

## **The 2010 Sustainability Reporting Review**

*A study conducted by STING Consultants sheds light on the extent to which Sri Lankan companies are committed to transparency of their sustainability performances.*

An extensive study, which assessed the reporting capabilities of the largest publicly listed companies, state owned enterprises, and a handful of privately held companies, found that just 20 companies out of the 66 sampled, now produce structured sustainability reports based on the GRI Guidelines, at varying degrees of sophistication. Since the survey was conducted amongst the largest companies operating in the country, we can assume that this is indeed the status in Corporate Sri Lanka.

The GRI (Global Reporting Initiative) Guidelines is the worlds' most widely used sustainability reporting framework, which provides companies regardless of size or sector, with a structured format for monitoring, measuring and reporting their sustainability performance across the economic, environmental and social spectrums. The fundamental basis on which this operates is that if a company measures its impacts then management would focus on how to address the issues, leading to monitoring and improving its performance over time.

The 20 companies that published GRI based reports during the course of 2010 are listed in the table below :

Company	Application level	Declared as	Assurance
<b>Listed Companies</b>			
Aitken Spence	C	Self declared	No
Aitken Spence Hotels	B	Self declared	No
Ceylon Tobacco	Undeclared		Yes
Commercial Bank	C	Self declared	No
Dialog Axiata	A+	Third-party checked	Yes
DIMO	B+	Third-party checked	Yes
Hayleys	B	Self declared	No
HNB	A	Self declared	Yes
Janashakthi Insurance	B	Self declared	Yes
JKH	B+	GRI checked	Yes
Sampath Bank	B	Self declared	Yes
Seylan Bank	Undeclared		No
Union Assurance	B	Self declared	Yes
<b>State Owned Enterprises</b>			
Bank of Ceylon	C	Self declared	No
HDFC Bank	Undeclared		No
Merchant Bank of Sri Lanka	Undeclared		No
National Savings Bank	C	Self declared	No
Peoples' Leasing Company	C+	Third-party checked	Yes
<b>Private Companies</b>			
Hayleys Advantis	Undeclared		No
MAGA Engineering	B	Third-party checked	No

This number is an improvement from 2009, where 15 companies published structured sustainability reports within that year. It is clear therefore that local companies are increasingly recognizing the importance of measuring their sustainability impacts, and disclosing these to their stakeholders.

GRI requires that companies declare the level at which they are adopting the Guidelines, in order to establish further transparency. These reporting levels are A, B, or C., depending on the number of performance indicators that have been included in a report. Companies can, at minimum, self-declare their reported levels, or they can engage a third-party, or GRI itself, to confirm that reported levels are accurate. Levels can also be advanced to a '+', if the reporting company has obtained external assurance to confirm the reported information is in fact accurate.

Out of the 20 reporting companies, 15 companies have met the requirement of GRI to declare their reported levels. 10 of these 15 companies have self-declared their levels, with no third party confirmation that these levels are accurate.

Nine of the reporting companies have included external assurance statements within their reports to confirm that the information included, accurately reflects the companies' performance. However, only 4 of these statements provide solid confirmation that reports accurately represent the companies' internal sustainability performance. These are the assurance statements included in the reports of CTC, Dialog Axiata, DIMO, and John Keells Holdings.

The overall conclusion that STING Consultants have arrived at is that Sri Lankan companies in general can take greater steps to enhance their transparency, and to incorporate sustainability into their normal business functions. They must do so now, if they are to keep up with the rapid changes and advancements in the global sustainability reporting agenda, which is moving towards a single integrated report that incorporates both financial aspects and sustainability related information.

As part of its services related to enhancing the reputation of corporate brands, STING Consultants offers the only truly specialist service in Sri

Lanka, which helps companies incorporate strategic CSR into their businesses. They have worked with several companies to enhance their internal responsibility processes and their levels of transparency through sustainability reports, whilst also offering third-party checking of GRI based reports.

The STING Consultants Corporate Accountability Index (now in its 3<sup>rd</sup> year) which is Sri Lanka's annual benchmark study of strategic corporate accountability implementation within companies is to be released in February 2011.