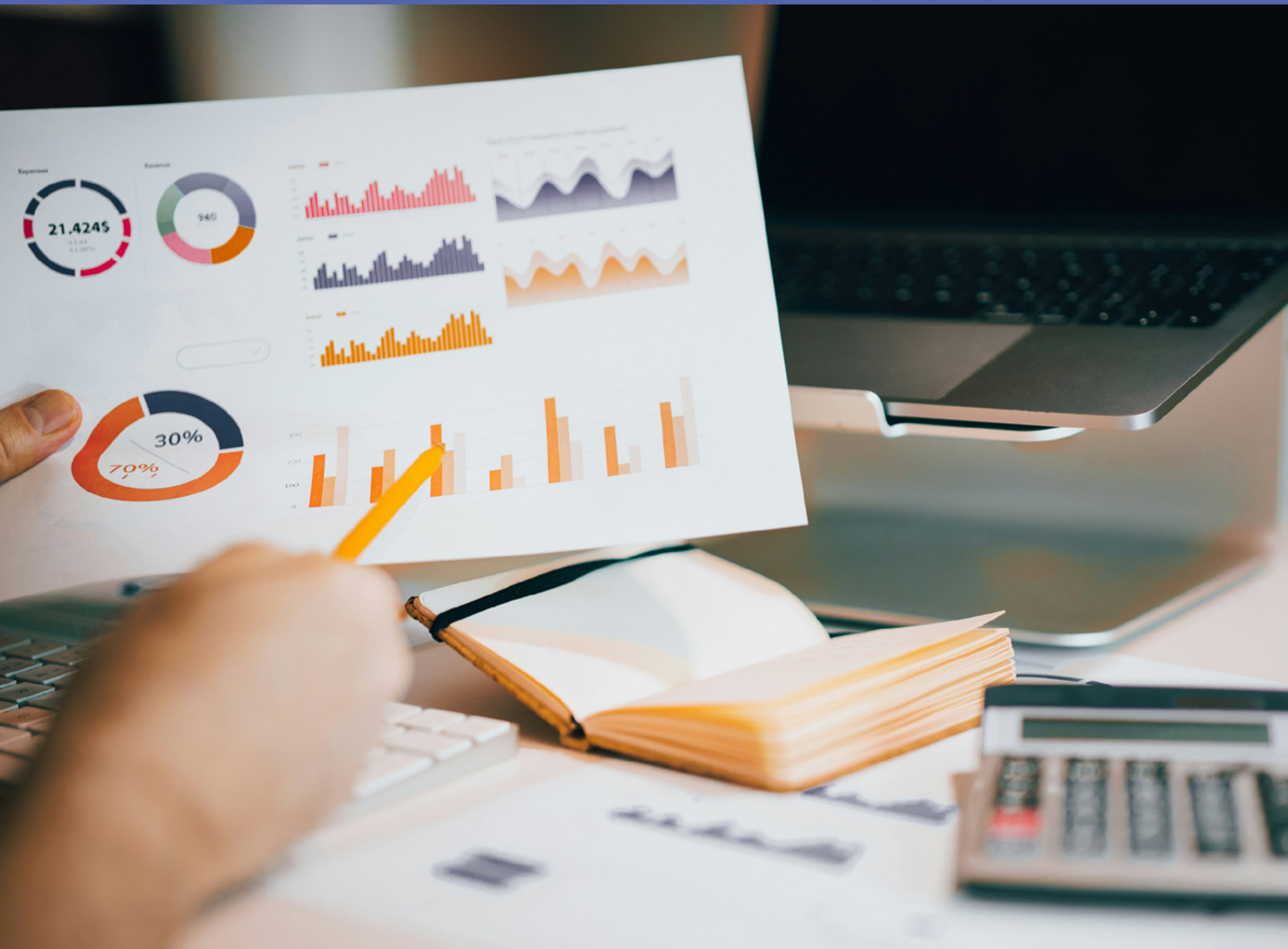
- SMEs (25%, 5 participants),
- Corporates (45%, 9 participants),
- Others (30%, 6 participants)[11]

10 These consisted of non-governmental organizations (NGOs), consultants and practitioners, financial institutions, government entities, stock exchanges, financial regulators and academia.

11 These consisted of three consultants, one expert from EY, one global leader from B Lab and one expert from the International Chamber of Commerce (ICC).

Sustainability management and reporting *refer to the processes by which companies identify, measure, monitor and disclose their material, environmental, social and governance risks, opportunities and impacts. It involves integrating sustainability into core strategy and operations; assessing both how a business is impacted by sustainability issues and how it impacts its stakeholders and environment (double materiality); producing transparent, comparable and decision-useful disclosures.*

Impact transparency *refers to the broader system-level outcome where credible, decision-useful information allows investors, buyers, policymakers, and communities to understand and act on the real-world effects of business activity. As such,* ***sustainability management and reporting are a critical foundation for impact transparency, particularly when adopted consistently across value chains.***



Key Insights

Seven insights emerged from the research, reflecting the collective perspectives of corporate leaders, SMEs, policymakers, investors and ecosystem builders across EMDEs and beyond. **Together, they highlight the conditions under which sustainability management and reporting can shift from a fragmented, burdensome exercise into a practical driver of innovation, competitiveness and shared prosperity across value chains**. These insights also reinforce a central theme of this report: progress accelerates when solutions are tailored, coordinated and grounded in business realities—particularly those of SMEs.

1. **Unlocking innovation and competitiveness requires clear value propositions and tailored sustainability approaches.**
2. **Holistic corporate support -combining incentives, capacity building, data, technology and partnerships- drives meaningful SME progress.**
3. **Combining financial and non-financial incentives can accelerate SME adoption of sustainability management and reporting.**
4. **Building SME capabilities requires capacity building approaches that are long-term, practical and grounded in day-to-day operations.**
5. **Data and technology must be simple, connected and right-fit for SMEs—with artificial intelligence (AI) emerging as a promising accelerator.**
6. **Innovation partnerships between corporations and SMEs -blending scale with agility and local insight- can fast-track sustainability solutions.**
7. **Strong internal governance and ecosystem coordination are essential for translating ambition into sustained sustainability outcomes.**

1

Unlocking innovation and competitiveness requires clear value propositions and tailored sustainability approaches.

Sustainability management and reporting are increasingly central to innovation, competitiveness and resilience for both SMEs and large corporations. Yet for many SMEs—particularly in EMDEs—the benefits remain unclear, and adoption is constrained by limited resources, data gaps and reporting systems built primarily for larger firms. At the same time, corporations depend on the sustainability performance of their suppliers to meet regulatory expectations, manage operational risk and maintain market advantage. This interdependence strengthens the business case for corporations to help SMEs build the capabilities, incentives and systems needed to create shared value.

Progress accelerates when approaches reflect local contexts, sector dynamics and value chain structures. A one-size-fits-all model rarely works. SMEs and corporates benefit most from tailored, practical pathways that align with real operating conditions and are supported by clear value propositions and right-fit tools. When the business case is visible and solutions are adapted to SME realities, sustainability shifts from a perceived compliance burden to a pathway for efficiency, innovation and long-term competitiveness across entire value chains.

> *We see ourselves as partners in this journey towards sustainability. As SMEs begin to understand sustainability as a competitive advantage, they are starting to integrate these practices more comprehensively. By working together, we can accelerate the transition towards more sustainable practices and generate mutual benefits."*
>
> **Chief Administrative Officer & Vice President, Large Corporation/ Multinational**

Recommendations for stakeholders

Corporations:	• Clearly articulate the business case for sustainability to SME suppliers, showing how it strengthens competitiveness, reduces costs and expands market opportunities. • Tailor expectations, tools and support to sector, geography and value-chain structure rather than relying on a single uniform model.
SMEs:	• Focus on sustainability areas that directly strengthen competitiveness and efficiency • Communicate operational realities so corporate expectations remain feasible and context-appropriate.
Policymakers, investors and ecosystem builders:	• Align policies, finance and support programs around clear value propositions for SMEs, making sustainability a practical opportunity rather than an abstract requirement.

2

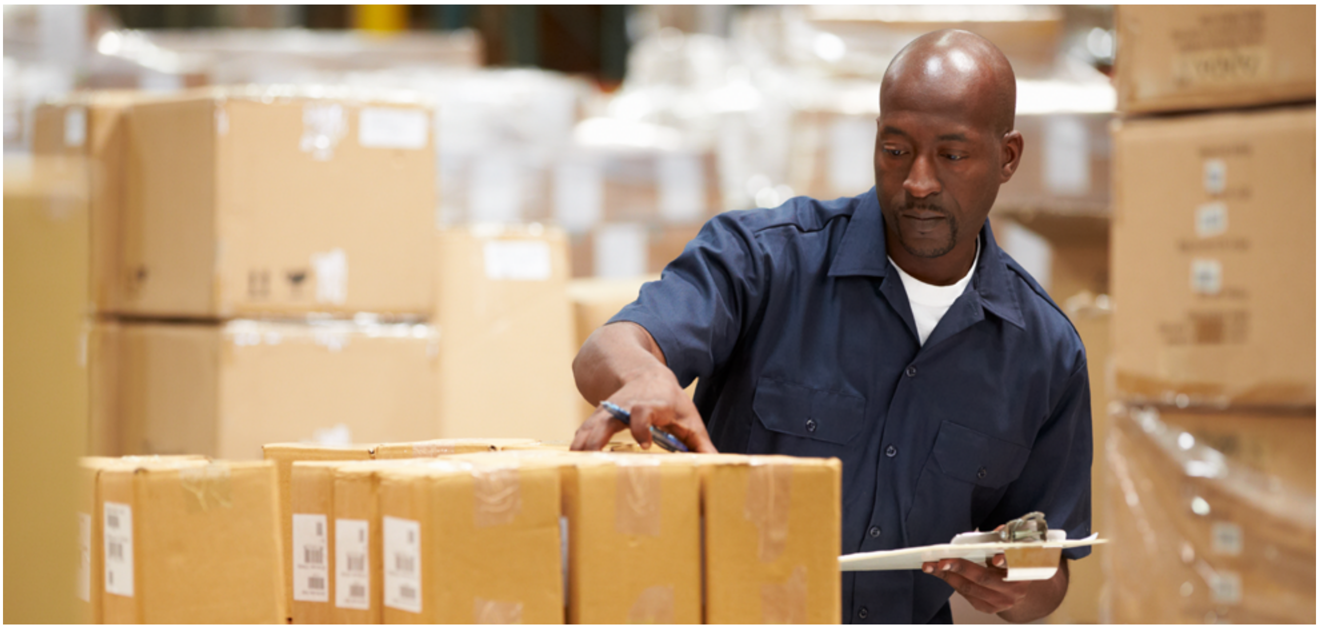
Holistic corporate support -combining incentives, capacity building, data, technology and partnerships- drives meaningful SME progress.

Supporting SMEs on sustainability management and reporting is most effective when multiple levers work together. Incentives encourage engagement; capacity-building equips SMEs with skills; data systems create evidence and accountability; and innovation partnerships sustain long-term progress. When these elements operate in concert, sustainability shifts from a compliance exercise to a driver of competitiveness, resilience and shared value creation.

In practice, this means embedding sustainability within the broader supplier assessment, engagement and relationship management process rather than treating it as a standalone exercise. Corporations can integrate sustainability management and reporting into procurement policies, supplier onboarding, capacity building and performance monitoring, backed by technical guidance and hands-on training to help SMEs meet evolving environmental and social standards. Data collection systems and digital tools play a crucial role by enabling suppliers to track and report their performance while giving corporations visibility into risks and progress across their value chains. Internal alignment is equally critical. When procurement, compliance, environmental management, finance and risk management work together, sustainability expectations are consistently communicated and reinforced. This cross-functional approach ensures that sustainability is embedded in everyday business decisions, rather than sitting in a silo or being driven by compliance requirements. Partnerships with public agencies, industry associations and financial institutions help fill capacity and resource gaps that no single actor can address alone.

In business you never do things for only one reason. As consumers, we don't buy for one reason. You don't buy chocolate because it's cheap, you also have to like it. Change, transformation requires a comprehensive solution. Companies can't refer to SMEs as their "partner" if they don't provide training and incentives."

Partner, Head of Sustainability, Global Professional Services Organization



IN PRACTICE

What does integrated corporate support look like?

Hyundai Motor Brasil has developed a holistic supplier development strategy grounded in collaboration and long-term partnership. This approach includes:

- **Capacity building through training, mentoring and peer learning.** Hyundai tailors training to the maturity level of each SME, providing foundational sessions for beginners and advanced instruction for suppliers who have progressed further. Training demystifies sustainability standards (e.g., ISO 26000, B-Corp, GRI) and focuses on integrating practices into daily operations. Ongoing mentorship connects SMEs with Hyundai's sustainability experts for one-on-one guidance, while communities of practice enable peer sharing and collective learning.

- **Incentive programs that reward measurable improvements**. Suppliers demonstrating strong sustainability performance receive benefits such as improved payment terms (e.g., faster payment for suppliers meeting emissions-reduction targets) and longer-term contracts. These incentives provide SMEs with the financial stability needed to invest in sustainable technologies and practices while strengthening trust and innovation across the supply chain.

- **Access to user-friendly technology**. Selected suppliers participate in a development program that includes a digital reporting platform and mobile app designed to simplify data collection and submission. The platform provides benchmarking reports and is being expanded to include case studies, related resources and best practices freely accessible to all suppliers.

- **Co-development of innovation projects.** Hyundai is piloting collaboration projects with select SMEs to test green innovations. Recognising that SMEs bring agility and frontline insight, Hyundai pairs these strengths with its own scale and technical expertise to develop solutions that enhance resource efficiency, reduce emissions and support circularity.

Recommendations for stakeholders

Corporations	• Design holistic supplier-support programs that combine incentives, training, tools and innovation partnerships under a single strategy. • Integrate sustainability criteria into procurement, supplier onboarding and performance reviews, backed by concrete support.
SMEs	• Engage holistically—link sustainability actions to operations, data, skills and innovation opportunities.. • Signal where support is most needed (skills, tools, financing) to improve alignment with corporate programs.
Ecosystem builders (associations, development finance institutions [DFIs], donors)	• Co-design programs with corporations and SMEs that bundle multiple forms of support (finance, training, tools, networks) rather than offering fragmented interventions.

3

Combining financial and non-financial incentives can accelerate SME adoption of sustainability management and reporting.

Corporations can offer a mix of financial and non-financial incentives to help SME suppliers begin and deepen their sustainability practices. Incentives work best when they are transparent, predictable and paired with capacity-building and clear expectations.

Financial incentives, such as differentiated payment terms, longer contracts, premium pricing or larger orders, can directly reduce financial pressures for SMEs and incentivise the integration of sustainability-related practices. Many corporations find that combining long-term contracts and differentiated payment terms can be particularly effective. Long-term contracts reduce risks for suppliers, by providing income stability and security. With greater visibility on revenues, SMEs are better equipped with the ability to invest in sustainable practices and innovations. Long-term contracts reduce business uncertainty and foster deeper collaboration, while accelerated payments—for example, rewarding suppliers that meet greenhouse gas (GHG) emissions reduction or avoidance targets—motivate quick action, and fund early improvements.

Non-financial incentives in the form of public recognition through awards or features in sustainability reports can be also influential. Visibility enhances an SME's reputation, builds credibility with customers and investors, and reinforces sustainability as a source of competitive advantage.

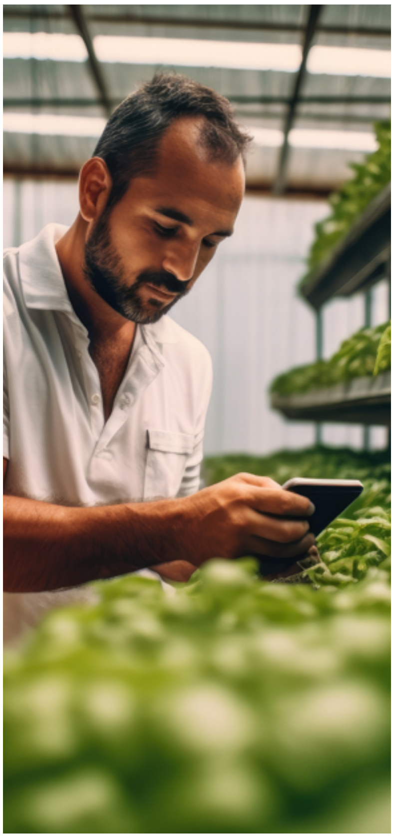
Examples of financial incentives valued by SMEs

- *Improved payment terms to ease cash flow pressures:* Accelerated payments (e.g., from 90 to 30 days) help SMEs manage operations more effectively while freeing up resources to invest in sustainability improvements.
- *Minimum supply contracts and larger orders:* Multi-year partnerships or minimum volumes reduces uncertainty and encourages SMEs to allocate staff, systems and investment towards sustainability priorities
- *Green premiums*. Corporations can adjust pricing based on carbon footprint, rewarding suppliers that register lower GHG emissions; for instance, by adjusting the bidding price up or down(e.g., from $100/unit to $95 or $120) depending on the emissions levels.
- *Subsidising sustainable inputs:* Providing or co-financing sustainable materials (e.g., organic fertilisers, efficient technologies) helps SMEs pilot new practices—especially valuable in agriculture and early-stage manufacturing.
- *Grants or technical funding***:** Covering the cost of impact assessments, data system upgrades or sustainability certifications reduces initial barriers for SMEs starting their reporting journey.

> *A combination of incentives is often the most effective strategy. By offering security through long-term contracts while simultaneously incentivising immediate compliance and performance through adjusted payment terms, we support suppliers at various stages of their sustainability journeys. This multi-faceted approach has resulted in a more engaged and innovative supply chain."*
>
> **Chief Administrative Officer & Vice President, Large Corporation/Multinational**

- *Facilitating access to finance:* Corporations can use their leverage with financial institutions—through guarantees or endorsement of SME sustainability credentials—to help SMEs secure loans for sustainability investments.

In addition to corporate-led incentives, fiscal incentives offered by governments -such as tax deductions, energy-efficient subsidies, or preferential loan schemes- further amplify the impact of corporate incentives. When public and private incentives align, they create an enabling environment that accelerates adoption of sustainability practices across entire value chains.



Examples of non-financial incentives valued by SMEs

- ***Long-term partnerships:*** Sustained relationships build trust and stability, allowing SMEs to invest confidently in longer-term sustainability improvements. Consistent engagement also helps corporations better understand supplier needs and co-develop solutions.
- ***Visibility, awards, and recognition:*** Public recognition through awards, corporate publications, sustainability fairs or social media signals credibility, showcases leadership and encourages other suppliers to follow suit. To avoid greenwashing, recognition should be grounded in clear, transparent and jointly-defined criteria that is measurable in progress.

Recommendations for stakeholders

Corporations	• Use a mix of financial (payment terms, long-term contracts, premiums) and non-financial (recognition, preferred supplier status) incentives. • Pair incentives with capacity building and clear expectations to maximise effectiveness.
SMEs	• Communicate what types of incentives would enable meaningful progress (cash-flow support, inputs, visibility). • Demonstrate incremental improvements to unlock further incentive-based opportunities.
Policymakers	• Introduce fiscal incentives (tax credits, subsidies, green loans) that complement corporate incentives. • Ensure public procurement rewards credible sustainability performance.
Investors and DFIs	• Link financing terms to sustainability milestones and provide blended finance to de-risk SME investments. • Encourage investees to adopt incentive-based supplier engagement models.
SME Associations & Chambers	• Educate SMEs on available incentive programs and help them meet eligibility requirements. • Advocate for public-private incentive schemes that are accessible to SMEs.

4

Building SME capabilities requires capacity building approaches that are long-term, practical and grounded in day-to-day operations.

Capacity building is most effective when it enables transformation that grows from within SMEs and endures over time. For SMEs -especially in EMDEs- external support from corporations and ecosystem actors is often essential to begin or deepen sustainability management and reporting. Many past initiatives have had limited impact because program design, delivery format and expectations were not aligned with SME realities. High-impact capacity building requires holistic, long-term approaches that reflect the needs, maturity levels and operating environments of SMEs.

Emerging Success Factors in SME Capacity Building

Early experiences point to several key success factors that distinguish effective corporate capacity-building initiatives from those that are less impactful.

- **Comprehensive, continuous and practical approaches.** The strongest programs blend training, mentoring, hands-on tools and opportunities to apply learning. They also create connections with customers, corporate experts or peers—reinforcing learning and opening pathways for business growth.
- **Grounding programs in SME realities.** Effective initiatives start from the SMEs' priorities, constraints and pace of change, rather than imposing uniform content or expectations.
- **Tailoring the format, schedule and delivery.:**
  - *Format*: Hybrid training (in-person and online) that mixes peer learning with flexibility.
  - *Schedule*: Short, spaced-out sessions aligned with SME work rhythms (e.g, 2hs a day, twice a week, early in the morning or in the evening).
  - *Approach*: Simple language, sector-relevant examples and local case studies.
- **Building data and decision-making skills.** SMEs need support not only in data collection but also in ensuring accuracy, interpreting information and using it for operational and strategic decisions.
- **Linking sustainability and business strategy.** Strong programs help SMEs understand how sustainability contributes to competitiveness—through governance alignment, business planning and innovation opportunities.

> *Coaching or mentoring is critical to help SMEs translate what is learned in the classroom to the real world."*
>
> **Executive Director, National Chamber of Commerce**

> *Having local case studies from small businesses like them is key."*
>
> **Executive Director, National Chamber of Commerce**

> *Instead of teaching how to measure water consumption via powerpoint slides, take the participants to the field."*
>
> **Senior Impact & Sustainability Advisor**

> *We have a help desk for suppliers. It helps us identify topics to offer in our supplier academy."*
>
> **General Manager Sustainability and Shared Value, Large Regional Corporation**

- **Fostering communities of practice.** Peer support accelerates adoption, normalises challenges and reinforces retention—particularly when advanced SMEs guide early-stage peers.

- **Segmenting SMEs and tailoring support.** Segmenting suppliers by maturity or relevance allows more targeted, effective capacity building.

- **Addressing cost barriers and ensuring inclusion.** Covering or subsidising training, travel or participation costs is often essential to ensure accessibility in EMDEs.

- **Measuring progress and demonstrating business value.** Tracking tangible KPIs helps SMEs and corporations see how capacity building delivers operational, financial and sustainability benefits.

- **Integrating technology and innovation in capacity building.** Digital tools—help desks, mobile apps, online platforms, gamified learning—expand reach and reduce costs. Technology works best when paired with mentoring and human support, ensuring SMEs can apply new skills effectively.

The SDGs Game helped us frame sustainability to inform staff on company goals and data needs."

Head of Sustainability, Mid-size Logistics Corporation

IN PRACTICE

What does comprehensive capacity building that is tailored to the needs of SMEs look like?

Instituto Ethos in Brazil illustrates the power of long-term engagement, context-specific design and multi-actor collaboration. The program integrates:

- **Training and mentoring on competitiveness through sustainability:** SME leaders receive ongoing mentoring from sustainability experts focused on integrating sustainability into their core business model and operations. The program emphasises tracking operational KPIs to demonstrate how sustainability can drive tangible business improvements.

- **Direct engagement with corporate partners:** Training involves corporate leaders—such as sustainability and procurement managers—who collaborate directly with SMEs to align goals and expectations.

- **Ongoing support and tailored follow-up**: The program begins with a baseline assessment and provides continuous expert support to help SMEs identify priorities (e.g., water use, gender equality) and develop targeted action plans.

- **Recognition and networking:** At the end of the program, SMEs present their results at an annual event, strengthening peer learning, visibility and networking within the SME community.

IN PRACTICE

What do specific steps for a capacity building initiative helping SMEs new to sustainability management and reporting look like?

Small and Medium Enterprises Association (SAMENTA) Malaysia has developed, rolled out and refined capacity building targeting SMEs with no experience in sustainability management and reporting. SAMENTA proposes a phased approach with specific steps from initial orientation to producing the SME's first sustainability report using a one-on-one partnership approach between a Sustainability Expert and the SME Owner.

Phase	Key objectives	Detail	Indicative approach
1: Orientation and discovery Establish clarity, trust and realistic expectations.	Understand the SME's operations, data availability and sustainability readiness.	This process begins with a discussion between the Sustainability Expert and the SME Owner or Founder to understand the company's business model, operations, challenges and priorities. Expectations are clarified jointly to determine a practical scope. Both parties co-define a feasible reporting scope and realistic baseline for Year 1.	~ 2 hours, face-to-face
2: Foundational Training and Template Customisation Build practical sustainability and environmental, social, and governance (ESG awareness.	Develop simple reporting and data-collection tools tailored to SMEs.	Using SME-relevant examples, the Sustainability Expert connects sustainability concepts to cost savings, efficiency, compliance and competitiveness. A simplified sustainability template—aligned with GRI, UN SDGs and Bursa 3.0—is co-adapted to the SME's operational reality.[1] A simplified sustainability reporting template—referring to GRI, UN SDGs, and Bursa 3.0—is introduced and customised to the SME's context. A streamlined data template is co-developed to guide initial data gathering.	~4 hours, face-to-face
3. Data collection and draft report development Support SMEs in gathering essential baseline data.	Produce the first draft of the sustainability report.	The SME collects data according to the agreed template. The Sustainability Expert reviews and analyses this information, conducts ESG-related calculations (such as GHG emissions, energy intensity, and workforce indicators), and prepares the first draft of the sustainability report. The draft is written to reflect the SME's culture, operational realities and business narrative while remaining aligned with key sustainability frameworks.	~1 month, remote support and coordination

1 Bursa 3.0 refers to Bursa Malaysia's Sustainability Reporting Guide and Toolkits, Third Edition. Available at: https://my.bursamalaysia.com/learn/bursa-sustain/explorer/sustainability-reporting-guide-and-toolkits-3rd-edition

4. Quality assurance, visual refinement and knowledge transfer Finalise an accurate, visually polished and framework-aligned report.	Strengthen understanding of reporting methodology.	The Sustainability Expert conducts a full data quality review and ensures alignment with reporting standards. Visual elements (graphics, icons, tables) are added to produce a clear, polished report. A review session helps the SME team understand disclosures, methodology and lessons learned.	~4 weeks, editing, design work, visual materials and a 1-hour review call
5. Internal socialisation and culture building Build internal awareness and ownership of sustainability within the SME.	Link reporting to long-term improvement.	The completed report is socialised internally with employees. The Sustainability Expert (optional attendance) supports the SME in explaining how sustainability relates to day-to-day operations, safety, quality, efficiency and customer trust. Departments are encouraged to assume ownership of relevant data and improvement efforts. This phase reinforces that reporting is the foundation of a long-term sustainability journey, not a one-off exercise.	~4 hours, internal all-hands session

Recommendations for stakeholders

Corporations	• Invest in long-term supplier capacity-building programs that include mentoring, tailored content and peer learning—not one-off workshops. • Segment suppliers and tailor support to maturity and strategic relevance. • Cover participation costs where needed to ensure inclusion.
SMEs	• Allocate time and staff to engage in training and mentoring. • Embed learned practices into core business and track progress using simple KPIs. • Demonstrate incremental improvements to unlock further incentive-based opportunities.
Chambers/ associations and ecosystem builders	• Develop SME-friendly curricula, case studies and phased support models. • Facilitate peer-learning communities that reinforce implementation.

5

Data and technology must be simple, connected and right-fit for SMEs—with artificial intelligence (AI) emerging as a promising accelerator.

Data and technology systems play a foundational role in enabling SMEs to manage sustainability effectively. Yet today's landscape of sustainability tools remains fragmented and often inaccessible—particularly for SMEs in EMDEs. Many SMEs struggle to understand what data is required, how to collect it, or how to report it in ways that meet buyer or regulatory expectations. Existing tools are frequently proprietary, designed for large enterprises or focused on narrow themes (e.g., GHG emissions calculators), making them poorly suited to SMEs with limited digital capacity or connectivity.

Corporations can help close these gaps. By providing right-fit, standardised tools—simple reporting templates, checklists and user-friendly digital platforms—they can help SMEs streamline data collection, improve consistency and reduce duplicate requests across buyers and investors. These tools are most effective when tailored to SME maturity levels and paired with practical support that helps suppliers use data for performance improvement, not just compliance.

Despite uneven digital infrastructure in many EMDEs, several promising approaches are emerging:

- **Designing for diverse SME realities, including low tech and offline options.** Many SMEs—especially in rural or low-connectivity areas—still rely on analog methods such as paper logbooks or simple spreadsheets. Hybrid models remain essential, enabling SMEs to gradually digitise as capacity and infrastructure improves.
- **Leveraging information technology to strengthen operational value and data quality**. Digital tools can help SMEs monitor key sustainability performance indicators in real time, receive automated feedback and correct inconsistencies before reporting. Mobile dashboards, automated alerts and embedded auditing features—such as tracking inputs, logistics or weather data—help ensure higher data integrity while providing SMEs with immediate operational value.
- **Centralising data calculation to reduce SME burden**. Many SMEs cannot produce complex environmental or social data. Some corporations therefore collect basic activity data from SMEs and perform calculations centrally. This improves comparability and accuracy while reducing burden on suppliers.

Many companies, particularly the smaller ones, are still using just a notebook and may not even track transaction when it happens, but at the end of the day."

Community Coordinator, Large Entrepreneurship Development Agency

A key aspect of mobile applications is to ensure there is an offline functionality because many times SME personnel is on the field without access to Wi-Fi."

Executive Director, National Chamber of Commerce

Not every solution should be tech. We still need analog in Africa."

Senior Impact & Sustainability Advisor)

Centralising basic data would streamline reporting for our suppliers and allow us to analyse information more effectively."

Chief Administrative Officer & Vice President, Large Corporation/ Multinational

Opportunities for the Future

Stakeholders highlighted several areas where innovation is still nascent but holds strong potential for enabling scalable, inclusive data systems for SMEs.

- **Leveraging AI to automate and simplify reporting.** AI-enabled tools can significantly reduce manual workload and improve consistency for SME. Emerging solutions already demonstrate how AI can:
  - extract relevant data from invoices, utility bills and operational records
  - map it to major frameworks, such as GRI, ISSB or CSRD
  - generate draft disclosures or dashboards
  - provide alerts or anomaly detection
  - run "what-if" scenarios to support decision-making

At the same time, AI is not a plug-and-play solution. To be effective, it must be paired with training, context-specific support and human oversight to ensure accuracy, avoid misinterpretation and mitigate risks such as biased outputs or poor-quality data—particularly in markets where baseline data systems remain weak.

For further exploration: Given its rapid evolution and accessibility challenges, AI represents a promising but still nascent area of support for SMEs. One that requires further testing and collaboration among corporates, tech providers, standard setters and SME associations. Building responsible, right-fit AI tools for diverse SME contexts could significantly accelerate sustainability management and reporting in the years ahead.

- **Common, open-source data platforms to reduce fragmentation.** Duplicated reporting requests remain a major burden. Open-source, multi-stakeholder platforms can allow SMEs to "report once and share everywhere," reducing costs and improving comparability.

> *As a result of implementing the mobile application and digital toolkit, we have seen a noticeable improvement in the quality and consistency of data among our suppliers. They are more equipped to demonstrate their progress and challenges."*
>
> **Chief Administrative Officer & Vice President, Large Corporation/ Multinational**

> *We introduced digital tools for real-time information and logistics. By digitising the trading process, the app streamlines transactions and allows us to verify sustainability-related data."*
>
> **Sustainability Division Manager, Agroindustrial Corporation**

IN PRACTICE

What could harmonised reporting look like?

The Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) developed by EFRAG, offers a unified template, taxonomy and digital format (XBRL) to simplify reporting for SMEs.[12] By allowing SMEs to report once and share consistent data across banks, investors and buyers, the VSME model demonstrates what harmonised value-chain reporting could achieve: lower costs, better comparability and greater access to sustainable value chains.

- **Using benchmarks and visual tools to drive continuous improvement.** Dashboards with simple visuals—bar charts, traffic-lights, scorecards—help SMEs quickly understand their performance relative to peers or targets. These tools support learning and healthy competition, but their value depends on consistent, accurate data.

12 EFRAG is a private association established in 2001. In 2022 EFRAG began providing technical advice to the European Commission to draft the European Sustainability Reporting Standards.

What are different ways in which corporations support SME through technology?

Accenture: Supplier inclusion and sustainability hub. A digital procurement platform that helps suppliers track environmental and social metrics, with dashboards that show SMEs how their performance aligns with corporate goals.

Microsoft: Supplier emissions and value chain data platform. Microsoft leverages its own Cloud for Sustainability platform to help its suppliers—including SMEs—with centralised data tools, AI-driven analytics, automated calculation engines and reporting templates aligned with CSRD, GRI and ISSB. Key features include:

- Easy submission of primary data via supplier surveys.
- Automated data ingestion and emissions calculation.
- Real-time dashboards for emissions, water and waste.
- AI-driven scenario analysis (i.e.,"what-if" tools).
- Audit-ready reports compatible with major frameworks.

It is not realistic for SMEs to be able to comply with all these varying and increasing requests. Corporations should adapt to the common data that all SMEs can report to."

Senior Policy Manager, Standard Setting Organization

Open-source platforms managed collaboratively could facilitate sharing of knowledge and best practices."

Chief Administrative Officer & Vice President, Large Corporation/Multinational

Recommendations for stakeholders

Corporations	• Provide simple, standardised templates and right-fit digital tools (including low-tech options). • Centralise complex calculations where feasible. • Collaborate with peers to develop or adopt common data platforms and shared requirements so SMEs can "report once, use many times." • Pilot AI tools cautiously, with training and oversight.
SMEs	• Start with basic data collection and progressively digitise. • Use available templates and mobile tools to improve accuracy. • Participate in digital-skills training and peer-learning groups.
Standard setters, tech providers and policymakers	• Promote interoperable, open standards and platforms that work for SMEs, including low-bandwidth and offline solutions. • Explore and test responsible AI applications that genuinely reduce SME reporting burden and improve insight.
Chambers, associations, ecosystem Builders	• Act as intermediaries to disseminate SME-friendly tools and case studies. • Support development of shared platforms and open-source data standards. • Advocate for proportional data requirements across buyers and investors.

6

Innovation partnerships between corporations and SMEs—blending scale with agility and local insight—can fast-track sustainability solutions.

Innovation partnerships between corporations and SMEs are a powerful mechanism for advancing sustainability across value chains. Beyond meeting compliance requirements, these collaborations enable the co-development of new technologies, products and processes that address shared environmental and social challenges. When designed intentionally, they merge the scale, resources and technical expertise of corporations with the agility, creativity and local insight of SMEs.

Although still emerging in many markets, early experiences show that structured collaboration—through accelerators, innovation challenges and co-development programs—can generate tangible results and strengthen long-term competitiveness for both parties.

Key features of effective innovation partnerships:

- **Starting with small pilots before expanding**. Corporations are increasingly running pilot programs with select SMEs before scaling. Selection is often based on sustainability maturity, innovation readiness and alignment with strategic priorities.
- **Sharing resources, mentorship and technical experience.** Effective partnerships provide SMEs with financial support, mentoring, access to R&D teams and connections to broader innovation networks.
- **Balancing responsibility and co-creation**. Some stakeholders worry that innovation demands may shift burdens onto SMEs. Corporate leaders clarify that true innovation requires shared responsibility. SMEs contribute agility and grounded insight while corporations provide scale, investment and market access.

IN PRACTICE

What can partnerships for innovation look like?

100+ Accelerator: A Corporate-Led Innovation Partnership for Supply Chain Sustainability. Launched in 2018 by several leading consumer goods companies (AB InBev, Coca-Cola, Colgate-Palmolive, Danone,

Our selection process for SMEs to participate in our green innovation projects is both inclusive and strategic. We look for suppliers that demonstrate a commitment to sustainability and a willingness to collaborate on new solutions."

Chief Administrative Officer & Vice President, Large Corporations/ Multinational)

Our Research and Tech (R&T) department is engaging with those in the wider corporate group to exchange knowledge and techniques. The R&T team is also working with SME suppliers, for example, on how to produce longer life-cycle products that customers are looking for."

Sustainability Lead, Corporate Subsidiary of MultinationalEnterprise

Mondelēz International, and Unilever), the 100+ Accelerator supports startups and SMEs developing breakthrough sustainability solutions in areas such as water stewardship, climate action, circularity, sustainable agriculture and biodiversity.

The program offers:
Up to USD 100,000 equity-free pilot funding to help apply solutions in a corporate supply chain context.

- Structured mentoring, access to corporate sustainability experts and networks, workshops and training sessions. A "Demo Day" platform where selected participants present results to buyers, investors and corporate network partners.

For large companies working with SME suppliers, the 100+ Accelerator offers a compelling model for supplier development and innovation collaboration: corporates open up their supply chains to external innovators (including SMEs) and provide resources, guidance and access, while SMEs contribute agile solutions, local insight and pilot-readiness. This shared value model helps corporations meet sustainability goals and supports SMEs in building capabilities, credibility and market access.

By engaging SMEs in co-development initiatives, we are not shifting responsibility but creating partnerships that leverage the strengths of both sides. It's about solving problems together."

Chief Administrative Officer & Vice President, Large Corporation/ Multinational

Recommendations for stakeholders

Corporations	• Design innovation partnerships and accelerator programs that intentionally include SME suppliers. • Share technical expertise, data and pilot opportunities, while ensuring fair distribution of risks and benefits.
SMEs and startups	• Engage with corporate innovation platforms to design context-relevant solutions grounded in real market needs.
Investors, DFIs and ecosystem builders	• Provide catalytic funding, risk-sharing instruments and support services (mentoring, incubation) to scale successful innovations emerging from corporate–SME partnerships.

7

Strong internal governance and ecosystem coordination are essential for translating ambition into sustained sustainability outcomes.

Driving meaningful and scalable sustainability outcomes requires two reinforcing conditions: strong governance and alignment within corporations, and coordinated action among the broader actors that shape market incentives.

Corporate governance and internal alignment determine whether sustainability becomes transformative or remains compliance-driven.

Corporations cannot effectively support SMEs—or meet their own sustainability commitments—without clear internal structures that embed accountability and harmonise decision-making across procurement, finance, operations, and sustainability functions. When leadership signals that sustainability is strategic, and when teams share responsibilities and incentives, sustainability becomes integrated into everyday business practice rather than treated as an isolated requirement.

> *A robust governance structure can help bridge the gaps between operational priorities and sustainability goals and create a shared sense of ownership."*
>
> **Chief Administrative Officer & VP, Large Corporation**

External ecosystem coordination is essential to make sustainability feasible, practical and scalable for SMEs.

Even the strongest corporate efforts cannot overcome fragmented policies, inconsistent standards or limited support systems for SMEs. Governments, investors, standard setters, industry associations and ecosystem builders each shape the environment in which SMEs operate—through regulations, incentives, due diligence expectations, capacity-building platforms and the frameworks that determine what is measured and reported. When these actors move in different directions, SMEs face duplication, confusion and rising costs. When they are aligned, sustainability becomes both achievable and value-enhancing.

Together, robust internal governance and ecosystem-wide coordination create the enabling conditions for sustainability management and reporting to scale—turning fragmented efforts into a cohesive system where SMEs can participate meaningfully and corporations can deliver on their commitments.

Recommendations for stakeholders

Corporations	• Strengthen internal governance by embedding sustainability into strategy, board oversight and cross-departmental decision-making. • Ensure consistent messages and expectations for suppliers by aligning procurement, finance, sustainability and operations.
Policymakers and regulators	• Develop coherent, proportionate policies; align national frameworks with global standards; and link public procurement and fiscal incentives to credible sustainability performance. • *To learn more about how governments can help promote sustainability management and reporting as a key step towards building impact economies, refer to GSG Impact's 2025 report "Towards Impact Economies: aligning government action and private capital for public good."*
Investors and DFIs	• Make sustainability a core element of due diligence and monitoring, and deploy catalytic capital to support SME-level improvements.
Chambers, associations and ecosystem builders	• Act as bridges translating standards and policies, building capacity and amplifying SME perspectives in policy and standard-setting.
Standard setters and reporting bodies	• Continue harmonising frameworks, ensuring proportional SME-friendly guidance, and engaging SMEs through consultations and pilots.

The path forward

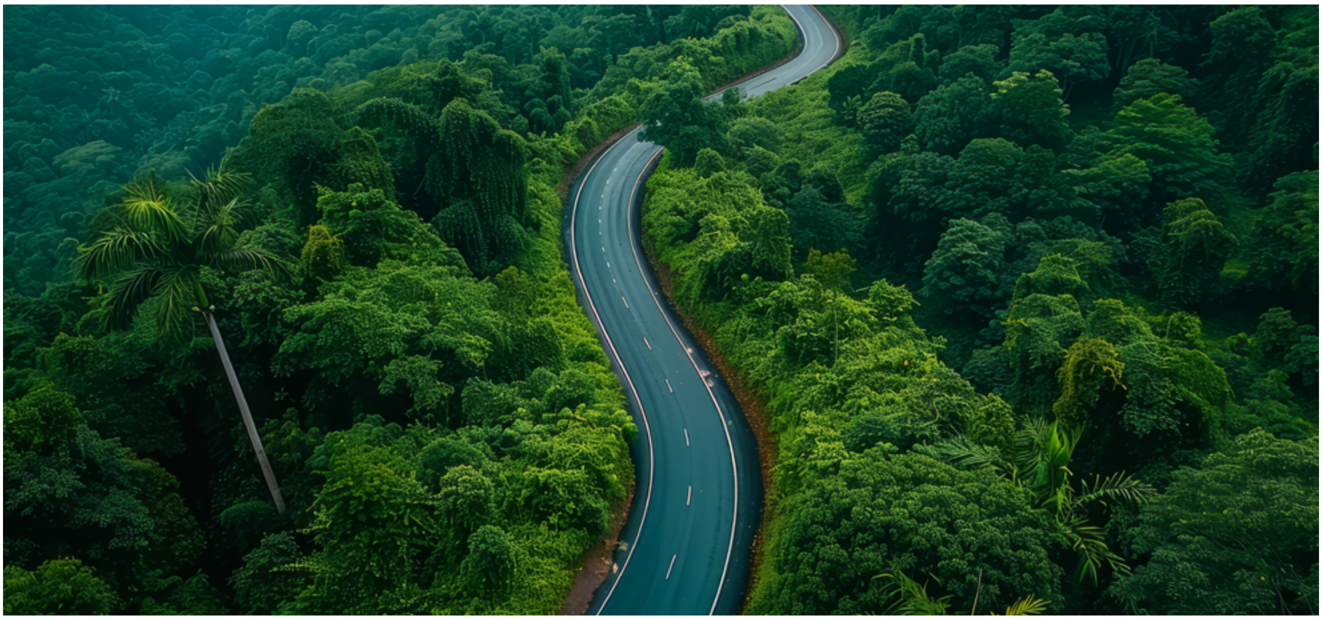
Sustainability management and reporting remain at an early stage—particularly in EMDEs—but its potential to reshape markets and strengthen business resilience is undeniable. What once seemed complex, fragmented or burdensome is evolving into a shared language for progress; one that enables impact transparency, innovation and accountability across markets and borders.

The journey towards this transformation will not be linear. Many SMEs are just beginning to measure and manage their sustainability performance, while larger corporations and regulators continue to refine how sustainability is integrated into business systems and decision-making. Yet this moment of transition offers a unique opportunity to build the right foundations and to create space for learning, adaptation and innovation. It is a time to co-create practical, inclusive and scalable approaches that work across different markets and value chains.

By investing in the right enablers—incentives, capacity, governance, data systems, innovation and collaboration—stakeholders can turn today's challenges into tomorrow's competitive advantages. As reporting becomes more harmonised, tools more accessible and partnerships more equitable, the focus can shift from compliance to impact: from merely measuring what matters to managing it in ways that generate shared value for people and the planet.

Real progress will come when sustainability management and reporting are no longer viewed as external demands but as intrinsic elements of good business—engines of resilience, innovation and trust. To get there, we must act together: corporations supporting their suppliers, policymakers enabling the right incentives, investors aligning capital with impact and SMEs embracing sustainability as a driver of competitiveness and long-term growth.

The path forward is clear: to build impact economies where sustainability is the norm and where every actor—large or small, in EMDEs or in high-income countries—has the tools, voice and opportunity to thrive by creating value for people and the planet. This transformation is already underway. The groundwork has been laid. The next phase is about scale, alignment and shared accountability. What matters now is how boldly and collaboratively actors choose to accelerate it.



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