BUSINESS ESWATINI

International Labour Organization

Eswatini Environmental Social Governance (ESG) State of Play Report

Prepared for:
International Labour Organization (ILO)
and Business Eswatini (BE)

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ABBREVIATIONS

ACEL	African Committee on Environmental Law
AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
ATUSWA	Amalgamated Trade Union of Swaziland
BE	Business Eswatini
CAP	Common Agricultural Policy
CSRD	Corporate Sustainability Reporting Directive
DBSA	Development Bank of Southern Africa
DEI	Diversity, Equity & Inclusion
DFIs	Development Finance Institutions
EEA	Eswatini Environment Authority
EDM	Electricidade de Moçambique
ESG	Environmental, Social, and Governance
ESRC	Eswatini Sugar Association
ESWADE	Eswatini Water and Agricultural Development Enterprise
ESE	Eswatini Stock Exchange
FAO	Food and Agriculture Organization
FCA	Financial Conduct Authority
FDI	Foreign Direct Investment
FSRA	Financial Services Regulatory Authority
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HDI	Human Development Index
ICRC	International Committee of the Red Cross
ICT	Information Communication Technology
IIRC	International Integrated Reporting Council
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IPPC	International Plant Protection Convention
ISO	International Organisation for Standardisation
IWMP	Integrated Waste Management Plan
JSE	Johannesburg Stock Exchange
KIIs	Key Informant Interviews

ABBREVIATIONS

MTN	Mobile Telecommunications Network
MTEA	Ministry of Tourism and Environmental Affairs
NAP	National Adaptation Plan
NDCs	Nationally Determined Contributions
NSWMS	National Solid Waste Management Strategy
OECD	Organization for Economic Co-operation and Development
PRP	Prerequisite Programmes
RFM	Raleigh Fitkin Memorial Hospital
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SMETA	Sedex Members Ethical Trade Audit
SSE	Sustainable Stock Exchanges
UNFCCC	United Nations Framework Convention on Climate Change
ZAR	South African Rand

DEFINITION OF KEY TERMS

Greenwashing is a deceptive marketing tactic that misleads consumers about a company's environmental impact.

Net-zero means reducing greenhouse gas emissions and/or ensuring that any ongoing emissions are balanced by removals.

Carbon tax is levied on the carbon emissions from producing goods and services. Carbon taxes are intended to make visible the hidden social costs of carbon emissions. They are designed to reduce greenhouse gas emissions by essentially increasing the price of fossil fuels.

Effluent is liquid waste or sewage discharged into a river or the sea.

EXECUTIVE SUMMARY

Currently, no specific Environmental, Social, and Governance (ESG) standards or regulatory frameworks are established by the government in Eswatini. However, the government has committed to fostering sustainable business practices and protecting the environment through its Policy Statement 2024. Additionally, the Eswatini Stock Exchange (ESE) has issued voluntary ESG disclosure guidelines encouraging listed companies to report on their ESG metrics, although compliance with these guidelines is not mandatory.

While Eswatini lacks formal ESG regulations, companies are proactively monitoring ESG developments to ensure compliance and competitiveness, depending on their industry and size. The frameworks or standards that they comply with include Sedex Members Ethical Trade Audit (SMETA), the Equator Principles, the IFRS Sustainability Disclosure Standards, Bonsucro Certification, Food Safety System Certification (FSSC) 22000, Global Reporting Initiatives (GRI) and Integrated Reporting by IIRC. However, ESG compliance poses a significant cost and resource challenge, especially for SMEs. This underscores the urgent need for capacity building in the country.

The ESG reporting framework globally lacks a unified, universally accepted standard. Eswatini companies must navigate a diverse array of guidelines like the Global Reporting Initiative (GRI), International Financial Reporting Standards (IFRS), International Integrated Reporting Council (IIRC), and International Organization for Standardization (ISO) standards, making consistent, comparable reporting difficult. This complexity increases the risk of “greenwashing” - exaggerated sustainability claims - as ESG data and oversight in Eswatini is still relatively nascent compared to financial disclosures. The lack of strict regulatory verification leaves ESG reports vulnerable to manipulation. Strengthening regulatory oversight and verification processes will ensure the integrity of ESG reporting in the country.

Sectors most exposed to ESG risks in Eswatini

Agriculture

emerges as a high-risk sector due to its dependence on natural resources and unsustainable practices like pesticide use, deforestation, and poor irrigation methods. These contribute to environmental degradation and vulnerability to climate change, threatening long-term productivity. Transitioning to sustainable farming practices, such as climate-smart agriculture, is essential to address these risks while maintaining economic viability.

Manufacturing

particularly textiles and sugar processing, is another environmentally intensive sector. Issues such as high carbon emissions, chemical pollution, and inadequate waste management expose businesses to regulatory and reputational risks. Investments in cleaner production technologies, renewable energy, and waste management are critical for mitigating these risks and meeting international market standards.

Mining

though small-scale, poses severe environmental threats, including habitat destruction, pollution, and inadequate site rehabilitation. These challenges not only damage ecosystems but also burden businesses with high compliance costs and reputational risks. Post-mining restoration and adopting greener technologies are key strategies to address these risks.

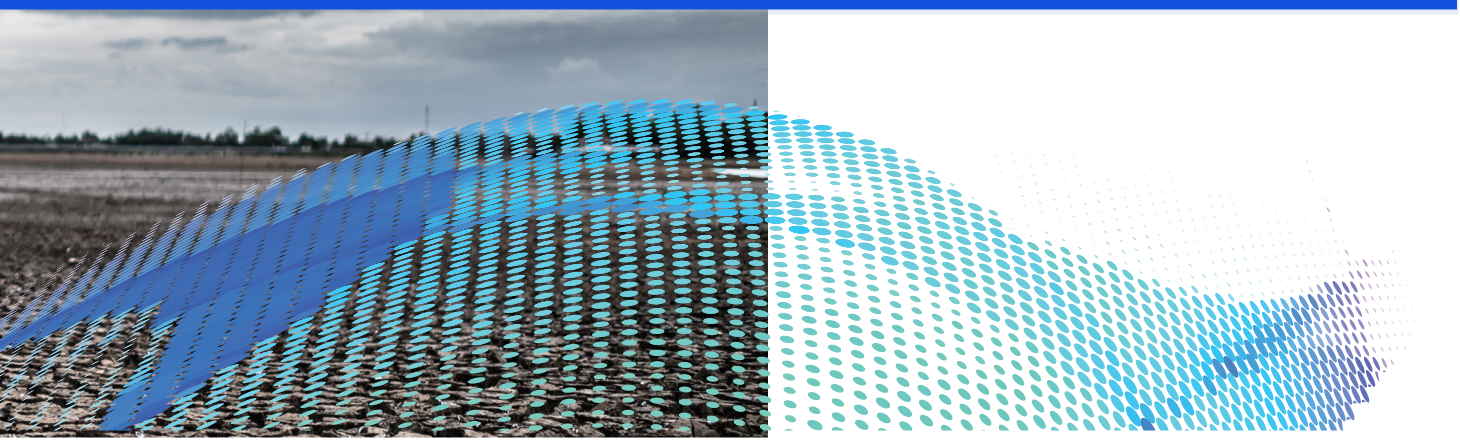
Construction

faces ESG risks primarily from deforestation, soil erosion, and waste mismanagement associated with large-scale projects. Regulatory delays and public opposition to environmentally harmful practices further strain businesses. Embracing green building practices and better waste management can reduce environmental impact while enhancing reputation..

Utilities

energy and water—are exposed to ESG risks through carbon-intensive operations and inefficient resource management. The energy sector's reliance on coal-based electricity increases emissions, while water utilities face challenges in conservation and pollution control. Shifting to renewable energy and modernizing water distribution infrastructure can reduce environmental footprints and align with ESG trends.

Several sectors in Eswatini face high ESG risks. Agriculture struggles with unsustainable practices, while manufacturing and mining contribute to pollution and regulatory risks. Construction faces environmental concerns, and utilities must address carbon emissions and resource inefficiencies. Weak governance across industries further threatens business sustainability. Strengthening governance and adopting sustainable practices are key to mitigating these risks.



Perception of ESG by Swati Firms

Eswatini companies generally view ESG positively, recognising it as a sustainable business strategy that can create value. They see ESG as encompassing sustainability reporting, value chain management, and competitiveness. However, some companies perceive ESG as overly focused on environmental and social aspects, while underemphasising corporate governance. Others consider ESG a “nice-to-have” that is not a priority, especially given the voluntary nature of reporting. The pressures to adopt ESG are felt mainly by Eswatini companies engaged in international trade. Domestically, there is limited government and market pressure to integrate ESG concerns into core business operations.

ESG Pressures for Swati Companies

Eswatini’s companies face a multifaceted set of Environmental, Social, and Governance (ESG) pressures driven by regulatory gaps, market demands, and investor expectations. While the country lacks a formal national ESG framework, companies engaged in international trade or reliant on external funding experience significant ESG pressures from global stakeholders, creating an uneven compliance landscape across sectors.

Regulatory and Policy Pressures

Eswatini lacks a comprehensive ESG regulatory framework, leaving domestically oriented companies to focus on basic environmental and labour laws, which address limited aspects of ESG. This results in low regulatory pressure for local businesses. However, internationally exposed companies face stringent ESG requirements from global frameworks like the Global Reporting Initiative (GRI) and International Financial Reporting Standards (IFRS). These companies must allocate resources for specialised teams and infrastructure to meet these standards, which can be particularly burdensome for SMEs.

Market and Consumer Expectations

Global consumer awareness of sustainability has transformed market dynamics, particularly for export-oriented companies and sectors like tourism. International consumers and tourists increasingly demand environmentally responsible and ethically sourced products, with a strong emphasis on transparency regarding environmental impacts and labour practices. Companies failing to meet these expectations risk reputational damage and loss of market access. Additionally, indirect liability for ESG violations within supply chains has intensified consumer scrutiny, compelling businesses to adopt sustainable practices, such as emissions tracking and supply chain audits, to maintain trust and competitiveness.

Investor and Financial Sector Pressure

The financial sector has become a key driver of ESG compliance in Eswatini. Development Finance Institutions (DFIs) and international credit providers now require businesses to meet specific ESG criteria as a condition for funding. This trend also influences local banks, which increasingly assess ESG compliance in lending practices. ESG alignment is critical for accessing affordable capital and mitigating higher borrowing costs for SMEs and export-oriented firms. Investors favour companies with robust ESG practices, viewing them as lower-risk and more stable long-term investments, particularly in emerging markets. However, meeting these expectations often requires substantial operational changes, such as formalising governance standards and implementing environmental tracking systems, which can strain smaller businesses.

Financial Incentives for Reduced ESG Risks

The research reveals that while direct financial incentives for ESG compliance remain limited in Eswatini, emerging trends indicate a growing link between reduced ESG risks and financial benefits. Three key themes highlight the evolving dynamics: access to preferential financing, investor demand for ESG-conscious firms, and insurance and risk management benefits.

Access to Preferential Financing

Although only two respondents confirmed direct financial incentives for ESG-compliant firms, insights suggest that companies with strong ESG profiles may secure better loan rates or favourable credit terms. South African banks lead the way in aligning financing terms with ESG principles, reflecting a regional shift towards integrating sustainability into risk assessments. This trend could influence Eswatini's financial institutions, particularly as global and regional pressures encourage adopting similar practices. For Eswatini's firms, preparing for such developments by improving ESG practices could provide long-term financial advantages.

Investor Demand for ESG-Conscious Firms

Investor priorities are increasingly tied to a firm's ESG performance, with Development Finance Institutions (DFIs) playing a pivotal role. DFIs frequently require banks to comply with ESG standards as a condition for funding, amplifying ESG pressures across the financial ecosystem. Institutional investors view reduced ESG risks as signals of stability, ethical governance, and long-term viability. For Eswatini's firms, aligning with these expectations presents opportunities to attract investment by improving ESG reporting, governance practices, and sustainability metrics.

Insurance and Risk Management Benefits

Adopting ESG-aligned practices can also lead to indirect financial benefits by reducing risk exposure. Enhanced workplace safety measures, environmentally sustainable practices, and robust compliance mechanisms may lower insurance premiums and mitigate liability risks. Although this is not a widespread practice in Eswatini, respondents noted its potential as insurance companies and risk assessors increasingly prioritise ESG criteria. These indirect cost savings highlight another pathway through which ESG compliance can strengthen a company's financial stability and resilience.

Needs of BE Members to Respond to ESG

Eswatini's businesses face increasing pressures to integrate ESG principles into their operations, but resource limitations, infrastructure gaps, and the absence of a structured regulatory framework hinder their progress. Through insights from KIIs, three core needs emerged as critical for facilitating ESG adoption: resources and capacity building, technology and infrastructure development, and regulatory guidance and policy support.

Resources and Capacity Building for ESG

Capacity building is a pressing need for Eswatini's businesses as they navigate the complexities of ESG compliance. A lack of foundational ESG knowledge, particularly among leadership, limits informed decision-making and delays the adoption of sustainable practices. Businesses expressed the need for awareness training and sector-specific ESG programs tailored to industries such as agriculture, manufacturing, and mining to address unique environmental and social impacts. For example, training on sustainable water use and agricultural soil conservation could reduce climate vulnerabilities while supporting compliance with international standards. Moreover, ESG reporting emerged as a critical area requiring capacity building. As global markets increasingly demand adherence to frameworks like the EU's Corporate Sustainability Reporting Directive (CSRD), businesses need compliance and reporting standards training. Establishing a cross-industry knowledge-sharing platform could help smaller enterprises access best practices, regulatory updates, and collaborative solutions, fostering collective ESG advancement.

Technology and Infrastructure Needs

Technological and infrastructural deficits were identified as key barriers to ESG implementation. Current waste management systems are inadequate, exemplified by the textile sector's overreliance on landfills for fabric waste disposal. Scaling projects like the Vukani Bomake initiative, which repurposes discarded fabrics, could foster a circular economy and reduce environmental impact. The adoption of green technologies, including renewable energy systems and waste recycling infrastructure, is another critical need. However, financial constraints hinder businesses from making these investments. Respondents emphasised the necessity of ESG-focused financing options, such as low-interest loans, tax credits, or grants, to make sustainable transitions feasible.

Regulatory Guidance and Policy Support

Eswatini's lack of a structured ESG regulatory framework leads to fragmented compliance efforts, particularly for businesses targeting global markets. Respondents highlighted the need for government-led ESG advocacy and standardised reporting frameworks to align national efforts with international standards. A proposed Annual Mandatory ESG Reporting requirement was identified as a potential solution to improve consistency and transparency, particularly if adapted to local economic realities. Collaborative partnerships between government, the private sector, and international stakeholders were also emphasised as vital to creating practical ESG policies. This collaboration would reduce resource burdens for businesses while fostering a unified approach to sustainability. By addressing these regulatory gaps, Eswatini can build investor confidence, attract ESG-focused capital, and enhance the credibility of its private sector.

Role of ILO and EU Projects in Reducing ESG Risks

The ILO's ACCEL Africa project and the EU's child labour projects aim to tackle the root causes of child labour, especially in high-risk supply chains like coffee, minerals, cotton, textiles, and garments. While only two Eswatini companies were familiar with these initiatives, they highlighted the potential for these projects to enhance businesses' knowledge, skills, and resources to address ESG risks related to child labour and labour practices. Providing targeted support to Eswatini SMEs in high-risk sectors could help them better understand ESG and build capacity to meet related standards and requirements. This is especially critical for eliminating child labour and strengthening ethical labour practices.

ESG Pressures, Challenges, and Opportunities for Eswatini Businesses

Eswatini companies are increasingly facing ESG (Environmental, Social, and Governance) pressures from global markets, investors, and financial institutions. While firms engaged in international trade must meet strict ESG compliance standards, domestically oriented businesses face minimal regulatory pressure due to the absence of a national ESG framework.

Despite these challenges, businesses recognize ESG as a sustainable strategy that enhances competitiveness, value chain efficiency, and investor appeal. However, resource constraints, infrastructure deficits, and limited knowledge on ESG reporting hinder effective adoption.

Financial institutions and DFIs are linking ESG compliance to access to funding, making strong ESG practices a competitive advantage. Additionally, businesses integrating green technologies, ethical labour practices, and sustainable governance models may benefit from preferential financing, lower risk exposure, and insurance incentives.

To advance ESG adoption, Eswatini needs:

- Capacity-building programs to equip businesses with ESG knowledge
- Technology & infrastructure investments for sustainability initiatives
- Government-led policies & standardised reporting frameworks
- Stronger partnerships with international ESG-driven projects

By addressing these gaps, Eswatini can strengthen corporate transparency, attract ESG-conscious investors, and enhance global market competitiveness.

01

Introduction

Eswatini's Socio-Economic Landscape and ESG Reporting

Eswatini, a landlocked country in Southern Africa, faces significant socio-economic and environmental challenges despite its rich cultural heritage and developing economy. With a predominantly young population, the country struggles with high poverty rates, income inequality, and youth unemployment. Climate-related risks, such as droughts and extreme weather, further threaten key industries, particularly agriculture. Economically, Eswatini remains heavily reliant on trade with South Africa and revenue from the Southern African Customs Union (SACU), which is volatile.

In response to global sustainability trends, Environmental, Social, and Governance (ESG) reporting is gaining traction in Eswatini. While some private-sector entities have begun aligning with ESG standards, widespread adoption remains limited due to a lack of regulatory enforcement. However, ESG compliance presents an opportunity to attract investment, improve corporate governance, and enhance sustainability practices. This study aims to assess the ESG landscape in Eswatini, identify regulatory gaps, and explore how businesses can integrate ESG frameworks for long-term growth.

Key Economic Indicators of Eswatini

Labor Force & Demographics

48.7%
(2023) Youth Unemployment

Unemployment stands at 35.4%, with youth unemployment hitting 48.7%, highlighting job creation challenges. Informal employment is widespread. Population grows at 1.2%, reaching ~1.2 million, with 58.9% living in poverty, impacting labor dynamics.

Trade & Export Contributions

40.8%
of GDP from Exports (2023)

Exports contribute 40.8% to GDP, driven by sugar, textiles, and soft drinks. South Africa dominates as the key trade partner, accounting for 65% of exports, with recent growth of 14% in merchandise exports.

GDP & Sectoral Contributions

53.5%
of GDP comes from Services (2023)

Services lead with 53.5% of GDP, fueled by growth in ICT, tourism, and retail. Agriculture contributes 6.3%, while industry (including manufacturing) makes up 33%, showing a shift toward service-based growth.

Economic Indicators & Inflation

4.9%
Inflation Rate (2023)

Inflation averaged 4.9% in 2023, influenced by food and fuel prices, but is projected to drop to 4.8% in 2024 and below 4.5% by 2025, aligning with the central bank's 3-6% target.

1. INTRODUCTION

1.1. Overview of Eswatini

Eswatini, formerly known as Swaziland, is a landlocked country bordered by South Africa and Mozambique, covering an area of approximately 17,364 square kilometres. The Kingdom of Eswatini is a mountainous region divided into four main geographic areas: Hhohho, Manzini, Shiselweni, and Lubombo. Mbabane serves as the capital and administrative city of the country. Eswatini has a population of roughly 1.2 million, with a predominantly young demographic; those under 35 years old make up 73%, while individuals under 24 years old represent 32% of the total population.

Despite its small size, Eswatini boasts a rich cultural heritage, stunning landscapes, and a diverse ecosystem. The country experiences a varied climate with distinct wet and dry seasons. The climate is subtropical, characterised by hot summers and mild winters. Rainfall patterns vary across regions, with the western highlands receiving more precipitation than the eastern lowlands. However, the country is prone to arid weather conditions that continue to affect its agricultural production. Eswatini encounters prolonged dry spells, heatwaves, and incidents of hail and storms. For instance, the 2021/22 cropping season was marked by natural hazards such as hail, waterlogging, thunderstorms, heatwaves, and prolonged dry spells, particularly in the Lubombo and Shiselweni regions. The main climate risks faced by the citizens of Eswatini include increased flooding, landslides, and wildfires; declines in crop production which negatively impact household incomes and livelihoods; reductions in water quality and quantity; a higher incidence of waterborne diseases; damage to and destruction of infrastructure; and the presence of invasive alien plant species.

The constitution vests executive authority in the King as the Head of State. Chapter 6 of the Constitution stipulates that the King is the supreme head of the executive and can exercise executive functions with or without the Cabinet. He cannot initiate legislation; however, he may withhold assent to parliamentary legislation. The Prime Minister, appointed by the King, serves as the Head of Government and chairs the Cabinet. The King appoints 10 of the 76 members of the House of Assembly (the lower house of Parliament) and 20 of the 31 members of the Senate (the upper house). Acts of Parliament require approval from both houses as well as the royal assent. The Constitution guarantees the independence of the judiciary. Chapter 13 states that the “judiciary is independent and subject only to this constitution.”

Lilangeni (SZL) is the currency of Eswatini and is pegged 1:1 to the South African Rand (ZAR). The current (November 2024) exchange rate with the US dollar is US 1.00, equivalent to SZL 18.23. The Kingdom of Eswatini is a lower-middle-income country facing multiple social and economic development inequalities. Eswatini’s Human Development Index (HDI) value stands at 0.61 in 2022 (ranking 142 out of 193 countries) and is characterised by high inequality and a deteriorating social sector (UNDP, 2022). Increasing income inequality is represented by a high Gini index (52%) for high poverty levels. The proportion of the population living below the national poverty line is 58.9% (SZL 975.30 per person per month), with 20.1% (SZL 463.40 per person per month) below the extreme poverty line and 38.9% classified as the working poor (World Bank , 2019). Youth unemployment stood at 48.7% in 2023, significantly improving from 58.2% in 2022 (IMF, 2024).

Eswatini is a net importer of goods and services, with 69% of exports and 74% of imports occurring with the Republic of South Africa. Consequently, 46.1% of government revenue was generated from the Southern African Customs Union (SACU) receipts in 2022/2023.

However, the increasing volatility in SACU revenue is accompanied by rising expenditure, low private sector investment, high public debt, the need for fiscal consolidation, and mounting inflationary pressure, all of which impact overall economic development. The country's GDP growth rate rose from 0.5% in 2022 to 4.8% in 2023, reflecting substantial improvements following the dip caused by the COVID-19 pandemic in 2020.

Real GDP is projected to grow by 4.9% in 2024, while the following years, 2025 and 2026, are expected to average 3.4%. The country's GDP growth has been driven by advancements in the manufacturing and tertiary sectors. The tertiary sector has displayed consistent growth from 2015 to 2023, with significant improvements in the Information Communication Technology (ICT) sector, as well as in wholesale and retail, and construction activities. The recovery of the tourism and hospitality industry has significantly bolstered economic development following the pandemic.

Agriculture plays a vital role in the economy, especially regarding employment and livelihoods, contributing 8.2% to the GDP in 2023. Eswatini's economy relies heavily on agriculture, focusing on sugar, forestry, and livestock. The manufacturing sector largely consists of soft drink concentrates, textiles, and sugar, representing 91% of total exports. Recently, Eswatini has drawn foreign direct investment (FDI), mainly in the manufacturing and services sectors. (International Trade Administration , 2024).

1.2. Importance of ESG in the Eswatini Context

ESG reporting is becoming increasingly important for governments, businesses, and consumers worldwide. Governments around the globe are actively promoting ESG reporting and sustainability practices by implementing various regulatory frameworks and reporting standards to ensure that companies are transparent about their sustainability efforts. Consequently, integrated reporting practices have gained popularity, enabling companies to report on their strategy, governance, performance, and prospects in a manner that reflects the commercial, social, and environmental context in which they operate.

> "The adoption of ESG principles is therefore crucial, particularly for companies operating in the agricultural, energy, mining, manufacturing, and textile sectors. These sectors face significant scrutiny regarding their ESG performance, given the high levels of environmental degradation and complex social and governance issues, yet they are notably lagging in their ESG reporting."

Eswatini is no exception, as local companies are also expected to align their corporate practices with the emerging ESG reporting standards and regulatory frameworks being promoted and established globally and regionally.

Notably, the country is actively engaging with the global focus and demonstrating its commitment to sustainability issues through various initiatives aimed at encouraging ESG reporting across different sectors of the economy. While progress is slower, some companies are already aligning their reporting with ESG considerations, particularly private enterprises involved in international trade and multinational corporations. The significance of achieving sustainable corporate practices in Eswatini is further highlighted in the National Development Plan 2023-2028, Nationally Determined Contributions, Economic Transformation Strategy, and numerous other policies and strategies that consider sustainability issues. As a developing country, Eswatini's economy relies on agriculture and is vulnerable to the impacts of climate change. The adoption of ESG principles is therefore crucial, particularly for companies operating in the agricultural, energy, mining, manufacturing, and textile sectors. These sectors face significant scrutiny regarding their ESG performance, given the high levels of environmental degradation and complex social and governance issues, yet they are notably lagging in their ESG reporting. This can be attributed to the absence of a strict legal and institutional framework compelling businesses to comply with ESG reporting in Eswatini, where most global standards are voluntary. On the one hand, increasing sustainability considerations present serious challenges for some businesses in Eswatini, for instance, by escalating costs related to ESG data collection, infrastructure improvements, and the recruitment of specialised skills. This will create obstacles for companies seeking to access international markets, especially in the agricultural sector and among Small and Medium Enterprises (SMEs) that are particularly at risk.

Conversely, adherence to sustainability reporting frameworks will generate investment opportunities and facilitate participation in international markets. This represents a significant opportunity for the government of Eswatini to address critical issues such as high unemployment, poverty, corruption, inadequate corporate governance, discriminatory labour laws, and climate and environmental risks, all of which are essential for sustainable development and long-term prosperity. By adopting sustainability standards, the government is afforded a platform to reassess its outdated laws and policies, thereby aligning with global and regional agendas, including the United Nations Agenda 2030, the African Union's Agenda 2063, and SADC protocols. In pursuing this course of action, Eswatini will create a conducive environment for investors while simultaneously contributing positively to sustainable growth.

Consequently, the present study seeks to furnish a comprehensive overview of the ESG landscape within the context of Eswatini, while also assessing the extent to which businesses in the country have adopted ESG frameworks and reporting standards.

1.3. Objectives of the Study

- The primary objective of the study is to evaluate the overall ESG landscape in Eswatini, concentrating on existing regulatory frameworks governing ESG, current practices, challenges, risks, and opportunities presented by emerging ESG reporting standards. Specifically, the study aims to address the following:
- Assess the current ESG regulatory frameworks in place and initiatives undertaken toward sustainability reporting in Eswatini.
- Identify sectors of the economy that are particularly vulnerable to ESG risks.
- Evaluate the perception of ESG and the current pressures faced, resulting from expectations to comply with ESG frameworks and standards.
- Explore financial institutions' funding criteria for businesses with lower ESG risk profiles.
- Position Business Eswatini (BE) as a key player in the ESG arena.
- Identify training and services that BE and/or its partners can offer to BE members.
- Assist BE in developing an ESG policy framework.

02

Approach

Methodology and Data Analysis

The study employed a mixed-methods approach, combining a desktop review, key informant interviews (KIIs), and an online survey with BE members. This ensured a comprehensive assessment of ESG practices in Eswatini, covering existing policies, implementation challenges, and stakeholder insights.

Data Collection: A desk review analyzed policies, legislation, and reports to establish the ESG landscape. In-depth interviews with 22 key stakeholders across business, government, and finance provided qualitative insights. Additionally, a survey gathered quantitative data from 42 respondents.

Data Analysis: Qualitative data was analyzed using thematic analysis in Atlas.ti, while SPSS was used for descriptive statistics. This integration of qualitative and quantitative methods enabled a thorough understanding of ESG adoption, challenges, and opportunities.

2. APPROACH

The study employed a comprehensive methodology that combined a desktop review, Key Informant Interviews (KIIs), and an online survey directed at BE members. This approach sought to provide an in-depth perspective on the current ESG landscape in Eswatini by exploring existing practices, regulatory requirements, and exemplary strategies. The analysis utilised both primary and secondary data sources, including official reports, published materials, websites, and insights gathered from stakeholder interactions and interviews.

2.1. Desk Review

A comprehensive desk review was undertaken to establish a foundational understanding of ESG practices within the context of Eswatini. This review encompassed empirical research articles, policies, legislation, reports, and case studies pertaining to relevant industries. Conducted systematically, the desk review focused on the implementation of ESG principles, sustainability practices, corporate governance, and environmental management specific to the Eswatini context. The primary objective of this review was to gather an integrated perspective on the current implementation and practice of ESG principles, as well as to identify sectors in which improvements could be made.

The insights derived from the review significantly enhanced the understanding of the theoretical framework and application of ESG concepts across general settings, particularly as informed by the analysed research articles. These articles facilitated comprehension of the global ESG landscape and provided a comparative analysis of Eswatini's alignment with international standards. The examination of existing policies and legislation offered critical insights, particularly regarding the regulatory bodies overseeing ESG practices both regionally and internationally. Furthermore, the reviewed reports—especially those produced by international and regional organizations—presented data-driven insights, real-world examples, success stories, and challenges that Eswatini can utilize as benchmarks. The review underscored key sectors of the economy that possess established ESG frameworks, identified existing gaps and challenges in current practices, and emphasised potential opportunities for enhancement across the principal sectors economy.

2.2. In-depth Interviews

The Consultant conducted a total of 22 comprehensive interviews with chosen stakeholders from diverse sectors of the economy. To elicit extensive perspectives on the challenges, risks, and opportunities related to the implementation of ESG practices, semi-structured interview guides (questionnaires) were devised. A purposive sampling technique was employed to select participants capable of providing significant insights. This methodology involved the identification of five principal stakeholder groups, including business leaders, government officials, representatives from civil society organisations, and personnel from financial institutions. The interview guides were specifically customised for each of the five unique stakeholder groups.

The initial cohort consisted of business leaders, including Chief Executive Officers and senior executives from member organisations of Business Eswatini, along with board members who provided valuable insights regarding the implementation of ESG criteria at the organisational level. The subsequent group comprised representatives from significant sectoral associations, including those from tourism, mining, and manufacturing sectors, who offered industry-specific perspectives on the adoption of ESG principles. The third cohort included service providers specializing in ESG consulting and auditing, who imparted their technical expertise on the assessment and implementation of ESG standards.

The fourth group was formed by senior executives from banking and financial institutions, who contributed crucial insights pertaining to ESG financing and investment considerations. The final collective encompassed government officials, representatives from civil society, officials from the European Union embassy, academics, journalists, trade union representatives, and researchers affiliated with think tanks, all of whom provided a broader societal perspective on ESG issues.

The interviews spanned a duration of 60 to 90 minutes and were conducted either in person or through virtual platforms, contingent upon the availability and preferences of the participants.

2.3. Sampling Approach

The study employed a purposive sampling strategy, as previously noted, to identify and select key informants who provided valuable and relevant information concerning ESG practices in Eswatini. This approach was adopted to guarantee representation from all significant sectors of the economy and within key stakeholder groups, thereby capturing a range of perspectives on the implementation of ESG practices.

Although the original target sample size was set at 30 participants, the final sample consisted of 22 key informants, attributable to constraints in availability during the data collection period (refer to the details below). Notwithstanding the diminished sample size, the ESEPARC research team assured that theoretical saturation was attained relative to the primary objectives under investigation.

In addition to the KIIs, the study employed an online survey directed towards BE members, which significantly enhanced the findings. The primary objective of the survey was to obtain a comprehensive understanding of ESG practices within the business community. Of the estimated target of 80 respondents, the survey garnered a total of 42 valid responses.

Figure 1: Distribution of Respondents

2.4. Analysis

The data analysis employed a structured methodology, integrating both qualitative and quantitative approaches to afford a comprehensive understanding of the findings. In the context of qualitative analysis, thematic analysis was conducted utilizing Atlas.ti version 24, a software specifically designed for managing and analysing qualitative data. An inductive coding process was implemented, enabling themes to emerge organically from the data rather than being pre-established. The analysis followed an iterative process, commencing with open coding to identify preliminary concepts and ideas within the dataset. This phase was succeeded by focused coding, which refined categorical developments, culminating in theoretical coding, which delineated relationships and connections among these categories. This rigorous process facilitated the identification of patterns and trends across stakeholder groups, particularly concerning ESG implementation, challenges, opportunities, and recommendations.

For the quantitative analysis, descriptive statistics were utilised through SPSS version 27 to analyse the data collected from the online survey. This method summarised the data by calculating frequencies, percentages, and mean scores, offering a clear overview of the trends and response patterns. The analysis provided insights into the distribution of responses and highlighted significant themes emerging from the survey data, particularly concerning perceptions and practices related to ESG within the business community.

The combination of thematic analysis and descriptive statistics facilitated a mixed-methods approach that ensured the findings were both detailed and broadly representative. The qualitative analysis provided context and depth, capturing the nuanced experiences and perspectives of stakeholders, while the quantitative analysis offered an overview of trends and patterns that supported the qualitative findings. This integrated approach allowed the study to draw evidence-based conclusions and recommendations concerning the ESG landscape in Eswatini.

03

Desk Review

Environmental Factors

The environmental component of ESG focuses on how businesses and industries in Eswatini interact with the natural environment, particularly in areas such as climate change, energy management, resource consumption, and sustainability practices. With growing global pressure for ESG compliance, Eswatini is making strides in reducing greenhouse gas (GHG) emissions, transitioning to renewable energy, and promoting sustainable agriculture and responsible mining practices.

The country remains climate-vulnerable, with significant emissions from the energy, agriculture, and waste sectors. However, national policies, including the Nationally Determined Contribution (NDC) and investment in solar and hydroelectric power, reflect Eswatini's commitment to sustainability. Industries such as sugar, textiles, and manufacturing are adapting to ESG standards, while initiatives in biodiversity conservation and wetland rehabilitation support long-term environmental resilience.

This section provides an overview of Eswatini's environmental landscape, key sustainability challenges, and the role of businesses in meeting ESG commitments.

3. DESK REVIEW

> With agriculture contributing 25% of global GHG emissions, ESG frameworks are becoming mandatory to ensure sustainability. Governments worldwide are reshaping policies, enforcing environmental disclosure laws, and integrating green finance initiatives to combat climate change and promote responsible corporate governance."

25%

Agriculture is responsible for a quarter of global greenhouse gas emissions.

Environmental, Social, and Governance (ESG) reporting is increasingly recognized as a critical component for governments, businesses, and consumers across the globe. Consequently, governments are proactively advocating for ESG reporting and sustainability practices by enacting specific reporting requirements designed to enhance corporate transparency regarding their sustainability endeavours. Within the European Union, the Corporate Sustainability Reporting Directive (CSRD) mandates comprehensive ESG disclosures from an estimated 50,000 companies commencing in 2024, while the European Deforestation Regulation (EUDR) imposes supply chain traceability measures aimed at mitigating deforestation. Furthermore, the Paris Agreement continues to steer global obligations towards limiting temperature increases to 1.5°C, thereby significantly influencing corporate climate strategies. (Burkinshaw, 2024). In Africa, South Africa leads with its King IV Report on Corporate Governance, which integrates ESG principles into corporate strategy. Moreover, the African Development Bank champions green finance through its Climate Change Action Plan and promotes sustainable infrastructure projects across the continent (African Development Bank, 2021).

Like other countries, companies in Eswatini are expected to demonstrate their commitment to sustainability in their decision-making and disclose their ESG data. Due to the increasing demand for transparent and accurate reporting on ESG factors, this desktop review aims to provide an overview of the ESG landscape in the context of Eswatini by outlining reporting requirements as far as regulatory frameworks and voluntary initiatives are concerned as well as highlighting challenges and opportunities where ESG reporting is concerned.

3.1. Environmental Factors

ESG frameworks, especially on the environment pillar, are being adopted to adapt and mitigate climate change effects. Environmental issues include the level of ozone, sulphur, and carbon dioxide emissions, deteriorating water quality and ineffective conservation strategies of critical habitats (Xulu, 2022). The ESG environmental pillar significantly impacts businesses by introducing new laws and hazards related to ecological disclosures, making ESG frameworks mandatory. These regulations are being implemented globally, including in the United States, United Kingdom, European Union, and parts of Africa (Adat & Atake, 2024). In the UK, the Financial Conduct Authority (FCA) has prioritized ESG issues, focusing on the financial industry's move towards net zero and broader sustainability, integrating Sustainability Disclosure Requirements (SDR), and establishing anti-greenwashing rules. Climate risk is investment risk; hence the environmental pillar frameworks promote sustainability of the environment by encouraging net zero strategies (Eswatini Stock Exchange, 2022).

In agriculture, governments in developed countries are reshaping policies to promote sustainable farming, addressing biodiversity, food safety, and animal welfare.

The EU's Common Agricultural Policy (CAP) and the US Farm Bill are now geared towards climate action and biodiversity protection, while the UK's Environmental Land Management Scheme emphasises ESG services at its core. Mitchell (2023) notes that agriculture contributes approximately 25% of global GHG emissions, making ESG crucial for mitigating environmental issues. However, challenges such as varied ESG regulations and lack of standardised reporting persist. The EU's Sustainable Finance Policy and the European Commission's Green Finance Initiatives aim to address these issues and prevent greenwashing.

The manufacturing sectors in Africa, especially textiles, industrial and electronic equipment, and automotive, have high job creation potential but need to adapt to new regulatory frameworks and comply with ESG requirements to attract investors (Xulu, 2022). In the Democratic Republic of Congo (DRC), mining companies are mandated to develop environmental impact assessments and environmental management plans, while Gabonese mining companies are implementing water management strategies to reduce consumption and pollution (Awases et al., 2023).

In South Africa, various ESG-related laws have been enacted, including carbon tax, energy efficiency standards, and the Climate Change Bill, which regulates GHG-emitting sectors. The Johannesburg Stock Exchange mandates ESG compliance reporting, reflecting a broader trend where investors focus on decarbonisation efforts due to South Africa's high per capita pollution rates (Gupta, 2024).

3.2.1. Environmental Sustainability in Eswatini

Eswatini is ranked 137 among 181 countries for climate change vulnerability because of the country's political, geographic, and social characteristics. Eswatini made a commitment to limit its GHG emissions in 2015 through the Nationally Determined Contribution (NDC).

3.2.2. GHG Emissions Intensity

ESG principles are increasingly influencing businesses in Eswatini, particularly in light of the country's GHG emissions (Mavimbela et al., 2021).

In 2017, Eswatini emitted 4.5 million tonnes of GHG emissions, with the energy sector (39%), agriculture, forestry, and land use (56%), being major contributors. The waste sector alone contributed 33.7% to the total emissions (UNEP, 2016). The World Bank projects that emissions from all sectors in Eswatini will increase to 33.4 million tons of CO2 equivalent by 2030 if no stringent measures are implemented.

To mitigate these emissions, Eswatini has identified 13 mitigation measures across the four major GHG source sectors, including reforestation, regeneration, and bio-electricity. These measures are estimated to reduce emissions by 14% by 2030. Businesses in Eswatini are thus compelled to adopt ESG practices to align with these mitigation efforts. This includes investing in renewable energy sources, improving waste management practices, and adopting sustainable agricultural practices.

The Eswatini Stock Exchange (ESE) has also introduced ESG reporting guidelines to encourage listed companies to disclose their environmental impact and sustainability practices. This move is aimed at increasing transparency and accountability, which can attract environmentally conscious investors and improve the sustainability of businesses in the country. Therefore, by integrating ESG criteria into their operations, businesses in Eswatini can not only contribute to national emission reduction targets but also enhance their reputation and competitiveness in the global market.

3.2.3. Energy and Management

Energy development in Eswatini is driven by the National Energy Policy of 2018, which emphasises reducing the country's reliance on imported energy. Currently, 80% of Eswatini's energy is imported from South Africa's ESKOM and occasionally from Mozambique's EDM. Besides imports, Eswatini utilises agricultural and forest-based biomass, particularly in the sugarcane and timber industries. However, the country is making strides towards renewable energy to meet growing demands and align with international climate commitments such as the UNFCCC COP 28 pledge to triple renewable energy and double energy efficiency by 2030 (International Trade Administration, 2024; The World Bank, 2021).

Eswatini's renewable energy potential is immense, with significant investments being made in hydroelectricity, solar power, and biomass. The shift towards renewable energy and improved energy management in Eswatini significantly impacts businesses by reducing operational costs and enhancing sustainability. Examples of this commitment include the Raleigh Fitkin Memorial Hospital's (RFM) installation of a solar power plant in 2024, which now covers 72% of the hospital's energy needs and saves 536 tonnes of carbon dioxide annually. The RFM cut their energy expenses and are reducing carbon emissions, thereby improving their environmental footprint and operational efficiency (Hachileka, 2024). Similarly, the government launched a 10 MW solar plant and plans to issue a 50 MW solar generation license. The government has opted to export coal instead of establishing a 200 MW anthracite coal power plant, further emphasising its commitment to renewable energy.

3.2.4. Agriculture and Biodiversity

As the second-largest economic contributor, commercial agriculture, dominated by sugar, canned fruit, and beef production, accounts for substantial employment and GDP. Nearly 92% of the sugar output is exported, and Eswatini fulfils its tariff-free export quota to the United States each year. Therefore, supporting smallholders to increase efficiency, adapt to climate change, and adopt on-farm solar irrigation is important for Eswatini's quest to maintain competitiveness (The International Trade Administration, 2024). For example, the Royal Eswatini Sugar Corporation (RES) is already driving towards energy self-sufficiency through renewable and sustainable energy in their Mhlume 10 MW Solar PV and the Power Generation for Export projects already in action (RES, 2023). RES has taken these measures to reduce their risks, operational costs, and increase revenue. While these are achieved, RES will also be ready to comply and report to

ESG matters in their 2024 report using the GRI Standards for Sustainability Reporting.

Similarly, wetlands are essential for biodiversity yet face degradation from socio-economic activities, impacting water flow and soil-water content, which further complicates agricultural sustainability (IFAD, 2024). Moreover, initiatives like the Strengthening National Protected Areas Systems (SNPAS) project, which rehabilitates wetlands and supports sustainable livelihoods, show the benefits of integrating environmental stewardship into business strategies (IFAD, 2024). In adopting these sustainable practices, businesses can reduce their environmental impact, improve resource efficiency, and contribute to the resilience of Eswatini's agricultural sector, ensuring long-term viability and profitability.

3.2.5. Mining

The mining sector is receiving more attention from stakeholders as investors are interested in the way mining companies are managing ESG risks and exploiting ESG opportunities. The Mining Department of the Ministry of Natural Resources and Energy administers the sector, which is regulated by the Diamond Act No. 3 of 2011, the Explosive Act No. 4 of 1961, the Mines and Minerals Act No. 4 of 2011, and the Mines and Quarries (Safety) Regulations. The growing ESG expectations require mining companies to balance profit goals and sustainability efforts. For example, other mining companies in Eswatini, such as Maloma Colliery, have implemented measures to reduce their environmental footprint, including rehabilitation of shafts for energy efficiency, water recycling and reuse measures to minimise water consumption (Eswatini Financial Times, 2024). By so doing, Maloma Colliery is positively adhering to the ESG requirements and contributing to the country's NDC targets.

3.2.6. Manufacturing

About 37% of Eswatini's GDP is derived from manufacturing. The manufacturing sector in Eswatini is dominated by three industries sugar, textiles, and forestry (ICRF, 2023). While all these sectors contribute greatly to the economy, they also bear specific environmental implications. For example, the sugar industry is one of the major manufacturing sectors and is entirely dependent on water resources for irrigation. The inefficient use of water and possible pollution from agricultural runoff could affect water quality and availability. The burning of sugarcane waste in turn contributes to air pollution and the emission of greenhouse gases.

Additionally, the textile industry in the country faces significant environmental challenges, mostly through water and chemical usage. The textile dyeing and finishing processes involve toxic chemicals that easily pollute water bodies, in the process contaminating water sources and destroying aquatic life. Nonetheless, the sector is faced with challenges including lack of finance, lack of skilled labour, and infrastructure incapabilities (ICRF, 2023). By adopting these new ESG frameworks, the sector will realise sustainability, investor attraction, and essentially support Eswatini's sustainable development agenda.

3.2.7. Water Effluents and Waste Management in Eswatini

Eswatini faces significant challenges in managing water resources and industry effluents due to increasing demand from domestic, agricultural, and industrial sectors (Makhanya & Purse, n.d.). The Eswatini Water Services Corporation is responsible for managing wastewater and ensuring compliance with environmental standards (EWSC, 2023).

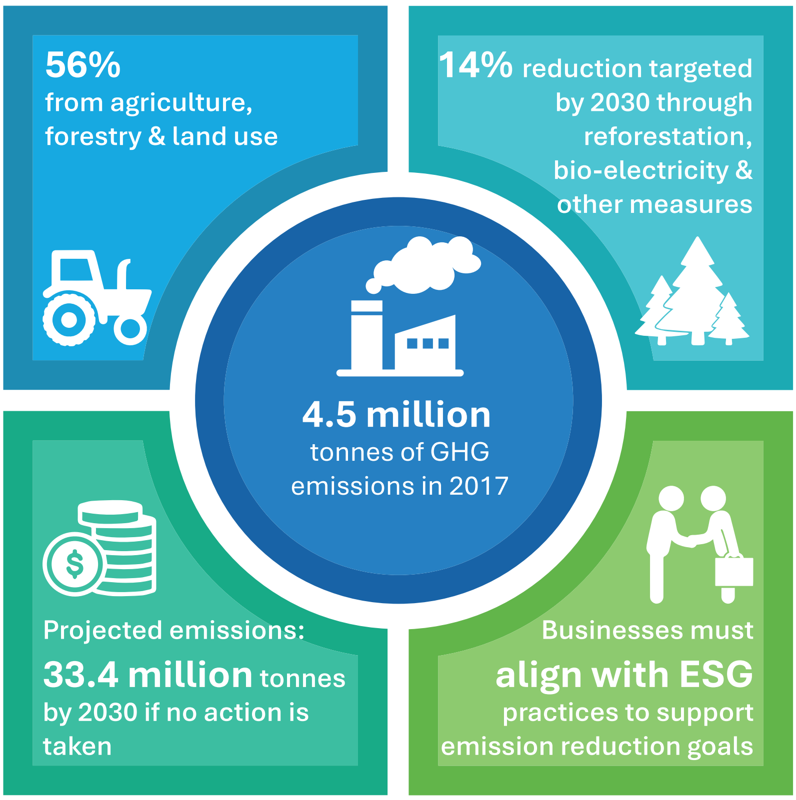
Small and Medium Enterprises (SMEs) in Eswatini are significantly affected by the country's waste management challenges. Industries, including SMEs, often fail to pre-treat their wastewater, leading to high levels of pollutants. This non-compliance not only threatens environmental sustainability but also subjects businesses to potential regulatory penalties and community backlash. Effective waste management practices are essential to mitigate these risks. Therefore, by adopting ESG measures, SMEs can enhance their waste management strategies, improve efficiency, and reduce environmental impact. For example, the implementation of the National Solid Waste Management Strategy (NSWMS) requires municipalities to develop Integrated Waste Management Plans (IWMPs), which can help SMEs adhere to waste regulations and promote a circular economy model (Singh, 2021).

3.2.8. Opportunities

The Eswatini National Plant Health Inspection Services (NaPHIS), in collaboration with the International Plant Protection Convention (IPPC) Secretariat and other partners, completed a seven-month assessment of Eswatini's phytosanitary system (IFAD, 2024). The project, funded by the European Union, aims to strengthen capacities and governance in food and phytosanitary control, focusing on food safety and plant health. The project is part of the "Strengthening of Capacities and Governance in Food and Phytosanitary Control" project that began in November 2022.

The project was co-signed by the Government of Eswatini and falls within the Sanitary and Phytosanitary (SPS) Policy Framework for Africa developed by the African Union (AU) to spur trade among AU Member States. The PCE process evaluates the country's current phytosanitary systems and develops a national strategy to improve these systems over the next 5-10 years. The outcomes of the PCE can be used to mobilise resources to implement elements of the strategic plan (IFAD, 2024).

Eswatini's GHG Emissions & Mitigation Efforts



Even though women constitute more than 90% of the workforce in Eswatini's textile and apparel sector, research shows that as of 2019, none of the companies had a gender committee. Only 25% of direct suppliers claimed to have a policy against gender discrimination. Moreover, local Swazi managers remain a minority, making up 25% and 24% among direct and indirect suppliers, respectively. These disparities highlight the urgent need for stronger enforcement of labor rights and workplace protections.

25%

25% of Eswatini's textile suppliers have a gender discrimination policy.

3.3. Social Factors

Interaction with the social pillar is crucial for a more sustainable and equitable economic system. Kim (2023) advances that a company is deemed sustainable if its operations benefit the community in which it operates, protects the environment, has clear governance, and prioritizes the needs of its employees. Though it has not received as much attention as the environmental and governance pillars of ESG, the social pillar of ESG is also key to corporate strategy, providing opportunities, competitive advantages, and inventiveness (Riberio do Amaral, Willerding, and Lapolli, 2023).

It is well known that for businesses to achieve long-term sustainability and profitability, they must consider stakeholders' interests, particularly when doing business internationally, and incorporate environmental, social, and governance aspects. Research has demonstrated the significance of social issues, but the social pillar places less emphasis on corporate strategy (Brent, 2017) and limits its focus to inclusion and diversity programs. People are an organization's greatest asset and will drive growth in performance and profitability (Sisodia, 2019). Vulnerable groups' needs and interests should be considered in the social component of ESG. The legal framework should guarantee equal opportunities for men and women, encourage lifelong learning, and establish new avenues for inclusive employment.

The Sustainable Development Goals and the United Nations Guiding Principles on Business and Human Rights provided leeway and an overall framework for incorporating aspects of ESG by member states in the global world. It was further supported by the European Union's Corporate Sustainability Reporting Directive. The social pillar of ESG according to the Organization for Economic Co-operation and Development (OECD, 2019) emanated from the demand side of the business where an increasing number of savers and consumers responsibly "vote with their wallet" every day. Eliwa, Aboud, and Saleh (2021) referring to the Nielsen Global Survey on Corporate Social Responsibility, which was conducted in 2015, revealed that 66% of consumers worldwide are willing to pay more for sustainable brands, up from 55% in 2014, this is 73% for millennials, up from 50% in 2014. According to Becchetti et al. (2022), regulations aimed at creating a multifaceted impact increasingly support the change that is sparked by this grassroots pressure (Italy was the first nation to link its political economy evaluations to the indicators of multidimensional well-being with law 163/2016, article 14).

In the pursuit of improved governance and regulatory frameworks, the Association of Southeast Asian Nations (ASEAN) has demonstrated a strong commitment to advancing sustainability through the ASEAN Green Bond Standards and the ASEAN Corporate Governance Scoreboard, which are two regional initiatives that seeks to promote sustainable investment and finance. According to Handoyo and Anas (2024), these programs thoroughly comprehend the integration of ESG standards into corporate operations and the critical role that governance plays in sustainable development. It must be noted that every ASEAN nation has a unique set of ESG laws and regulations. As Handoyo and Anas (2024) put forth, these national laws establish the norms for social responsibility, environmental sustainability, and corporate governance, which greatly influence stakeholder expectations, business expectations, and firm performance.

In every ASEAN nation, a common denominator worth noting is that significant resources, such as money for research and development and infrastructure improvement, are frequently allotted by governments dedicated to advancing ESG initiatives. Studies by Wang et al. (2022) and Eliwa et al. (2021) lend credence to the idea that businesses that implement strong ESG practices in nations with highly effective governments gain better access to capital, stronger institutional support, and a more positive public image, all of which enhance financial performance.

On the other hand, weaker policy enforcement, less transparency, and increased uncertainty dilute the impact of ESG on firm performance in settings with low government effectiveness (Mendiratla et al., 2023).

It is without a doubt that ESG regulations are a ray of hope in achieving the alignment with the SDGs particularly those related to climate change, gender equality, decent work, no poverty, health, and reduced inequalities. In aligning both corporate and government frameworks and agendas, the ESG framework can champion and make it possible to realise sustainability objectives. There are however arising issues of concern within key and large world economies. While the regulatory environment in the United States is more fragmented, with some states taking more aggressive action on ESG disclosure and others being less proactive, the European Union, for instance, has taken the lead with regulations like the EU Taxonomy and Corporate Sustainability Reporting Directive (CSRD). Additionally, neither a globally recognised definition of "good" ESG practices nor a standard method for reporting on ESG variables exist. Different ESG grading systems and frameworks (such as TCFD, SASB, GRI, etc) may have different priorities for metrics.

3.3.1. Social Sustainability in Eswatini

In the Kingdom of Eswatini, the government through the Ministry of Labour and Social Security has on numerous occasions reaffirmed its stance in support of the International Labour Organisation (ILO) "fundamental principles are rights at work", which is a core element and advancement of the social pillar of the ESG. Additionally, the country has committed itself to the fundamental principles through the ratification of treaties and conventions which includes the African Charter on Human and People's Rights, Convention Against Torture and Other Cruel, Inhumane or Degrading Treatment or Punishment, Convention on the Rights of the Child, Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, Convention Concerning Forced or Compulsory Labour, Equal Remuneration Convention, Abolition of Forced Labour Convention, and the Discrimination (Employment and Occupation) Convention amongst others. It must be noted that labour law forbids discrimination based on race, gender, language, HIV/AIDS status or another communicable disease, religion, political beliefs, or social status in the workplace. Age, sexual orientation, and gender identity are not grounds for legal prohibition against discrimination.

According to Musi (2024), Eswatini analysts claim that the Kingdom's textile industry has thousands of underpaid and discriminated against female workers because of corruption and lax regulations. Amalgamated Trade Union of Swaziland (ATUSWA) claims that employers are colluding with the Eswatini government, which is supposed to be neutral, to intimidate and harass the union and the striking workers, instead of addressing the wage dispute and working conditions (IndustriALL, 2022). Pasquali and Godfrey (2022) argue that the state's autocratic nature worsened its ineffective response by excluding ATUSWA from discussions about relief measures and largely ignoring statutory provisions regarding layoffs, which has harmed workers. This became evident and apparent during the Covid-19 pandemic since as of July 2020, the government had not fulfilled its promise to provide E 25-30 million to laid-off workers. Although the Unemployment Insurance Fund (UIF) paid all employees in complaint clothing factories in neighbouring South Africa during the first six weeks of the lockdown, Eswatini managers and ATUSWA, the main trade union in the industry, expressed their dissatisfaction over the government's total lack of support. It is instances such as these that has once affected businesses and livelihoods in Eswatini, because one of the largest sectors of employment (manufacturing) was hit hard by being excluded from the African Growth and Opportunity Act (AGOA) in 2015.

3.3.2. Textile and Apparel Sector

In Eswatini's apparel export sector, it has been found that direct suppliers are more likely to participate in social audits, host frequent workers' meetings, and give employees access to basic healthcare facilities, even though practically all businesses pay the minimum wage (Pasquali and Godfrey, 2022). This emphasises the importance of private governance in determining how businesses upgrade economically and socially. This is attributed to the fact that civil society campaigns in developed nations were crucial in persuading major retailers to enforce corporate codes of conduct on their suppliers (Lund-Thomsen and Lindgreen, 2014). Moreover, social upgrading research aimed to comprehend how social and public governance in the communities where suppliers are located influenced better working conditions. This is against the backdrop of the argument of government being lax as the United States Department of State (2023) reported that the government of Eswatini did not adequately enforce occupational safety and health laws, including minimum wage in the year 2023, while there were reports of hazardous working conditions in the agricultural sector, especially at sugar companies that have sizeable milling facilities. The disturbing fact is that the penalties were equivalent to those for comparable infractions, although they were rarely used.

Even though women constitute more than 90% of the workforce in the textile and apparel sector, research (Pasquali and Godfrey, 2022) has revealed that as of 2019, none of the companies had a gender committee, however, two direct suppliers (25%) argued that they had a policy against gender discrimination. Furthermore, foreign ownership (beyond the SACU region) is also nearly 50% in both groups. In comparison, local (Swazi) managers (apart from supervisors) continue to be a minority in both groups, comprising 25% and 24% among direct and indirect suppliers, respectively.

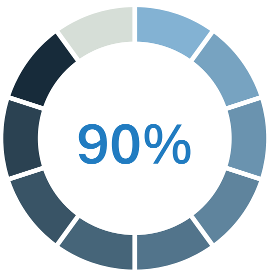
The inconsistencies in operations and legislation have undermined the balancing and achieving of the social component of ESG in Eswatini. For instance, wage security is provided by the Employment Act of Eswatini, implying that when a business is first established, each employer must pay the government the equivalent of one month's wages for employees.

This money is then placed in a trust to compensate employees in the event the company experiences financial difficulties. In the study by Pasquali and Godfrey (2022), it transpired that very few apparel manufacturers had paid into the fund and no money was available to this fund, owing to that many of the clothing companies were granted exemptions, leaving the trust essentially empty. According to Pasquali and Godfrey (2022, workers in the different economic sectors of the country) now bear the consequences of Eswatini's policy of favouring foreign investments by exempting investors from paying the necessary wage security, as they are unable to rely on such funds. However, the state's autocratic nature has worsened its ineffective response by excluding unions from discussions about relief measures and largely ignoring statutory provisions regarding layoffs, which has harmed workers. This has been evident in response to COVID-19, where Eswatini state has been ineffectual, offering no assistance to the garment industry and, specifically, to its employees (Kim, 2023). This is partly because governments in developing nations frequently have limited funding and leeway in their budgets (Tyce, 2019).

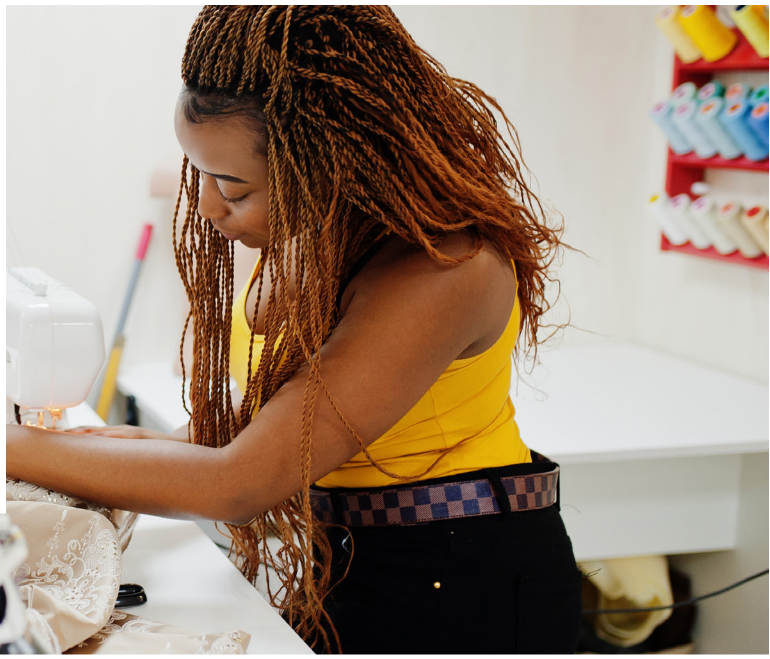
It is unfortunate that the International Labour Organisation (ILO) Violence and Harassment Convention (C190), which calls for extensive safeguards to eradicate workplace violence and harassment, including gender-based violence, has not been ratified by Eswatini.

A compelling environmental, social, and governance plan as well as a route to net-zero carbon emissions are becoming fundamental to investors and financial markets. This is also evident in that the Eswatini Stock Exchange has formulated Guidelines to support the training and capacity building of listed entities and key stakeholders on sustainability reporting (ESE, 2022). the Global Reporting Initiative organised the first stakeholder engagement in Eswatini, in February 2020, resulting in a guideline that is both adapted to the Eswatini context and in line with international standards and principles. Great strides have been made in aligning and adhering to the ESG principle for businesses in Eswatini. This is evident and documented by the leading mobile network provider, MTN Group Limited Eswatini, in abiding by the social component of the ESG. Accordingly, MTN Group Limited is dedicated to creating more sustainable societies because the company believes that everyone should be able to explore opportunities that come with digital connectivity, regardless of background or location (MTN Group Limited, 2023). MTN Eswatini is actively and visibly promoting positive social change in the markets it serves by advancing digital and financial inclusion,

Women in Eswatini's Textile Sector



of the workforce are women, yet 0% of companies had a gender committee as of 2019.



encouraging diversity and inclusion, as well as improving communities through CSI initiatives. These social commitments have been observed in education, entrepreneurship, and health through the MTN Eswatini Foundation.

3.3.3. Finance Sector

The financial sector, regarding the non-banking financial service, is abuzz with reform as it prepares for the full transition and commitment to the ESG principles. In alignment with clauses of the Consumer Credit Act No.7 of 2016, which aims to shield customers from excessive debt, organisations in this sector are encouraged to support the Financial Inclusion Strategy of the Kingdom of Eswatini, the Environmental Management Act No. 5 of 2002 and the Companies Act of 2009. The Financial Services Regulatory Authority (FSRA) has encouraged entities registered with them to prioritise social considerations before establishing a business relationship or the extension of credit to large-scale and small-scale consumers, cognisant of poverty reduction; diversity, equity, and inclusion (including anti-discrimination); employee health and safety; labour relations and practices; and product quality and safety. Heeding to the call, GetBucks (2023) has carefully planned programmes and interventions that will keep adding value for the nation's underprivileged communities, concentrating on interventions that promote; financial inclusion, job creation through Small and Medium Enterprises (SMEs) financing, financial literacy, and assisting the marginalised to obtain loans.

3.3.4. Agriculture Sector

The agricultural sector is still lagging in incorporating the social pillar in its business endeavours, but it is worth appreciating that key players dominating the sector are taking the lead, hoping that others will follow suit. This is evident from the country's largest agricultural pioneer and global exporter, the Royal Eswatini Sugar Corporation which pointed out that building social capital is the responsibility of its Corporate Social Initiative (CSI) department (RESCorp, 2023). The CSI department implements initiatives and programmes that improve social value, especially through corporate philanthropy, internal and external community social welfare, and cultivating good company relations with communities and other stakeholders.

According to the Royal Eswatini Sugar Corporation Integrated Report (2023), the strategic focus for 2022-2023 was on fence lines or adjacent communities. Activities are intended to establish and formalise engagement with communities and inform partnerships that will jointly address issues specific to various areas. A survey on community perception was used to help create a plan for community engagement. In addition, a community sanitation project, lunch with senior management and the managing director for traditional leaders, community football sponsorships, and a women's empowerment initiative were executed successfully. It was further reported that RESCorp will concentrate on creating a thorough community engagement plan for the upcoming reporting period, based on the findings of the community perception survey to inform CSI projects, programmes, and initiatives.

It is worth noting that ESG principles in Eswatini are mostly evident and prioritised by national companies with an international and regional presence. This may be attributed to the fact that there are no strict legal and institutional frameworks compelling businesses to adhere. Though the ESG landscape has been largely concentrated on businesses and the private sector, the public sector is also presented with an opportunity to reform itself and align as Eswatini has on numerous occasions found itself on the International Labour Organisation (ILO) Special Paragraph Agenda. The ESG paradigm presents itself an opportunity for public sector in Eswatini address the issue of high unemployment and poverty through vigorously assessing its social protection programmes whilst prioritising health and education investments.

"Strong governance is the backbone of sustainable business practices, ensuring transparency, accountability, and ethical decision-making. By integrating ESG principles into governance structures, companies not only mitigate risks but also enhance long-term value creation and stakeholder trust."

93%

of European companies incorporate ESG metrics into executive incentive plans. (Ganu, 2024)

3.4. Governance Factors

The governance pillar in ESG refers to the way an organization is managed, promoting transparency, accountability, shareholder rights, and board diversity. This also includes effectiveness of risk management practices, and the commitment to ethical business conduct. In the context of Eswatini, the pillar faces significant risks, particularly in agriculture, public health, and corporate governance. One of the most prevalent governance issues involves corruption and accountability. Transparency International ranks Eswatini 130 out of 180 countries in its Corruption Perception Index indicating a lack of public trust and inefficient governance in the public sector particularly.

Further, corruption was widely cited at the country's traditional Sibaya (people's parliament) as one of the main issues in government encompassing both small-scale bribery for government services and larger procurement and distribution problems that hinder effective service delivery (U.S Department of State , 2024). As an essential pillar, governance establishes the rules for a company's ESG practices, impacting financial performance, ethical conduct, and stakeholder relations. Governance is often overlooked when evaluating ESG performance, yet sustainable governance is foundational to the realization of both environmental and social criteria (WEF, 2022). Below are some of the factors generally included to explain governance and they are based on the GRI Standards 2021.

3.4.1. Business Ethics

Business ethics involves adhering to values and standards that promote transparency, fairness, and honesty in business interactions. Ethics play a key role in ESG, serving as the basis for responsible decision-making and sustainable business practices. Engaging in ethical practices promote a good reputation for companies and fundamental in attracting as well as retaining customers, investors, and partners.

Effective corporate governance is instrumental in promoting ethical behaviour and decision-making.

Being a pioneer in adopting the Integrated Reporting Framework as part of its corporate governance framework, South Africa introduced King Code IV on Corporate Governance 2016 to promote reporting of sustainability practices, such that the level of ESG disclosure in South Africa is one of the highest rated globally. In Eswatini, it has been observed that businesses including Royal Eswatini Sugar Corporation (RSSC), MTN Group, Standard Bank Group, Eswatini Sugar Association, Water Services Corporation, among others, have also aligned their reporting in accordance with King IV Code of Conduct. King Iv has been a cornerstone for good corporate governance principles and practices for these businesses, fostering transparency and accountability.

Because of their strong ethical values promoted through good corporate governance, these businesses have prioritized sustainability and incorporated ESG considerations into their strategic directions. This demonstrates accountability and transparency to ESG commitments and outcomes. By incorporating ESG practices into their operations, companies can improve access to capital, raise premium prices for products, increase shareholder value, as well as secure financing through sustainability linked loans.

3.4.2. Anti-corruption

Corruption is a critical governance issue that poses substantial risks to companies. It includes bribery, fraud, money laundering and other illegal financial activities, which can lead to massive financial losses, reputational damage, market exclusion and even bankruptcy. As a cross-cutting concern, corruption not only undermines environmental and social priorities, but can also distort ESG administration and reporting processes (Cicchiello, et al, 2023).

As part of good governance, ESG aims to evaluate a company's policies and actions in combating corruption. Various ESG reporting frameworks and standards have been established to guide organizations in their efforts to combat bribery and corruption. Through these frameworks, companies can communicate their efforts and commitments toward anti-bribery and corruption.

At the global level, the United Nations Global Compact, the SASB Standards, encourage companies to adopt zero-tolerance policies towards bribery and corruption as well as implement comprehensive anti-corruption programs to ensure ethical business practices. At the national level, the National Anti-Corruption strategy 2007, the National Anti-Corruption Policy, prevention of corruption Act, are some of the major policies and strategies formulated towards the fight against bribery and corruption in Eswatini, especially considering that corruption is more prevalent in the country. Businesses operating in environments with widespread corruption are less likely to report on sustainability matters and may be less inclined to be transparent (WEF, 2022).

By adopting ESG frameworks, companies are more likely to benefit from having robust policies and programs on anti-bribery and, corruption, resulting in improved transparency.

While there is evidence suggesting that ESG reporting can positively influence anticorruption behaviour within companies, there are challenges and limitations that need to be addressed for more effective integration of anti-corruption measures within the ESG ecosystem.

3.4.3. Audits and internal controls

Internal controls are systematic procedures and practices implemented by organizations to safeguard assets, ensure accuracy in reporting, as well as enhance operational efficiency (COSO, 2023). Internal controls play an increasingly significant role in ESG data through validating the accuracy and reliability of data, considering that ESG reporting contains expansive metrics. Hence, policies, processes and internal controls must be established to generate reliable information to inform decision making, fostering transparency, and building trust in the broader context of good business practices.

Integrating internal controls will help in facilitating adaptation to emerging and evolving regulatory ESG standards.

In addition to aligning its internal policies, processes and plans with the King IV Code of Conduct, businesses such as Standard bank has embedded its ESG risk governance framework within the group's enterprise-wide risk management system to ensure an integrated approach to effective risk management (Standard Bank, 2023). This is evidence that a systematic approach is essential to set up internal controls for ESG reporting that conforms to the organization's overall ESG objectives, strategy, and risk management framework.

While there are significant benefits in implementing internal controls for ESG, several challenges also exist. Such challenges include data complexity, data quality and consistency, integrating with existing systems, including relevant skills and knowledge, not forgetting the issue of continuous monitoring and improvement. This implies that operational costs will increase as significant investments will be required to improve company infrastructure and business processes, for appropriate ESG data collection and reporting.

Further, capacity building/training and development initiatives will be needed to effectively implement and manage ESG data controls.

This may not be feasible particularly for the SME sector, considering their size. Yet SMEs are critical in creating a more competitive and resilient business environment and driving economic development in the country. Nevertheless, compliance with ESG regulations will push companies to improve their data management processes, ultimately increasing overall reporting accuracy and creating new data sets for other uses.

3.4.4. Executive Benefits and Compensation

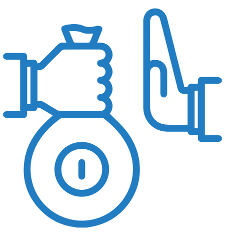
Previously, executives were generally compensated with salaries and bonuses based primarily on the company's financial success. This has changed, where linking executive compensation to a company's environmental, social, and governance (ESG) performance is becoming common to foster positive actions towards sustainability and accountability.

Giving generous executive compensation can motivate management to act more proactively on climate and environmental issues, social responsibility and governance structures, thereby improving firm financial performance (Zhu et al. (2024). This is particularly more pronounced in Europe, where 93% of companies utilise ESG metrics in their incentive plans (Ganu, 2024) the EU already has a more established ESG regulatory framework emphasising such metrics. By aligning executive pay with ESG performance, companies seek to reinforce their commitment to sustainability, drive positive change in key areas such as diversity, equity & inclusion (DEI) and climate change, and enhance transparency and accountability to stakeholders.

Despite the benefits, concerns arise that executives may meet only the minimum requirements to secure bonuses rather than strive for genuine sustainable improvements, thus reducing the credibility of ESG initiatives. Moreover, this may lead to corporate greenwashing. Other challenges include the lack of standardisation in ESG metrics. With more standardised and reliable ESG metrics, these criteria play a more prominent role in determining executive rewards and fostering businesses' adoption of ESG reporting standards.

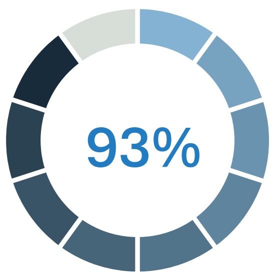
Key Governance Highlights in ESG

Corruption Perception Index:



Eswatini ranks 130th out of **180 countries** in Transparency International's index, indicating governance challenges.

ESG in Executive Compensation:



of European companies use ESG metrics in incentive plans.

04

Findings

ESG Regulations in Eswatini

Eswatini lacks a formal ESG regulatory framework, but various laws and policies address environmental, social, and governance (ESG) issues. The Government Policy Statement (2024) outlines commitments to sustainability, green energy, and CSR reporting.

While some African countries are introducing ESG regulations, Eswatini relies on sector-specific laws like the Environmental Management Act (2002) and Employment Act (1980). However, private sector initiatives are advancing ESG compliance through the Eswatini Stock Exchange ESG Guidelines, SMETA audits, Equator Principles, IFRS Sustainability Standards, and Bonsucro Certification.

4. FINDINGS

> "Bonsucro is the global standard for sustainable sugarcane, promoting climate action, ethical labor, and responsible sourcing. Its certification helps businesses meet global market requirements while supporting small-scale farmers. By improving environmental management and social outcomes, Bonsucro drives transparency and accountability in the sugarcane industry."

96%

of Bonsucro-certified mills comply with international labor and environmental standards.

4.1 Current or Planned ESG Regulatory Frameworks in Eswatini

4.1.1. Compliance with ESG-related Frameworks or Guidelines

ESG regulations are government standards for ESG-related actions, reporting or disclosures. While the ESG space is primarily unregulated, governments and regulatory bodies in African countries such as South Africa, Mauritius, Kenya, and Egypt are introducing a new wave of ESG regulations to promote sustainable business practices and protect the environment. Interviews with various stakeholders revealed no ESG standards or regulatory frameworks developed at the government level in Eswatini. The Government Policy Statement (2024) highlights the government's intentions to pursue the principles of broad-based sustainable development to become a green economy. This includes transitioning to green energy and a chemical-free agriculture sector. Furthermore, the Policy Statements highlight the government's intention to strengthen and enforce Corporate Social Responsibility (CSR) and sustainability reporting frameworks in line with existing legislation.

According to responses from the interviews, laws and regulations addressing environmental and social (labour) pillars are prominent in Eswatini. The major environmental legislations include the Environmental Management Act 2002, Natural Resources Act 1951, Water Act 2003, Mines and Minerals Act 2011. There is also Environmental Audit, Assessment and Review Regulation 2000 that set out procedures for the proper preparation of environmental audits for existing and proposed projects that may result in the issuing of an environmental compliance certificate (i.e., Environmental Impact Assessments and Mitigation Plans), and Waste Regulation 2000.

The major legislations on employment and labour: Employment Act 1980, Industrial Relations Act 2000 as amended in 2014, Code Practice, Industrial Relations Act, Occupational Health and Safety Act 2001, and Workmen's Compensation Act 1983.

Although the governance pillar is not so prominent, there are legislations that seek to promote good governance in the public and private sector such as Prevention of Corruption Act 2006, Procurement Act 2011, Financial Institutions Act 2005, Money Laundering and Financial Terrorism (Prevention) Act 2011, Prevention of Organised Crime Act 2018, and Public Finance Management Act 2017.

Eswatini Stock Exchange ESG Guidelines

It is worth noting that, in the absence of an ESG Regulatory Framework in Eswatini, there is some activity that is happening in the different sectors of the economy in terms of complying with international ESG standards and requirements.

The Eswatini Stock Exchange (ESE) is leading the charge in promoting ESG awareness and understanding in the country.

In May 2022, the ESE published an ESG Disclosures Guidance Manual to assist listed companies and other businesses in addressing ESG issues in their reporting to meet the requirements of investors, customers, employees, regulators, and others. The ESE ESG Guidelines aligns with the Global Reporting Initiative (GRI) Standards, which are widely used standards for sustainability reporting, designed to enhance comparability, integrity and utility of sustainability information. Implementing the ESG guide is voluntary, however, the ESE encourages companies to disclose ESG indicators and metrics in line with with the recommendations of the Sustainable Stock Exchanges (SSE) Initiative and the World Federation of Exchanges (WFE). The ESE has a set of listing requirements for companies that include compliance with corporate governance standards and best practices such as the King Code (King IV Report on Corporate Governance for South Africa, 2016). The King Code deals with Integrated Reporting and Disclosure, and companies can apply King IV principles 5, 5.9, 5.11, 5.15 on voluntary basis.

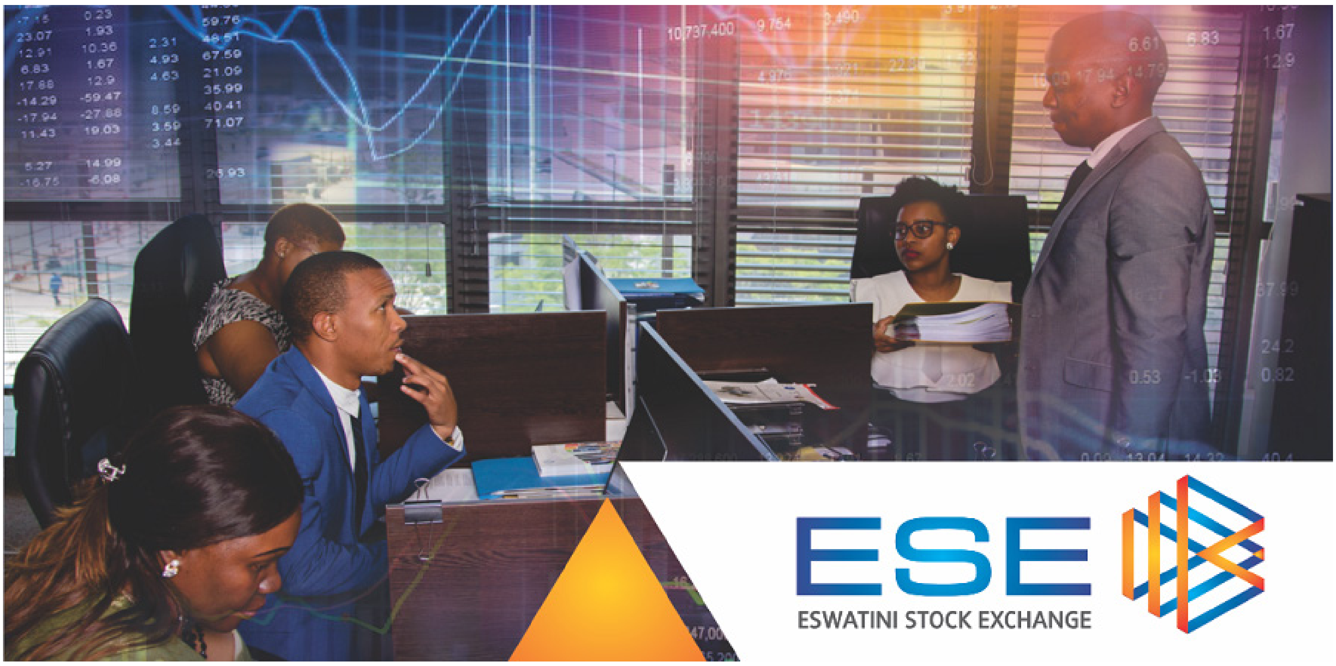
Besides implementing the ESE ESG Guidelines, companies interacting with markets outside of the Kingdom of Eswatini are undertaking ESG reporting and disclosures, depending on their size and industry.

Sedex Members Ethical Trade Audit (SMETA)

Companies in the Eswatini textile industry have highlighted the SMETA as an ESG requirement or standard they must comply with carried out by the customer (whom they supply with product). The SMETA is an ethical audit methodology that evaluates various aspects of a company's operations, including labour, health and safety, environmental impact, and business ethics. It was developed by the Supplier Ethical Data Exchange (Sedex) to assess and monitor ethical and responsible business practices in global supply chains.

The SMETA standards are firmly rooted in the Ethical Trading Initiative (ETI) Base Code founded on the conventions of the ILO. The audits are conducted annually on the factory premises, and they are paid for by the company (factory) being audited.

SMETA audits can be conducted against two or four auditing pillars. For any SMETA audit, the two pillars of the 2-pillar audit, Labor and Health and Safety, are mandatory. The 4-pillar SMETA audit also evaluates the factory's Environmental Impact and Business Ethics.



It is ideal for companies committed to ensuring transparency and ethical conduct across all facets of their business.

The Equator Principles

Some local banks in Eswatini have voluntarily adopted the Equator Principles, which provides a common baseline and risk management framework to identify, assess and manage the environmental and social risks of financing large projects. The framework seeks to ensure that the projects are developed and operate in accordance with good international environmental and social standards. The Equator Principles are founded on the belief that negative impacts on Project-affected ecosystems, communities, and the climate should be avoided where possible. If these impacts are unavoidable, they should be minimised and mitigated, and where residual impacts remain, project implementers should provide remedy for human rights impacts or offset environmental impacts as appropriate.

The International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards

On June 2023, the International Sustainability Standards Board (ISSB) released its first two International Sustainability Disclosure that became effective in January 2024. Large companies in Eswatini, including those in manufacturing and sugar industry have adopted the standards whether voluntary or mandated by their customers and investors. The two sustainability reporting standards are:

- General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), which is the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- Climate-related Disclosures (IFRS S2), which is the first thematic standard, and sets out requirements for entities to disclose information about climate-related risks and opportunities.

Bonsucro Certification

Eswatini companies in the sugarcane industry are required by the market to be Bonsucro certified. Bonsucro is the leading global sustainability platform and standard for sugarcane with the purpose of collectively accelerating the sustainable production and uses of sugarcane, focusing on climate action, human rights and value in the supply chain. The Bonsucro Outcome Report of 2022 shows that Bonsucro members who meet the requirements of the Bonsucro Production Standard improve their environmental impact and create safer, fairer working conditions on farms and mills. There is also a certification programme for smallholder farmers under the Smallholder Standard.

Food Safety System Certification (FSSC) 22000

Eswatini companies in food processing must comply with the FSSC 22000 standards. The FSSC is an internationally accepted certification scheme based on a combination of ISO 22000 sector specific Prerequisite Programmes (PRP) and FSSC additional requirements. It was developed to respond to customer demands for a recognisable standard against which a food safety management system can be audited and certified. The FSSC 22000 certifies FSSC 22000 certifies the food, feed and packaging safety systems of companies in the food chain that process or manufacture animal products, perishable vegetable products, products with a long shelf life and other food ingredients like additives, vitamins and bio-cultures.

Global Reporting Initiatives (GRI) and Integrated Reporting by IIRC

The GRI has become the de facto sustainability reporting guidelines recognised internationally. Companies in Eswatini and all over the world have used the GRI reporting guidelines to guide content sustainability reporting. GRI has Universal Standards that incorporate reporting on human rights and environmental due diligence, in line with intergovernmental expectations, and apply to all organizations; and Sector Standards that enable more consistent reporting on sector-specific impacts (GRI, 2024). The GRI has released Sector Standards for Oil and Gas (GRI 11), Coal (GRI 12), Agriculture, Aquaculture and Fishing (GRI 13), as well as Mining (GRI 14), available for public use.

Running parallel to GRI guidelines have been the development of the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC). In South Africa, all Johannesburg Stock Exchange (JSE) listed companies are required, on an apply or explain basis, to produce Annual Integrated Reports as part of the recommended principles and practices outlined in the King III Code of Corporate Governance since 2011 (KPMG, 2014). Companies in Eswatini with links to South African companies have also adopted the reporting framework, incorporating information as part of their Annual Integrated Report.

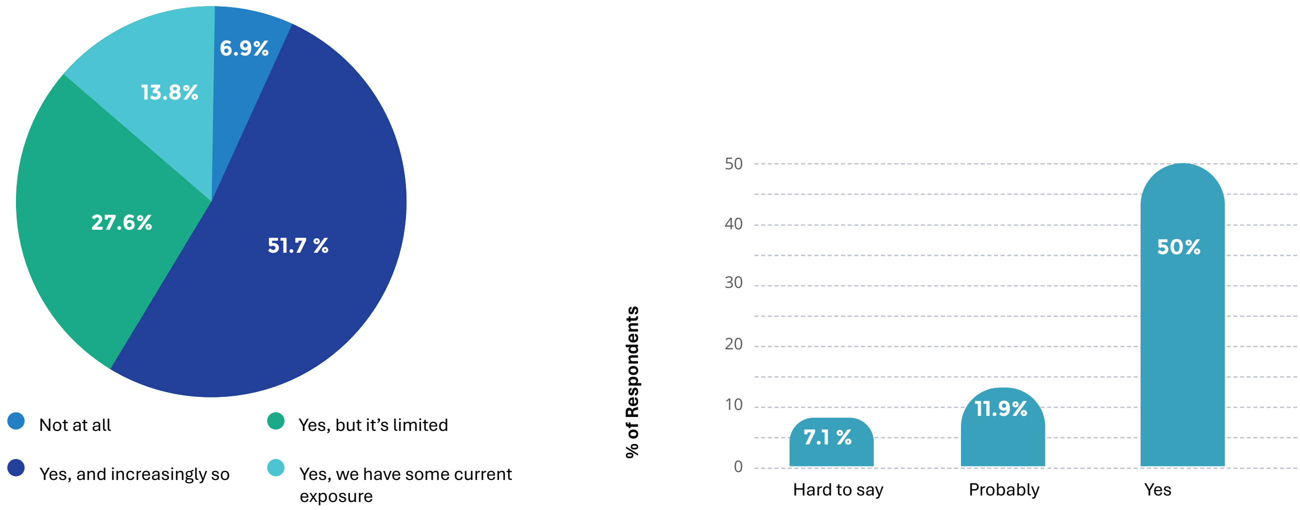
4.1.2. Anticipation and Adaptation to Regulatory Changes

ESG standards and requirements are increasingly becoming best practices all over the world. ESG-related topics include reshaping business operations, performance measurement, and risk management, introducing new challenges and opportunities (KPMG, 2023). Eswatini companies that export to regional and international markets are aware of developments in the ESG space and have subsequently implemented ESG standards and requirements to align with the expectations of customers and investors to measure and manage ESG performance.

It has become clear that Eswatini companies are under pressure to address their approach to ESG to meet regulatory demands for the jurisdiction where they are exporting and avoid reputational harm due to non-compliance. ESG has changed from being a 'nice-to-have' to an integral part of corporate strategy for these companies.

Survey results from BE members highlight the varying levels of current and anticipated exposure to ESG compliance requirements (see Figure 1). 51.7% of respondents indicated that their businesses are experiencing significant exposure to ESG compliance, with an additional 27.6% acknowledging limited exposure. These findings suggest that ESG requirements are no longer confined to niche industries but are becoming integral across multiple sectors in Eswatini. Furthermore, when asked about future exposure, 50% of respondents affirmed that they are likely to face ESG compliance requirements in the near future, with 11.9% suggesting a probable likelihood. These responses underscore the growing pressure for businesses to proactively integrate ESG into their operational and strategic frameworks to remain competitive.

Figure 1: Current and Anticipated ESG Compliance Exposure Among Eswatini Businesses

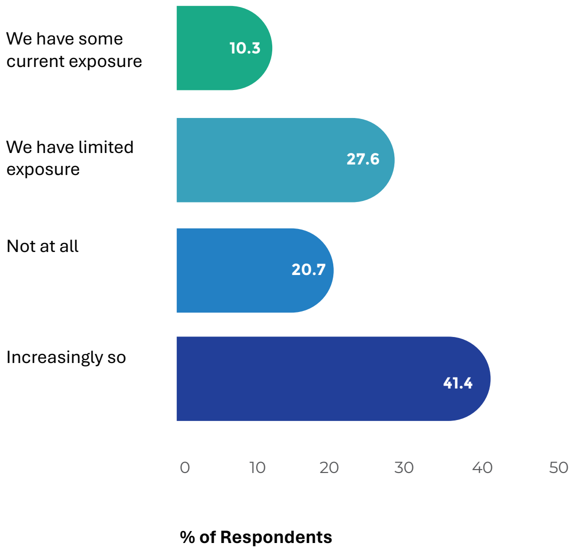


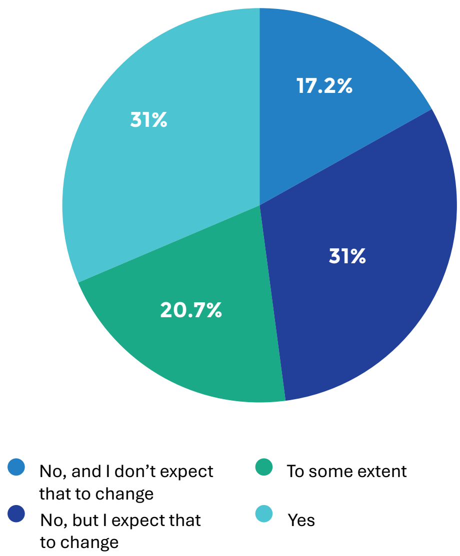
Source: BE Members Survey (2024)

Eswatini companies with ESG awareness have been proactive in monitoring current and emerging ESG regulations to ensure compliance and remain competitive. They have put in place various systems to track ESG indicators and metrics, including investments in the latest technologies and the hiring of sustainability specialists. Interviewed companies have underscored that complying with ESG reporting requirements is costly and resource-intensive, and this is a huge barrier to ESG compliance by SMEs.

PricewaterhouseCoopers (PwC) and SNG Grant Thornton assist companies to navigate and adapt to ESG regulatory standards. Eswatini companies need to have a clear understanding of ESG standards, regulations, reporting, and product compliance obligations for the market in which they sell their products. Companies need to conduct a gap assessment to understand their level of maturity for reporting and then start collecting good quality data and key performance indicators (KPIs) that could feed into their reporting. Anticipating and adapting to ESG standards extend beyond the company's operation and into the value chain. Companies need to also assess ESG risk exposure in their value chain.

Figure 2: External and Domestic ESG Pressures Through Supply Chains





Source: BE Members Survey (2024)

Moreover, the various departments of the organisation, including finance, corporate affairs, risk management, and compliance, must align their efforts and communicate effectively to develop a comprehensive sustainability strategy. Enhancing transparency among these departments will empower the organisation to thoroughly assess and manage the full range of ESG-related risks and opportunities. Although certain ESG-related frameworks may be optional in specific contexts, organisations should remain cognisant of the complex and evolving nature of the global regulatory landscape. Proactively adapting to potential future regulations is essential, as companies that fail to prepare may risk losing their market position and attracting investors.

4.1.3. Regulatory Gaps and Challenges

The existing literature indicates that the landscape of ESG reporting has persistently faced challenges due to the absence of a cohesive, universally recognised framework for disclosures. Organisations in Eswatini and across the globe must navigate a complex array of reporting standards and regulatory frameworks, including but not limited to SMETA, GRI, IFRS, IIRC, EU CSRD, EUDR, and various ISO standards. While these frameworks provide valuable guidance, the lack of harmonisation among them poses difficulties for organisations in generating reports that are consistent, comparable, and beneficial for stakeholders. Companies are required to meticulously evaluate and align their disclosures with the distinct requirements of each framework, as well as with the expectations of their investors and other significant stakeholders.

There is also the risk of 'greenwashing' as companies in Eswatini strive to present themselves as sustainable. 'Greenwashing', in essence, means exaggerating or misrepresenting sustainability achievements. For example, during a Key Informant Interview with the Mining Department, it was highlighted that some businesses operating within the mining sector have been implicated in such practices. These companies often claim adherence to ESG principles but fail to follow through on their commitments.

In certain instances, fraudulent businessmen enter the country under the pretence of being investors and neglect to adhere to local laws and regulations. They have been known to manipulate or falsify their financial statements to present an appearance of compliance, thereby evading scrutiny. This behaviour undermines authentic efforts towards sustainability and presents considerable challenges for regulators charged with ensuring accountability within the sector. Such occurrences of greenwashing not only misrepresent public perception but also pose a threat to diminishing trust in the overarching ESG agenda. Tackling this issue necessitates comprehensive regulatory oversight and enforcement to guarantee that claims of sustainability are substantiated and that businesses operate with transparency and in accordance with local laws.

4.2. Sectors Most Exposed to ESG Risks

4.2.1. High-Risk Sectors for Environmental Impact

The agricultural sector in Eswatini plays a crucial role in the economy by significantly contributing to the GDP and employing a substantial portion of the population. Nevertheless, the sector's reliance on natural resources renders it exceedingly susceptible to environmental risks. Respondents underscored concerns such as deforestation, water pollution, and the application of chemical pesticides. One interviewee remarked, "Agriculture contributes to environmental degradation, particularly through the utilisation of pesticides that contaminate rivers and compromise soil quality." This statement underscores the dual challenges faced by businesses: the necessity of achieving productivity while minimizing environmental detriment. Unsustainable practices, including excessive fertiliser application and inefficient irrigation methods, result in long-term resource depletion, compromising the viability of the sector. Furthermore, agricultural enterprises are under escalating pressure to mitigate their impact on climate change, as unpredictable weather patterns jeopardise both crops and livestock. To maintain competitiveness, companies must adopt climate-smart agricultural practices, such as drip irrigation, integrated pest management, and organic farming. These practices not only mitigate the sector's carbon footprint but also safeguard essential natural resources, thereby ensuring long-term sustainability.

The manufacturing sector within the Kingdom, albeit relatively small, serves a vital function in job creation and contributes significantly to export earnings, particularly in the areas of textiles and sugar processing. This sector has been identified as a principal contributor to environmental degradation owing to its resource-intensive operations and the generation of waste. Respondents have remarked that *"manufacturing is responsible for substantial carbon dioxide emissions and for discharging harmful chemicals into waterways."* Furthermore, the sector faces significant challenges associated with improper waste disposal practices, which result in the contamination of both terrestrial and aquatic ecosystems. The reliance on non-renewable energy sources further exacerbates the environmental impact of manufacturing, rendering it a subject of regulatory scrutiny and international compliance demands.

Businesses that neglect to adopt sustainable practices may face exclusion from the market, particularly from trading partners that prioritise environmental consciousness. Consequently, manufacturers are urged to invest in cleaner production technologies, energy-efficient systems, and comprehensive waste management strategies. Although these initiatives may entail initial expenditures, they strategically position businesses to compete effectively in an increasingly sustainability-oriented global market.

For manufacturers engaged in export activities, adherence to international environmental standards, such as ISO 14001, can facilitate the opening of new opportunities while mitigating regulatory and reputational risks.

Mining activities in Eswatini are predominantly small-scale yet have significant environmental repercussions, particularly evident in the coal mining operations at Mpaka and the quarrying activities near Ngwenya, which have drawn considerable scrutiny. An interviewee stated, *"Mining emits pollutants and destroys habitats, adversely affecting biodiversity."* The persistent issue of unrehabilitated mining sites exacerbates the situation, resulting in lasting scars on the landscape and restricting future land utilisation. For businesses, these environmental ramifications translate into increased costs associated with compliance and rehabilitation, in addition to potential reputational harm within local communities. Effectively addressing these challenges necessitates investments in technologies aimed at reducing emissions and mitigating water contamination, alongside a steadfast commitment to post-mining land restoration.

The construction sector frequently encounters conflicts with environmental priorities. A respondent remarked, "Construction often disrupts ecosystems, particularly in the context of large-scale projects such as road construction," highlighting the deforestation and soil erosion that typically accompany such developments. For enterprises operating within this sector, neglecting to consider environmental risks may result in regulatory delays, public opposition, and financial losses.

The adoption of green building practices, including the utilisation of recycled materials and the design of energy-efficient structures, is increasingly regarded as essential. These practices not only mitigate environmental harm but also position businesses as leaders in innovation, appealing to clients and investors who prioritise sustainability. Furthermore, improved waste management at construction sites can effectively address grievances regarding the pollution of rivers and farmlands by debris, thereby fostering trust with local communities.

The utilities sector, particularly concerning energy and water, presents a complex array of challenges and opportunities for enterprises. Eswatini's dependence on coal-derived electricity from South Africa places local energy providers inextricably linked to carbon-intensive practices. "The emissions from the energy sector constitute a significant concern," stated one respondent, underscoring the necessity for a transition towards renewable energy sources. Solar initiatives, such as the proposed Matsapha Solar Project, signify progress in the appropriate direction, availing businesses of the chance to diminish their carbon footprint while enhancing energy diversification. Concurrently, water utilities encounter distinct pressures, with participants highlighting inefficiencies in distribution that aggravate resource depletion. Enterprises operating within this sector must invest in advanced technologies to conserve water and minimise pollution, thereby aligning with ESG trends and mitigating the risk of future regulatory sanctions.

4.2.2. Social and Labor Vulnerabilities in Key Sectors

A persistent challenge across various sectors is the prevalence of unsafe working conditions. One respondent observed, "In the manufacturing sector, issues such as child labour and unsafe working conditions, particularly in textile factories, are significant concerns." Similar apprehensions were articulated in the agricultural sector, where seasonal labourers encounter hazardous environments devoid of appropriate protections. In the mining sector, it has been noted that "mining operations frequently involve unsafe working conditions, with minimal oversight regarding worker safety." These vulnerabilities are exacerbated by an insufficient provision of training and safety measures, thereby exposing workers to considerable risks.

A prevalent theme observed is the dependence on informal employment, particularly within the sectors of agriculture, construction, and tourism. Respondents underscored that "numerous construction workers do not possess formal contracts nor access to fundamental benefits," rendering them susceptible to exploitation. The existence of informal employment practices not only diminishes job security and accessibility to benefits but also destabilises the workforce. In the tourism industry, the absence of formal arrangements further intensifies vulnerabilities during off-peak seasons, resulting in financial instability for workers.

Workforce inequity has surfaced as a significant concern, particularly within the utilities and tourism sectors, where women and youth remain underrepresented in formal positions. One respondent indicated that "Utilities encounter challenges in enhancing the skills of their workforce, which results in the underrepresentation of women and youth in technical roles." Gender disparities were similarly identified in the tourism industry, where women are disproportionately employed in low-paying positions, thereby restricting their economic empowerment. These inequities not only impede workforce potential but also pose social risks for businesses, especially as stakeholders increasingly advocate for inclusivity and equity within corporate operations.

4.2.3. Governance and Ethical Risks in Industry

The prevalence of SMEs and sole proprietorships in Eswatini engender systemic vulnerabilities within the governance framework. Typically, family-run or informally organised, these businesses often lack comprehensive succession plans and continuity mechanisms. This issue was underscored within the context of the study, which revealed that succession planning is significantly deficient, thereby rendering numerous enterprises susceptible to instability during transitions in leadership. In the absence of structured governance, decision-making tends to become concentrated among a limited number of individuals, which diminishes organisational resilience and scalability. This deficiency in governance poses considerable challenges for businesses aiming to expand or secure investment. International investors and partners place a premium on transparent and accountable governance systems; consequently, the lack of such structures in Eswatini's SMEs constricts their capacity to compete on a global scale. Moreover, inadequate governance structures prevalent in family-owned firms frequently precipitate disputes or inefficiencies that hinder long-term growth. Addressing this predicament necessitates the implementation of formalized governance frameworks, which should encompass the establishment of advisory boards and the formulation of written succession plans to guarantee operational stability and resilience.

Corruption has emerged as a significant risk to governance in Eswatini, impacting both the public and private sectors. Survey respondents have identified nepotism and favouritism as pervasive issues, with one individual asserting, "There is nepotism in certain sectors, particularly regarding hiring and promotions, which undermines fairness and hampers the attraction of talent." Such practices erode trust within organisations, diminish access to skilled personnel, and perpetuate inefficiencies. The broader governance context serves to exacerbate these challenges. Eswatini is ranked poorly on Transparency International's Corruption Perceptions Index, with its governance landscape characterised by inconsistent regulatory enforcement and opaque procurement processes. In sectors such as construction and mining, respondents have emphasized the difficulties posed by opaque licensing systems, which create barriers for ethical businesses.

For SMEs and sole proprietors lacking substantial political connections, navigating these systems proves particularly burdensome, resulting in delays and increased operational costs.

Numerous businesses, particularly SMEs, face challenges related to inadequate resources and capacity to comply with governance and reporting requirements. Respondents identified this issue as part of broader difficulties within sectors such as manufacturing, where insufficient oversight of labour practices underscores gaps in governance. One respondent remarked, “The manufacturing sector, primarily due to its labour-intensive nature, also significantly affects the social and governance aspects.” These challenges are further exacerbated by insufficient infrastructure for tracking governance metrics, resulting in many businesses being unable to produce the transparent reports sought by stakeholders who prioritise ESG criteria. The deficiency in governance and reporting capacity constitutes a considerable competitive disadvantage, particularly in export-oriented sectors such as agriculture and manufacturing. International buyers place a high priority on adherence to governance standards, and businesses that cannot demonstrate accountability run the risk of forfeiting market opportunities. Addressing these issues necessitates investment in capacity-building initiatives, including training on governance best practices and the implementation of digital tools for reporting.

4.3. ESG Initiatives in Eswatini

To respond to the ESG pressures, Eswatini companies have adopted various initiatives to promote environmental sustainability, such as waste reduction and resource efficiency.

They also have programs aimed at community upliftment, fair labour practices, and employee well-being. To enhance good corporate governance and transparency and prevent corruption, companies have adopted ethical business and governance practices. At the national level, the environmental pillar takes centre stage. A lot is happening in terms of climate change adaptation and mitigation.

4.3.1. Corporate Sustainability Programs

Most of the interviewed companies have environmental sustainability initiatives aligning them with international agreements on Net-Zero, use of renewable energy, circular packaging, and water management. Most of the industrial companies have water treatment plants on site to purify wastewater, ensuring the reuse of water resources for other purposes and reducing pollution in nearby water bodies.

Due to the escalating costs of grid electricity, some companies have installed solar systems to reduce the use of grid electricity, and others are also considering the use of renewable energy. Furthermore, each of the companies demonstrated adoption of the 3 R’s (Reduce, Reuse, Recycle) principles in their operations to ensure environmental sustainability.

Examples include the use of reusable packaging for their products, recycling paper waste, converting manufacturing waste to animal feed, manure, etc, and banning water bottles in company premises, amongst others.

4.3.2. Social Responsibility and Community Engagement

Interviewed companies have Corporate Social Investment (CSI) programmes aimed at community upliftment and employee well-being. The focus of the CSI programmes is on health, education, water, sanitation and hygiene (WASH), food security, and infrastructure. The programmes are implemented in the communities where the businesses operate. Corporate Social Responsibility programmes for these companies are voluntary; they are doing it to be a good corporate citizen and recognise the role they can play in developing the communities around them.

4.3.3. National Initiatives

Green Indaba

The Green Indaba represents a collaborative initiative involving the Government of Eswatini, SNG Grant Thornton, and the United Nations. The primary objective is to bolster the efforts of both government and private sectors in fostering climate-smart investments within Eswatini. The intent of the second edition of the Green Indaba 2024 is to cultivate partnerships, promote innovative solutions, and delineate a roadmap for a resilient and sustainable future for Eswatini and beyond. The discussions were focused on the following key themes:

- Climate-responsive food systems;
- Enhancing health and well-being through environmental sustainability;
- Empowering youth and promoting gender equality;
- Public-private partnerships;
- Innovative financing for green growth.

The objective of the inaugural edition of the Green Indaba 2023 was to raise awareness and understanding regarding the available green finance opportunities aimed at mobilising private capital for climate action, promoting a just transition, and achieving the SDGs. The inaugural Green Indaba centred around the following four essential conversations:

- The national context of climate change and its implications for the private sector;
- An exploration of climate financing with an emphasis on Green Bonds and the Carbon Credit Framework;
- ESG safeguards;
- The role of youth in the climate agenda.

Standard Bank Energy Indaba

In May 2024, Standard Bank hosted an Energy Indaba that brought together key stakeholders, government officials, and industry experts to discuss strategies aimed at driving sustainable energy solutions in Eswatini.

The event was themed 'Enabling Energy Security within Eswatini' and served as a platform for fostering collaboration and innovation, with discussions focused on leveraging renewable energy sources, enhancing infrastructure, and promoting energy efficiency initiatives. The bank committed to financing projects that support access to clean and reliable energy, thus driving socio-economic development and fostering a brighter future for all citizens.

Greening the Central Bank of Eswatini

The Greening Central Bank of Eswatini (CBE) and Capacity Building is supported by the UNDP. It aims to help the country's financial sector align with climate change initiatives and reduce its environmental footprint. The principal objectives of the Projects are to:

- Develop a Green Taxonomy that will provide a clear definition of "greening" for Eswatini, preventing 'greenwashing' and guiding green growth-related activities, policies, and strategies.
- Strengthen the CBE's capacity so that it can be able to lead and implement green finance initiatives effectively, ensuring that the financial sector is aligned with SDGs.
-

- Conduct a diagnostic study to assess the climate change risks and opportunities facing Eswatini, review the Bank's current greening status, identify capacity gaps, and determine strategic entry points for greening the CBE and financial sector.
- Address knowledge gaps and skills related to green finance within CBE and among other stakeholders, ensuring effective participation in green finance initiatives.
- Create a Greening Roadmap for the CBE and broader financial sector. This roadmap will provide specific recommendations, goals and, and timelines for reducing environmental footprints and offer clear guidelines for financial institutions.

Green Climate Fund Country Programme

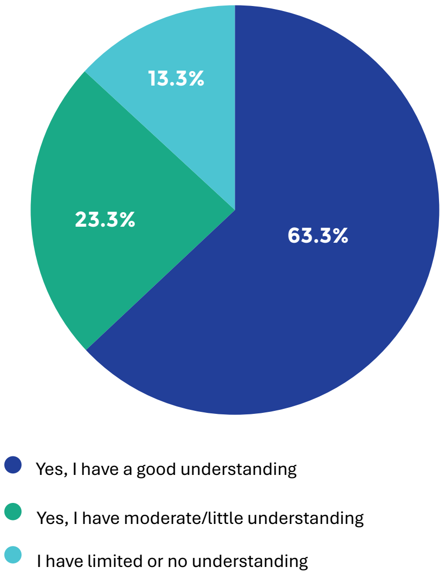
Eswatini is actively engaged in accessing funds from the Green Climate Fund (GCF) to strengthen its climate finance framework. Funds have been approved to enhance the Ministry of Tourism and Environmental Affairs' (MTEA) role as the country's National Designated Authority (NDA) to the GCF, focusing on capacity building and strategic frameworks for country programming. This includes preparatory work to enable the Eswatini Environment Authority (EEA) and Eswatini Bank to meet GCF accreditation standards as potential Direct Access Entities (DAEs).

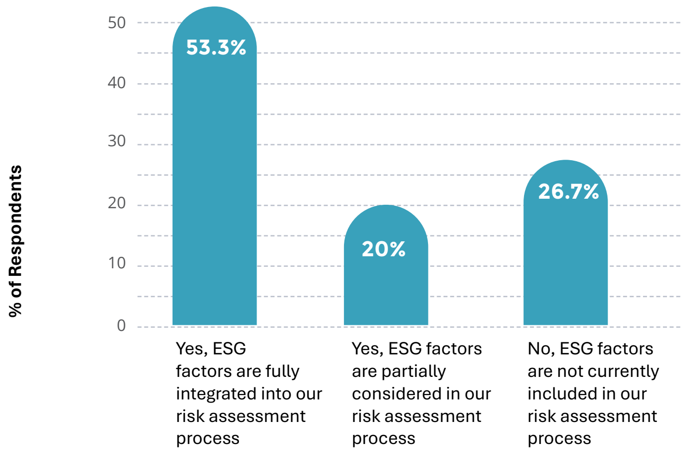
While Eswatini has not yet directly received GCF funding for specific projects or programs, it remains part of the Climate Finance Facility program developed by the Development Bank of Southern Africa (DBSA). This facility allows project developers in Eswatini to competitively access resources for climate-related initiatives. Additionally, the country has benefited from several readiness programs, such as the FAO-supported initiative aimed at addressing policy and institutional gaps, enhancing fiduciary systems, and developing a pipeline of climate finance projects. These efforts are expected to bolster Eswatini's ability to access direct GCF funding in the future.

4.4. Perception of ESG by Swati Companies

Eswatini companies involved in the survey generally have a positive outlook towards ESG standards, demonstrating some level of understanding of its relevance to the local business environment. Consequential to the integration of ESG concerns in most companies, most survey respondents (63.3%) indicated to have a good understanding of ESG regulatory requirements applicable to respective sectors as well as their implications. Only 13.3% of respondents are yet to fully catch up on ESG standards and what they mean for their operations , leaving them vulnerable to several risks including fines, penalties and reputational damage.

Figure 3 Level of Understanding of ESG Regulatory Requirements and Implications : Level of ESG Integration in Risk Assessment (N=30)



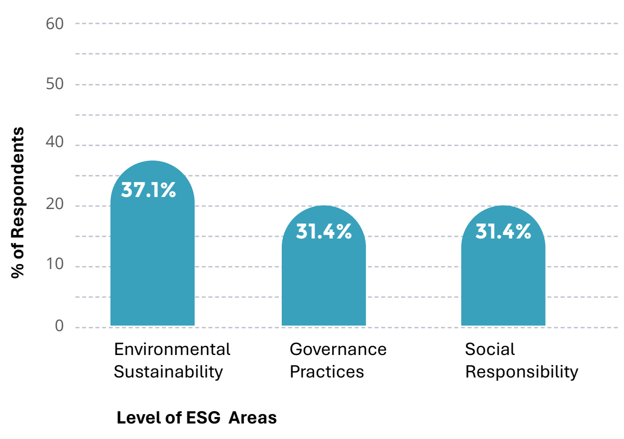


Source: BE Members Survey (2024)

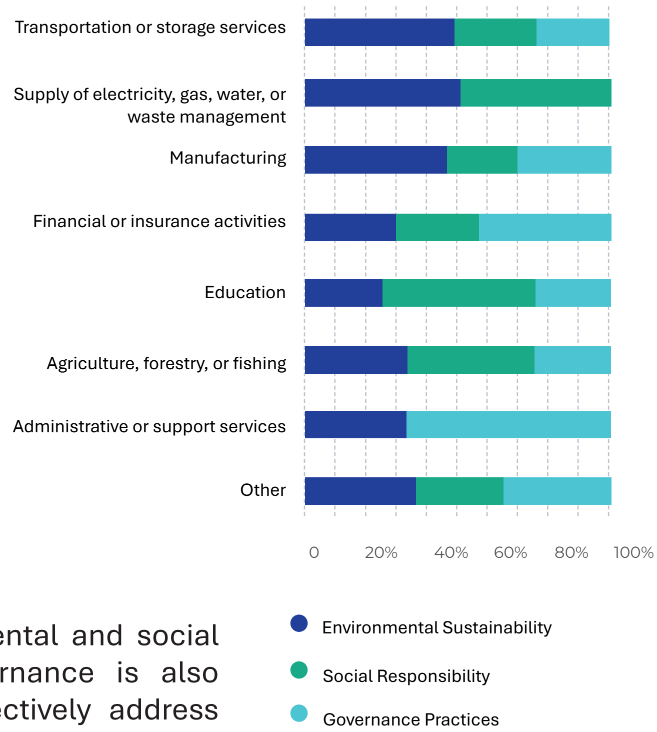
The consulted companies perceive ESG as a sustainable way of conducting business. That is, ESG forms part and parcel of a business strategy. Business that view ESG in this light also see the business value or financial impact of adopting ESG. There are also companies that understand ESG as sustainability reporting or as a way for companies to share their environmental, social, and governance performance and progress with stakeholders. Ensuring value chain sustainability was also one of the perceptions of ESG brought forward by Eswatini companies. And finally, ESG compliance was also seen as a driver of competitiveness for businesses.

However, companies also expressed some negative perception towards ESG. The main one was that the focus on ESG seem to be more on environmental sustainability and maybe social as well but less more on the governance aspects. Survey findings indicate that 37,1% of respondents perceive environmental sustainability to be the most significant pressure point from suppliers and customers while social responsibility and governance practices lag slightly behind at 31.4% each (see figure 3 below).

Figure 4 Most Significant ESG Pressures Perceived : General vs Sectoral



Source: BE Members Survey (2024)



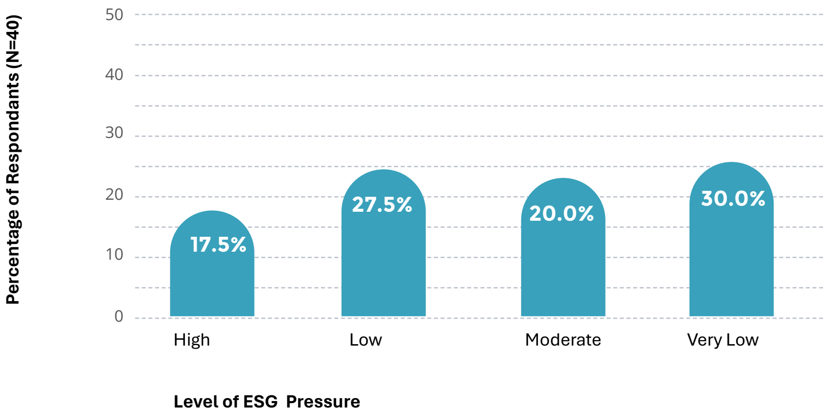
Some expressed the view that while the environmental and social consideration are important, the corporate governance is also important and remains the key ingredient to effectively address environmental and social issues. Other companies viewed ESG as a “nice-to-have” and that ESG approach to business operations was a low priority for businesses and at government level as well. They went on to mention that there is little pressure in Eswatini for most businesses to start thinking about integrating ESG concerns in their strategies. The ESG pressures are only felt by the companies interacting with the Eswatini export market. The voluntary nature of ESG reporting was also highlighted as one of the reasons businesses consider it as low priority.

4.5. ESG Pressures for Swati Companies

4.5.1. Regulatory and Policy Pressures

The KIIs reveal that Eswatini lacks a formal, national ESG regulatory framework, which creates an environment of low domestic pressure for businesses to report on or adhere to ESG standards. This further leads to low levels of coordination in promoting ESG standards in the local business landscape. This is reflected in figure 4 below where most companies (35.5%) report very low levels of pressure from their suppliers with only 17.5% experiencing high levels of pressure from suppliers, likely to be international suppliers.

Figure 5 ESG Pressure Levels from Suppliers



Source: BE Members Survey (2024)

The absence of structured ESG legislation means that locally oriented companies operate with minimal regulatory guidance on ESG, focusing primarily on existing environmental and social laws. These laws, however, tend to address limited aspects of ESG: environmental requirements are governed largely by environmental protection regulations, while social compliance is covered under labour laws. For companies that operate solely within Eswatini, this absence of specific ESG requirements translates into low ESG pressure at the national level, allowing them to prioritise only those regulatory areas mandated by local law, rather than broader ESG considerations.

However, companies involved in international trade or with parent companies abroad experience significantly different pressures. These firms are often required to meet global ESG standards to satisfy the compliance requirements set by their international stakeholders. The lack of a domestic framework means that these companies turn to external guidelines and standards to fill the gap, such as the Global Reporting Initiative (GRI) Standards, International Financial Reporting Standards (IFRS), Sedex Members Ethical Trade Audit (SMETA), Bonsucro, Global Good Agricultural Practices (Global GAP), and Equator Principles. These standards create a structured ESG reporting environment but come with challenges as companies must adapt to meet varied international expectations.

The pressure to comply with these international standards often means that businesses need to establish specialised teams or systems to track and report ESG metrics accurately. For companies exporting goods, compliance is a competitive necessity, as failing to meet international standards could lead to restricted market access. This additional layer of compliance also increases operational costs, as firms may need to invest in training, infrastructure, and external audits to fulfill these standards. While compliance with global standards can enhance the international reputation of Eswatini's firms, it also places strain on resources, particularly for SMEs without the capital to support rigorous ESG monitoring.

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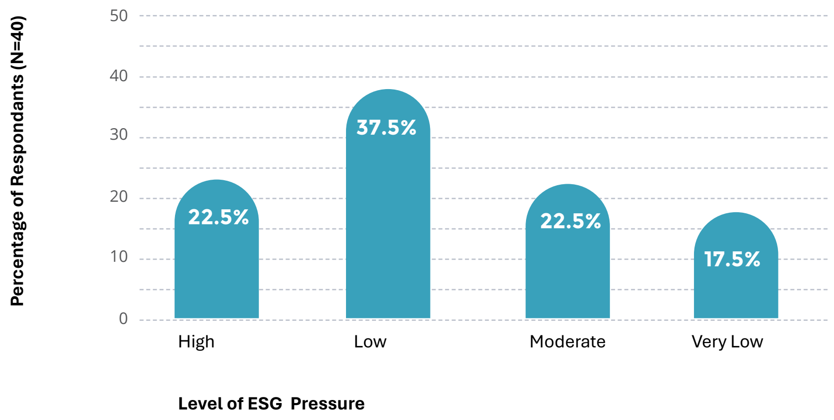
Furthermore, a pattern of Sector-specific pressure emerges from the data. This creates a divide in ESG practices across industries in Eswatini. Companies in high-pressure sectors must consistently demonstrate their commitment to ESG standards to maintain international market credibility. However, for firms operating solely within the domestic market, this selective enforcement allows them to deprioritize ESG compliance. This discrepancy can create gaps in ESG knowledge and practice between sectors, as companies without international pressures may lack both awareness and motivation to adopt ESG initiatives. As a result, Eswatini's ESG landscape remains uneven, with only certain sectors advancing in ESG practices while others lag behind.

4.5.2. Market and Consumer Expectations

As global awareness around sustainability and ethical business practices grows, consumer expectations regarding ESG have evolved significantly. For businesses in Eswatini, these shifts mean that meeting market and consumer expectations is no longer optional but essential for maintaining reputation and competitiveness, particularly for companies in sectors exposed to international consumers or tourists. Increasingly, consumers are paying attention to companies' environmental impact, labour practices, and commitment to health and safety within the value chain. Companies that fail to meet these expectations risk reputational damage, reduced market access, and potential liability issues if ESG violations are found within their operations or supply chains.

Consumer sensitivity to ESG is rising, especially among international tourists and global consumers who prioritize environmentally responsible and ethically sourced products. The code Consumer Sensitivity to ESG indicates that more consumers are actively choosing brands aligned with their sustainability values. Additionally, ESG Becoming More Important for International Tourist highlights the increased scrutiny from tourists, a key segment for Eswatini, particularly in eco-tourism and culturally focused businesses. The BE members survey results indicate that most companies (37.5%) experience low ESG-related pressure from customers, while 22.5% experience moderate pressure and another 22.5% experience high pressure (see Figure 5 below) . Only 17.5% of respondents feel very high consumer-driven ESG expectations. This suggests that most companies do not yet feel overwhelming pressure from customers to prioritize ESG initiatives. In the same way, the significant proportion of companies indicating high and very high levels of consumer pressure is in line with increasing relevancy of ESG initiatives. As consumer sensitivity grows, businesses face pressure to demonstrate tangible ESG commitments. For sectors like tourism, where international consumers play a major role, demonstrating environmental stewardship and ethical practices is increasingly becoming a factor in attracting clientele. For businesses operating in these areas, failure to align with consumer expectations may lead to reputational risks and loss of market share to competitors who are perceived as more environmentally and socially responsible.

Figure 6 ESG Pressure Levels from Consumers



Source: BE Members Survey (2024)

Furthermore, Consumers, particularly in developed markets, are demanding greater transparency around companies' environmental impacts, including their carbon footprint. This finding reflects the growing call for companies to disclose their emissions and environmental impacts, pressuring firms to invest in emissions tracking and sustainable practices. Additionally, the code Indirect Liability for ESG Violations implies that businesses may face consumer backlash if indirect ESG violations occur within their supply chains, even if they are not directly responsible. For Eswatini's export-oriented companies, disclosing carbon footprints and managing supply chain practices are now essential to maintaining consumer trust and avoiding indirect liability. As customers hold businesses accountable for both direct and indirect ESG impacts, companies may face pressure to audit their suppliers, adopt sustainable logistics practices, and transparently disclose carbon emissions. Without such efforts, companies risk losing contracts, particularly with partners in regions where carbon accountability is a consumer expectation.

4.5.3. Investor and Financial Sector Pressure

In recent years, the financial sector has become a significant driver of ESG compliance, placing pressure on companies to integrate sustainability into their business practices. Both international and local financial institutions are increasingly aligning their lending and investment criteria with ESG principles, meaning that companies now face a dual pressure: to meet financial expectations that incorporate ESG considerations and to secure financing by demonstrating concrete ESG efforts. This shift has direct implications for Eswatini's businesses, particularly those reliant on external funding, as ESG compliance is no longer an optional measure but a necessary condition for accessing capital.

This pressure manifests in several forms, including ESG requirements from development finance institutions (DFIs), the influence of international credit providers, and the growing preference of investors for companies with demonstrated ESG commitments.

Influence of DFIs and International Credit Providers

DFIs play a prominent role in enforcing ESG compliance among companies by embedding sustainability into their financing criteria. DFIs are not only committed to ESG principles but are also actively encouraging local financial institutions to adopt these standards, effectively amplifying ESG expectations across the funding landscape. Codes such as DFI Encouraging Financial Institutions to Comply, DFI ESG Requirements, and International Credit Providers Require Compliance reflect the structural influence of DFIs and international banks, which often make funding contingent upon companies meeting specific ESG criteria. For Eswatini's firms, this means that companies must not only develop internal mechanisms to track and report ESG metrics but also adopt practices that align with global sustainability standards if they wish to access DFI funding. DFIs prioritise transparency, risk mitigation, and ethical governance, compelling Eswatini's firms to uphold these principles to maintain access to vital capital.

Link Between ESG Compliance and Access to Funding

There is a growing, explicit connection between ESG compliance and financing access. Both international and local financial institutions are incorporating ESG assessments into their lending practices, evaluating businesses not only on financial metrics but also on their sustainability practices. Codes such as Link Between Funding and ESG Compliance, Requirement by Lending Institutions (e.g., Banks), and Local Financial Institutions Assess ESG Compliance highlight the shift toward ESG as an essential aspect of financial eligibility. This trend is largely driven by DFIs and international lenders who influence local banks to assess ESG compliance, even for businesses operating primarily within the domestic market.

For Eswatini's companies, especially SMEs, this linkage means that ESG compliance is increasingly tied to their ability to secure funding. Without meeting these expectations, firms may face higher borrowing costs or, in some cases, restricted access to credit altogether. This situation incentivises companies to adopt transparent ESG practices to enhance their financial credibility, ensuring that they can access a range of financial resources. For smaller businesses, aligning with these requirements may require significant operational changes, such as adopting tracking systems for environmental impact or formalising governance standards, which can pose both financial and logistical challenges.

Investor Preference for ESG-Aware Companies

Investors are increasingly prioritising companies with established ESG practices, viewing such commitments as indicators of long-term stability and responsible risk management. Codes like Investors Prefer ESG-Aware Companies and ESG-Driven Financing Opportunities underscore the competitive advantage for companies that can demonstrate credible ESG performance. Investors often see strong ESG practices as a signal of reduced risk, especially in emerging markets where governance issues and environmental impacts are often scrutinised.

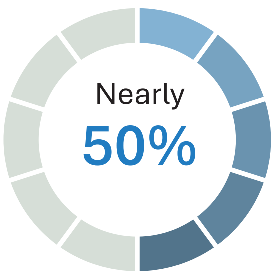
4.6. Financial Incentives for Reduced ESG Risks

While only two out of twenty respondents directly confirmed awareness of financial institutions that provide better terms to firms with reduced ESG risk profiles, additional insights reveal a relationship between ESG compliance and financial benefits, structured around three key themes: access to preferential financing, investor demand for ESG-conscious firms, and insurance and risk management benefits. Under the first theme, access to preferential financing, respondents suggested that firms with strong ESG profiles may access better loan rates or favourable credit terms. Notably, South African banks appear to lead in offering such incentives, reflecting a regional trend where financial institutions align risk assessments with sustainability objectives. Although not widely observed in Eswatini, this indicates potential spillover effects, as local banks may eventually adopt similar practices influenced by regional and global pressures.

The second theme, investor demand for ESG-conscious firms, highlights the increasing alignment between investor priorities and a firm's ESG performance. Development Finance Institutions (DFIs) are particularly pivotal in this dynamic, often conditioning their funding to banks on ESG compliance. This trend underscores the growing influence of ESG principles on capital allocation, as institutional investors view reduced ESG risks as indicators of stability and good governance. For Eswatini's firms, the indirect influence of DFIs and international market norms creates an opportunity to attract investment by improving their ESG practices and reporting standards.

The final theme, insurance and risk management benefits, focuses on how ESG-aligned practices can reduce costs associated with risk exposure. While this is not yet a common practice in Eswatini, respondents noted that companies adopting ESG principles—such as enhanced workplace safety measures or reduced environmental hazards—could benefit from lower insurance premiums and minimized liability risks. These cost savings, though indirect, demonstrate the broader financial advantages of ESG compliance, particularly for firms looking to enhance their stability and reduce operational risks.

Growing ESG Training Satisfaction



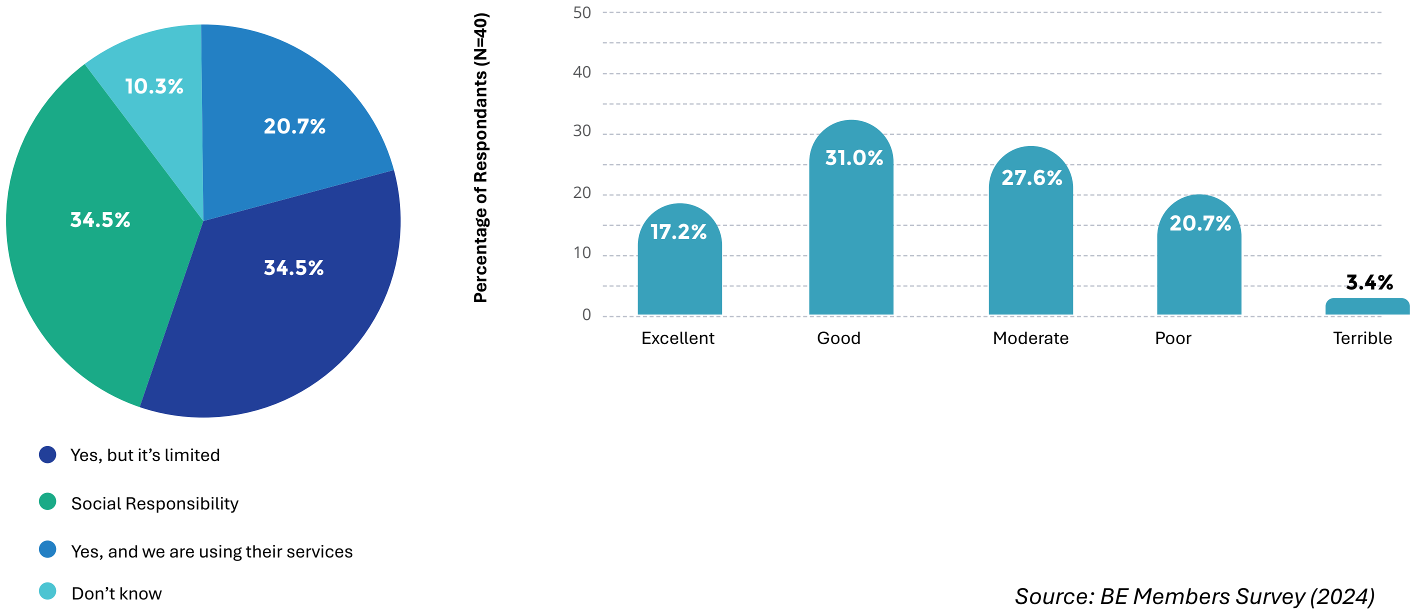
of respondents rated their current level of training on ESG-related topics as satisfactory, indicating progress in capacity-building efforts.

4.7. Needs of BE Members to Respond to ESG

4.7.1. Resources and Capacity Building for ESG

The need for resources and capacity-building in ESG emerged as a critical theme in Eswatini's business sector. This need, identified through the KIIs, is particularly pronounced about the rising pressures and opportunities associated with ESG compliance. As the global landscape shifts towards more rigorous sustainability standards, Eswatini's businesses, like their counterparts in neighbouring countries, are increasingly expected to integrate ESG practices into their operations. However, limited training, knowledge gaps, and resource constraints hinder this integration, making capacity-building an urgent requirement for these businesses to remain competitive and to meet both local and international ESG expectations. Figure 7 indicates that a significant portion (34.5%) of survey respondents believe that there are no adequate resources such as training providers to meet their needs, emphasizing the training gap. Additionally , 34.5% of respondents acknowledged that while resources exist, they are limited, suggesting that even those who have access to available resources may not find them sufficient. Meanwhile, 10.3% of respondents are uncertain, which may reflect a lack of awareness about available training options. Overall, about half of the respondents rated their current level of training on ESG- related topics as satisfactory while the other half emphasize the necessity for expanded and more accessible training resources to better meet their needs.

Figure 7 Perspective on Adequacy of Training Resources : Current Level of Training/Knowledge on ESG-related topics (N=30)



Source: BE Members Survey (2024)

One of the most prominent needs identified was ESG awareness training. Many businesses in Eswatini, especially at leadership levels, lack a foundational understanding of ESG principles, which limits their ability to implement sustainable practices effectively. Codes from the interviews, such as "need basic understanding of ESG and its importance" and "need for ESG awareness campaigns", underscore a significant knowledge gap across company hierarchies. This lack of awareness impedes informed decision-making, affecting businesses' readiness to respond to the increasing demand for transparent ESG practices. Comparatively, neighbouring countries, including Mozambique, report similar challenges, particularly within small-to-medium enterprises (SMEs), where a lack of sustainability literacy further constrains ESG adoption. Studies on African ESG integration echo this need, with researchers noting that companies often face barriers in adopting ESG practices due to limited internal capacity and an incomplete understanding of ESG concepts (Anstey, 2023).

The demand for sector-specific ESG training was another recurrent theme. Eswatini's key industries—agriculture, mining, and manufacturing—each have unique environmental impacts that necessitate targeted approaches to ESG training. For example, agriculture, which constitutes a major part of Eswatini's economy, is heavily reliant on water resources and vulnerable to climate change. Many businesses within this sector expressed the need for training on sustainable water use, soil conservation, and climate resilience to mitigate these environmental risks. Codes like "sector-specific ESG training" and "training on governance" reflect this demand for tailored guidance in ESG compliance, especially in resource-intensive industries. This approach aligns with regional practices in South Africa, where industry-specific training has been introduced to support the climate resilience of sectors such as agriculture through mandates like the Climate Change Bill. Sector-focused ESG training not only promotes compliance but also enhances the operational sustainability of high-impact industries, making them better positioned to meet local and international standards.

Another significant area of capacity-building needs relates to ESG reporting and compliance training. Many businesses highlighted the necessity of training on reporting standards aligned with international benchmarks, such as those set by the European Union (EU). In particular, the codes "ESG reporting training", "awareness of international ESG standards", and "EU reporting standards" were frequently mentioned. As Eswatini's businesses aim to access international markets, meeting EU standards becomes crucial, particularly for the export-oriented manufacturing sector. Training in compliance monitoring, understanding international standards, and familiarizing with EU-specific reporting requirements would empower Eswatini's companies to align with stringent ESG expectations, thus facilitating entry into competitive markets. The EU's CSRD exemplifies the growing importance of ESG compliance for market access, as African businesses are increasingly required to meet these standards to remain competitive. In West Africa, for instance, countries like Ghana and Nigeria have successfully initiated targeted reporting training for their businesses, helping them navigate the regulatory complexities of EU standards and leverage ESG compliance as a market advantage (Sharma, 2024).

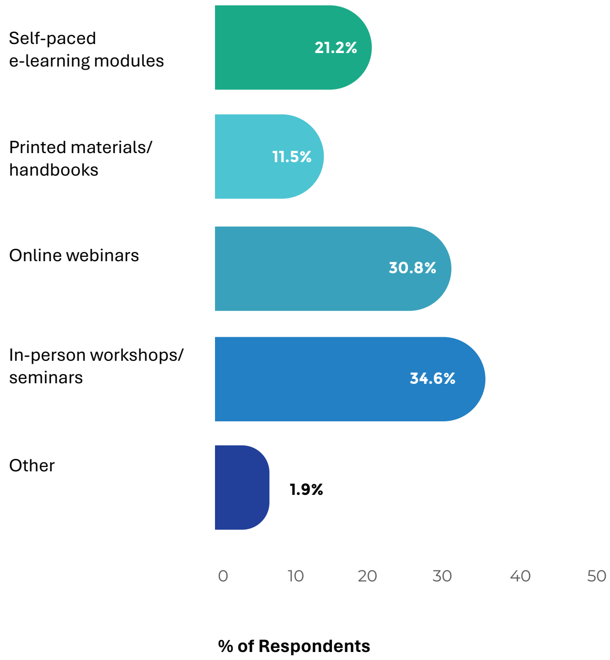
A cross-industry knowledge-sharing platform emerged as a fourth area of need among BE members, with multiple interviewees underscoring the importance of having a forum for exchanging ESG insights, regulatory updates, and best practices. This need is captured in codes like "knowledge-sharing platform" and "coordinate research on ESG", emphasising that access to a collaborative network would help businesses close the ESG knowledge gap. Such knowledge-sharing platforms would be especially beneficial for smaller enterprises that lack the resources to independently develop robust ESG frameworks. By facilitating cross-industry learning and collaboration, BE could empower these businesses to implement ESG practices more effectively. This collaborative approach has proven effective in countries with established ESG infrastructures. In South Africa, for example, the Johannesburg Stock Exchange's (JSE) mandatory ESG reporting requirements have driven the creation of industry networks, where companies share insights on regulatory compliance, reporting practices, and strategies for overcoming ESG-related challenges. This model of cross-industry collaboration has helped South African businesses foster a culture of sustainability, demonstrating how shared resources and knowledge can amplify the impact of ESG initiatives (Ncube, 2024).

Beyond fostering local resilience, a knowledge-sharing platform in Eswatini would prepare companies for the growing scrutiny around ESG practices within global supply chains. As international markets continue to demand verifiable ESG compliance, Eswatini's businesses, particularly those in export-heavy sectors, face increased pressure to adopt transparent and credible ESG practices. Interviewees noted that benchmarking against established standards, such as the EU's CSRD, was a recurring concern, underscoring the need for consistent guidance on navigating these evolving requirements. In response, a knowledge-sharing initiative led by BE could serve as a repository of resources and best practices, thereby reducing the knowledge gap and bolstering the readiness of local companies to meet global expectations

The identified need for resources and capacity-building in ESG is deeply interconnected with the broader economic and regulatory landscape of Eswatini. Eswatini's current policy frameworks, including the National Development Strategy and Vision 2022, emphasise sustainable economic growth, climate resilience, and a commitment to green policies. However, without the necessary resources and training, businesses may struggle to align with these national objectives, limiting their ability to contribute meaningfully to the country's sustainability goals. The ILO's 2024 country scan further highlights this challenge, noting Eswatini's low regulatory quality and rule of law scores, which indicate systemic gaps in enforcing ESG standards. Considering these challenges, strengthening ESG capacity within the private sector could play a pivotal role in advancing these national priorities, fostering both economic growth and environmental resilience.

In addition, effective ESG training and capacity-building initiatives could help mitigate potential risks associated with Eswatini's reliance on international markets. Survey results indicate that most (65.4%) companies prefer interactive learning be it in-person or virtual. Meanwhile, some (21.2%) prefer the flexibility of self-paced e-learning modules and only a few (11,5%) value printed materials(see Figure 8 below).

Figure 8 Preferred Training Format (N=30)



Source: BE Members Survey (2024)

By equipping businesses with the tools to navigate international ESG standards, BE can enable its members to not only mitigate associated risks such as exclusion from lucrative export markets but also equip members to leverage ESG compliance as a competitive advantage. This is particularly relevant as African businesses face increasing demands from international investors for sustainable and ethical business practices. Neighbouring countries like Botswana and Zambia have started to address this by investing in green finance initiatives and partnerships that support ESG training, illustrating the benefits of a proactive approach to ESG capacity-building (Leslie, 2022).

4.7.2. Technology and Infrastructure Needs

The theme of Technology and Infrastructure Needs also emerges as key to Eswatini's ability to integrate ESG among the respondents. The KIIs highlighted the importance of both sustainable technology and infrastructure to ensure long-term growth, operational efficiency, and environmental responsibility. The current gaps in technology and infrastructure create substantial barriers, especially for SMEs, which limits their ability to meet both local and international ESG standards. Meeting these needs will enable businesses to manage waste more effectively, adopt renewable energy, and leverage financing to drive sustainable investments—ultimately enhancing competitiveness in ESG-sensitive markets.

A notable issue raised by the respondents is the disposal of manufacturing waste, specifically fabric waste. This sector faces an urgent need for waste management infrastructure as current landfill use for fabric disposal is unsustainable, with landfill sites nearing full capacity.

The lack of specialised fabric recyclers means that most textile waste is discarded rather than repurposed, exacerbating environmental degradation. In this context, the Vukani Bomake Project stands out as a pioneering solution, using discarded fabrics to create new products. This initiative serves as a successful model, but there is a need for broader infrastructure to manage the scale of waste across the sector. For manufacturing businesses, the lack of waste recycling infrastructure translates into rising disposal costs, increased regulatory risks, and potential damage to brand reputation if they are seen as environmentally negligent. Implementing fabric recycling systems offers dual benefits: not only does it reduce landfill use, but it also allows businesses to turn waste into new products, creating potential revenue streams. Scaling up projects like Vukani Bomake could transform waste into an asset, reduce environmental impact, and support a circular economy model, where products are repurposed rather than discarded.

Transitioning to green technology and sustainable operations is costly, and businesses, particularly SMEs, face financial barriers in adopting renewable energy or upgrading machinery to more energy-efficient options. The KIIs revealed the need for financial incentives, such as tax credits or subsidies, to make these transitions viable. Several companies, particularly SMEs, lack access to financing for critical ESG investments, such as renewable energy systems, waste management technology, or digital tools for ESG compliance. The respondents cited the need for ESG-focused financing options, which could include low-interest loans, grants, or investment partnerships, specifically aimed at supporting sustainable technology adoption. Without this support, some businesses struggle to fund essential infrastructure upgrades that are necessary for compliance with international standards and for enhancing efficiency. The absence of ESG-focused financing limits growth potential and hinders innovation in sustainability. ESG investments, while initially costly, generate long-term benefits by reducing operational costs, enhancing efficiency, and improving market positioning. For example, companies that adopt renewable energy can significantly cut their energy expenses over time, freeing resources for other ESG initiatives. Additionally, access to financing would enable companies to invest in digital compliance tools, which help manage ESG data and ensure accurate reporting.

BE's role in advocating for financing options, possibly through partnerships with international development banks, could catalyse ESG adoption and drive sustainable growth across Eswatini's business sector. Development agencies such as GIZ are already offering renewable energy tailored support to developing countries. Strengthening such partnerships could provide Eswatini's businesses with vital technical assistance, capacity building, and access to green financing mechanisms. This collaborative approach would not only help companies overcome initial barriers to ESG implementation but also create a multiplier effect across the economy. Through leveraging BE's established networks and credibility alongside international development expertise, Eswatini could accelerate its transition toward sustainable business practices while ensuring local companies remain competitive in an increasingly ESG-conscious global market.

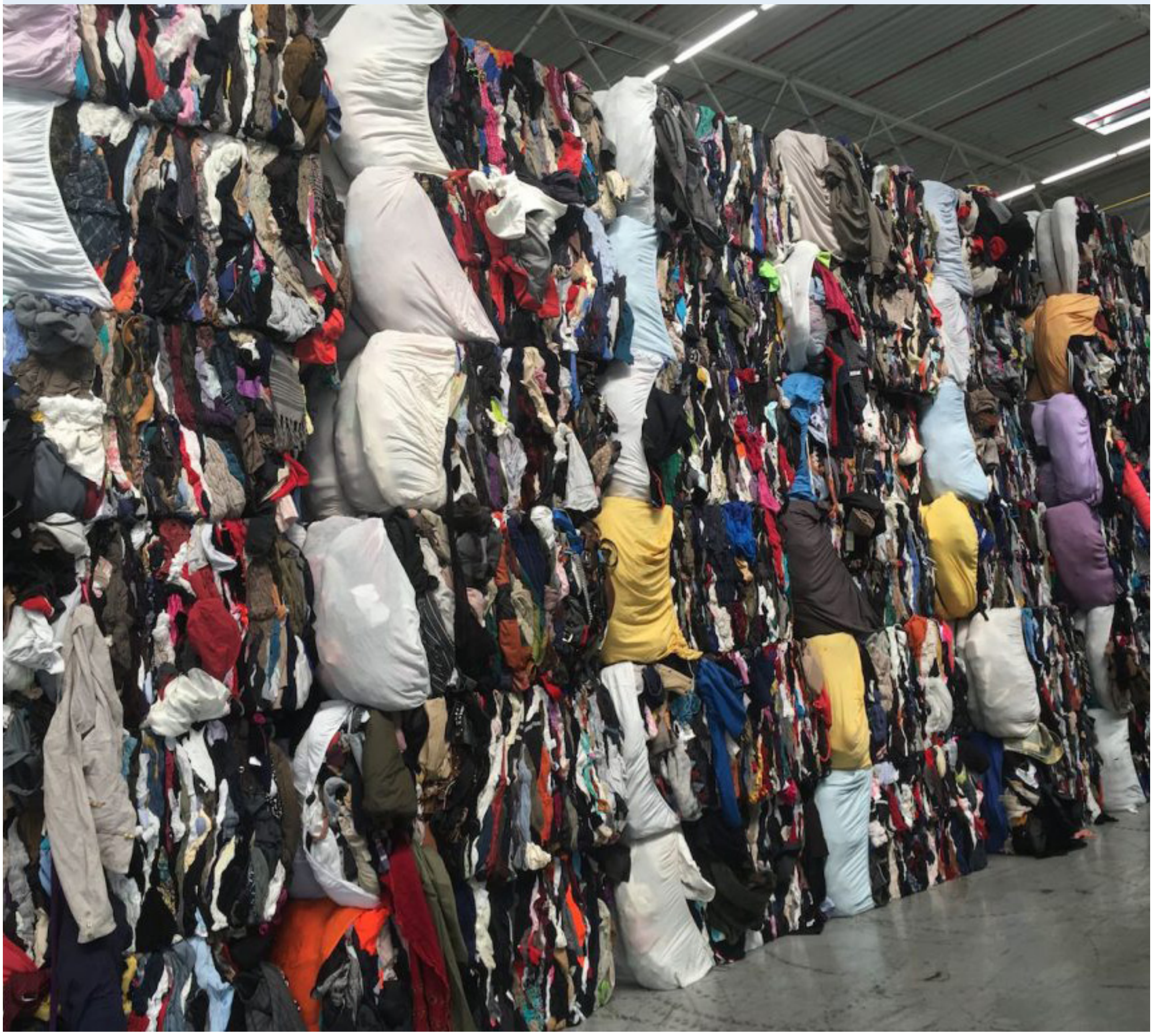
The development of an ESG-supportive infrastructure aligns with Eswatini's National Development Strategy and Vision 2022, reinforcing the country's commitment to sustainable economic growth. Moreover, a robust ESG framework would support local industries in achieving greater operational efficiency, reducing environmental impact, and building brand equity. For Eswatini's businesses, this shift would create opportunities in new markets, lower operational risks, and enhance reputation in an increasingly ESG-driven global economy.

Transforming Textile Waste – The Vukani Bomake Project

The Vukani Bomake Project is leading the way in sustainable textile recycling in Eswatini by transforming discarded fabrics into high-quality, handcrafted products. This initiative not only helps reduce landfill waste but also empowers women through job creation and skills development. By repurposing textile waste into marketable goods, the project showcases the economic and environmental benefits of circular economy practices.

However, scaling up such initiatives requires greater investment in recycling infrastructure, policy support, and market linkages. Expanding projects like Vukani Bomake could help businesses reduce waste disposal costs, enhance sustainability credentials, and tap into new revenue streams.

With the right support, fabric recycling can drive economic empowerment, reduce environmental impact, and position Eswatini as a leader in sustainable manufacturing.



4.7.3. Regulatory Guidance and Policy Support

In Eswatini, the absence of a structured ESG regulatory framework means that businesses largely engage with ESG practices on a voluntary basis, leading to fragmented efforts and inconsistent standards across sectors. This lack of mandatory guidance complicates compliance, particularly for companies aiming to align with international standards. The self-directed nature of ESG compliance introduces both operational and financial burdens, especially for businesses targeting global markets where regulatory expectations are stringent. The KIIs highlighted that government support is crucial for mainstreaming ESG practices. Sentiments around Support for ESG Advocacy illustrates the desire for government-led promotion of ESG as a national priority. Similarly, Need for Collaboration on ESG between Government and Partners emphasises that businesses see collaborative partnerships between government, private sector, and international bodies as essential to creating policies that are practical and beneficial. Government-led advocacy would unify ESG efforts across sectors, improving credibility and attracting investor interest. Collaborative initiatives would reduce resource strain by enabling businesses to leverage shared knowledge and support, particularly beneficial for smaller companies with limited ESG infrastructure.

Furthermore, the findings point to a challenge for businesses in measuring and disclosing ESG metrics. This gap outlines the need for standardised guidelines that align with global expectations but are relevant to Eswatini's context. Companies expressed that an Annual Mandatory ESG Reporting requirement would provide consistency and transparency, particularly if adapted to local economic realities. A standardised reporting framework would simplify ESG compliance, particularly for companies targeting international markets where transparency is essential. Contextualised standards would allow businesses to meet ESG goals without stretching resources, ensuring that smaller businesses remain competitive alongside larger entities. This clarity in reporting would also build investor confidence, attracting capital from ESG-focused stakeholders.

4.8. Role of ILO (e.g., ACEL) and EU Child Labour Projects

The Accelerating Action for Elimination Child Labour (ACCEL) Africa Project has an overarching goal to accelerate the elimination of child labour in Africa, through targeted actions in selected supply chains. It adopts an innovative systems-approach to tackling child labour that moves away from project-based downstream interventions towards strengthening existing systems that are critical to tackle root causes of child labour (ILO, 2024). The EU Child Labour Projects also aim to address the root causes of child labour, particularly in the coffee, minerals, cotton, textile, and garments value chains (ILO, 2024; EU, 2024). Only two companies in the study were familiar with ILO projects such as Accelerating Action for Elimination Child Labour (ACCEL) in supply chains in Africa and the EU Child Labour Projects and Prospects. When asked how they think these can support Swati businesses in decreasing ESG risks and promoting opportunities for positive, they highlighted the need for enhancing knowledge and skills to address ESG concerns, and support programmes focused on child labour and ethical labour standards. Therefore, these ILO and EU projects could support businesses, especially SMEs to understand what ESG is about and its importance to businesses, as well as capacitating them with the skills and resources they need to meet the ESG standards and requirements. Moreover, specific support should be directed to enhancing elimination of child and strengthening ethical labour practices in sectors most exposed to these risks.

05

Conclusion

ESG as a Path to Sustainability

Eswatini stands at a turning point where global ESG priorities, evolving market demands, and local socio-economic realities intersect. While the country lacks a unified ESG regulatory framework, businesses are already navigating international sustainability requirements to remain competitive. Export-driven industries, particularly in agriculture, textiles, and manufacturing, face increasing pressure to comply with global standards. However, the fragmented regulatory landscape poses challenges, especially for SMEs.

A proactive approach to ESG presents opportunities for businesses, including improved reputation, operational efficiency, and access to financing. The government must play a key role in developing policies, incentives, and capacity-building programs that support ESG integration. Collaboration among businesses, regulators, and development partners is essential in shaping a sustainable, competitive future for Eswatini.

5. CONCLUSION

The findings highlight that Eswatini is at a crossroads where the convergence of global ESG priorities, evolving market demands, and local socio-economic realities is creating both challenges and opportunities for businesses. While the country currently lacks a unified ESG regulatory framework, significant activity is already underway across sectors, driven by international market pressures, voluntary compliance with global standards, and nascent national policies aimed at sustainability and responsible governance.

A Changing Landscape for Businesses

Businesses in Eswatini, particularly those engaged in export-driven sectors such as agriculture, textiles, and manufacturing, are increasingly required to meet stringent ESG requirements to maintain access to international markets and financing. These standards are no longer optional but critical to remaining competitive in a global economy where sustainability and ethical practices are becoming baseline expectations. At the same time, the absence of a domestic ESG framework means that businesses are navigating a fragmented regulatory environment, relying heavily on external guidelines like the Global Reporting Initiative (GRI), Sedex Members Ethical Trade Audit (SMETA), and Bonsucro standards.

This dual reality underscores the urgency for businesses to transition ESG from being a reactive compliance measure to a proactive component of their long-term strategy. For those that succeed, ESG offers tangible benefits: enhanced reputation, operational efficiency, access to preferential financing, and resilience to both regulatory and market changes. However, for many, particularly SMEs, the cost and complexity of compliance remain significant barriers.

Government's Role in Building a Sustainable Ecosystem

The findings call for a stronger role from Eswatini's government in fostering a supportive environment for ESG adoption. While the government has articulated green economy ambitions, including transitioning to chemical-free agriculture and renewable energy, these aspirations need to be translated into actionable policies, incentives, and enforcement mechanisms. Key areas of focus should include the development of ESG-aligned regulatory frameworks, targeted capacity-building programs, and financial mechanisms that ease the burden of compliance, particularly for SMEs. Moreover, collaboration between the public and private sectors, supported by international partners such as the ILO, will be critical in mainstreaming ESG principles. Partnerships like the Green Indaba and the Standard Bank Energy Indaba demonstrate the potential of multi-stakeholder initiatives to align national development goals with business sustainability objectives.

Global Influences and Sectoral Impacts

Global ESG trends are reshaping how businesses in Eswatini operate, particularly in sectors most exposed to environmental, social, and governance risks. Agriculture faces pressure to adopt climate-smart practices to mitigate environmental degradation, while manufacturing and mining must address pollution, resource efficiency, and waste management. Across sectors, the emphasis on governance is growing, with businesses increasingly expected to demonstrate transparency, ethical practices, and sound management.

Businesses with international linkages or ambitions are particularly vulnerable to ESG pressures from consumers, investors, and lenders who prioritize sustainable practices. The adoption of frameworks like the Equator Principles by local banks and the alignment of businesses with the IFRS Sustainability Disclosure Standards illustrate how global ESG dynamics are influencing local operations. However, the lack of a unified approach creates inconsistencies, with some sectors advancing while others lag behind.

Building Capacity for ESG Compliance

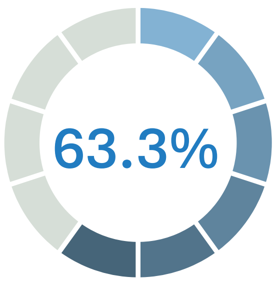
The findings underscore the critical need for capacity-building to bridge knowledge and resource gaps. ESG awareness remains limited, especially among SMEs and businesses focused on local markets. Targeted training, access to financing for green technologies, and the establishment of knowledge-sharing platforms are essential to equip businesses with the tools to implement ESG effectively. Organizations like the ILO and regional development partners have a key role to play in facilitating this transition, particularly by addressing labor-related ESG risks and promoting ethical business practices.

A Path Forward

Eswatini is poised to leverage ESG principles as a cornerstone for sustainable economic growth, but this requires coordinated efforts across stakeholders. For businesses, ESG compliance is no longer just a response to external pressures but a strategic imperative that can unlock new opportunities, enhance resilience, and build long-term value. For the government, the challenge lies in creating a regulatory and policy environment that supports businesses while advancing national sustainability goals.

The private sector, supported by frameworks like the Eswatini Stock Exchange ESG Guidelines and multi-stakeholder initiatives, has shown the potential to lead on ESG adoption. However, bridging gaps in knowledge, resources, and governance will require sustained commitment from all stakeholders. By embracing ESG as a shared priority, Eswatini can align its economic aspirations with global sustainability standards, ensuring a competitive, inclusive, and resilient future for its businesses.

ESG Awareness in Eswatini



of surveyed Eswatini companies have a good understanding of ESG regulatory requirements and their implications, while 13.3% are still catching up, making them vulnerable to risks such as fines, penalties, and reputational damage.

6. Recommendations for Business Eswatini

Enhancing ESG Adoption

- Develop a Comprehensive ESG Training Curriculum: This should include foundational ESG principles, compliance training, and sector-specific modules tailored to the unique requirements of Eswatini's key industries, such as agriculture and manufacturing.
- Establish Collaborative ESG Knowledge Networks: BE could form partnerships with regional experts or ESG-oriented organisations to create networks or mentorship programs . A likely partner is the Eswatini Stock Exchange that introduced an ESG Reporting Guide in 2022 to encourage transparency and accountability among listed companies, These networks could serve as centralised hubs of resources, best practices, and case studies, helping businesses navigate ESG compliance more effectively.
- Facilitate ESG-Focused Financing: Partner with international banks and development organisations to create accessible financing options for businesses investing in ESG-aligned technology and infrastructure, thereby reducing financial barriers to sustainable practices.
- Advocate for Incentives for Green Technology: Collaborate with policymakers to introduce financial incentives, such as tax benefits that support investments in renewable energy and sustainable operations.
- Establish BE as an ESG "One-Stop Shop": Develop a centralised platform that provides ESG resources, policy updates, research, and best practices, enabling businesses to access critical information for effective ESG compliance.
- Promote Educational ESG Programs for Business Leaders: Host workshops or seminars that emphasise the financial and reputational benefits of ESG compliance, helping decision-makers understand the value of sustainability as a strategic advantage.
- Launch Government-Led ESG Awareness Campaigns: Promote ESG's strategic benefits to business leaders, positioning it as a pathway to long-term resilience and market competitiveness. This approach would encourage a shift in perception, making ESG a central focus in business strategy.

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