

## Looking Ahead to the 2012 STING Corporate Accountability Index

– Tiara Anthonisz-

The rating process for the annual STING Corporate Accountability Index will commence in August. STING Consultants' Index, now going into its fourth year, assesses the readiness of local businesses, and their ability to establish the competitiveness of the Sri Lankan business model vis-à-vis the emerging sustainability focused business model of the world. It assesses companies on their approach to corporate accountability and responsibility, which entails that they run their businesses in a way that minimizes the negatives that are created upon society and the environment as a result of their business operations, whilst they maximize the positive impacts that they have on their various stakeholders.

The STING Corporate Accountability Index assesses companies across six key areas which together are the foundations of holistic and integrated corporate accountability. These are, Corporate Values., Stakeholder Engagement., Identifying Impacts, Risks, and Opportunities., Policy Coverage., Management and Governance., and Measurement and Disclosure. These six areas are weighted according to their relative importance in facilitating corporate accountability, with the greatest weight being on the areas which show what the company does, rather than simply what it says.

Keeping in line with the methodology we have adopted each year, invitations to participate will be sent out to major listed, private, and state owned companies in the first week of August, along with the questionnaire to be filled and submitted together with supporting evidence. Companies on the LMD50 and 10 key State Owned Enterprises will continue to be rated on a compulsory basis, as they are the largest companies operating in the country with the greatest degree of potential impact, and therefore they are companies that cannot afford to ignore issues of corporate accountability and responsibility. The results of this rating process will be published in February 2012.

The 2011 STING Corporate Accountability Index featured 66 companies, including 4 private companies who volunteered information on their internal performance.

The Index showed some encouraging signs of improvement amongst the largest companies in Sri Lanka. The number of companies who provided voluntary responses to our calls for information increased to 24 companies, up from 21 companies in the previous year. This showed an increased interest in the area of corporate accountability amongst Sri Lankan companies, and an increased awareness on the importance of incorporating this into everyday business. This could also be seen through the fact that 57 of the companies on the Index included some mention of sustainability or corporate responsibility in their public disclosure.

Analysis of the range of scores achieved by companies further established this point. The 2010 STING Corporate Accountability Index included 30 companies who scored above the minimum score required for classification as bronze, silver, gold, or platinum. This number increased to 38 companies scoring above this level in the 2011 Index, a clear sign that improvements had been made. Fifty percent of companies listed on the Index also achieved increases in their absolute scores.

The average score of Sri Lanka's largest corporates however, remained at a disappointing level, at 46.2. Though this was a marginal increase from the 2010 average, it did not result in any change to the Bronze classification achieved by Sri Lanka Inc. in the previous year. It was clear therefore, that though there had been some improvement, this had not been of a sufficient amount. For instance, only 27% of companies assessed included Board or Senior Management level committees for governing their corporate accountability performance. As the highest decision making body of a company *must* buy in to the idea of corporate responsibility if there is to be significant change in the way it operates and performs, this low proportion was a telling sign that much more work still needs to be done in improving the overall corporate responsibility standing of Sri Lankan businesses as a whole.

The sector analysis of results showed ICT and telecommunications, motor and logistics, hotels and travel, food and beverage, diversified holdings, and apparel, footwear and textiles performing above average, with banking, finance and insurance, consumer durables, alcohol and tobacco, manufacturing and construction, and petroleum, lubricants, chemicals and pharmaceuticals performing below average.

Though the overall average of the banks, finance and insurance sector remained below average, progress had been made on the individual performance of a number of banks. The banking sector on its own therefore improved considerably in its corporate accountability performance in the 2011 STING Corporate Accountability Index. Five banks on our Index achieved a greater than 20% improvement in their scores in comparison to those listed on the 2010 Index. Three of these banks were State-Owned. This was an encouraging outcome of our study, as banks, the providers of capital, are inherently a catalyst of ensuring improvement in other companies.

Indeed, a small number of banks listed on our ranking had implemented structured environmental and social management systems or policies which are incorporated into their credit policies. Others had begun to monitor the sustainability impacts created by the activities of their borrowers, and yet more of them were offering catered loans and products to companies seeking to invest in environmentally friendly technologies. The remaining financial institutions will clearly have to adopt the same practices if they are to remain competitive, and if they are to maintain their reputations.

Companies - in particular those in manufacturing and extractives, who, as a group, continue to perform below average - will therefore also be required to take into account

<b>2011 Rank</b>	<b>Company</b>	<b>Sector</b>	<b>Score</b>	<b>Classification</b>
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their environmental and social impacts, if they hope to have access to finance in the future. We commended the banks on our listing for taking the initiative to foster this necessary change.

The 2011 STING Corporate Accountability Index also featured those companies who performed best in class for each area of assessment. Aitken Spence and John Keells Holdings were showcased as best in class for Policy Coverage and Management and Governance respectively, whilst DIMO, was amongst companies scoring highest in terms of documented corporate values statements, and Dialog Axiata was amongst the best performers in terms of public disclosure. The full results of the 2011 STING Corporate Accountability Index can be accessed through the February 2011 issue of LMD, or at [www.stingconsultants.com](http://www.stingconsultants.com) . The Index is accompanied by the complete analysis of results, which also provides a flavour of best in class practices.

The improvements shown by companies in the 2011 STING Corporate Accountability Index were encouraging, and it showed that Sri Lanka Inc. had made progress in readying itself against the oncoming global challenges. A handful of companies are already well-versed in the requirements of effective corporate accountability, and others have gradually begun finding their feet. We hope that more companies will respond to our calls to participate in the upcoming 2012 Index, and that in the meantime, more companies will begin to ingrain the fundamentals of corporate accountability and responsibility, many of which have been discussed in detail through this article series, in to their core business operations.

The STING Corporate Accountability Index 2011 – Top 10

1	Dialog Axiata	ICT & Telecommunications	81.15	Platinum
2	Aitken Spence	Diversified Holdings	80.05	Platinum
3	Cargills	Beverage, Food & Tobacco	78.95	Platinum
4	MAGA Engineering	Manufacturing & Construction	78.55	Platinum
5	John Keells Holdings	Diversified Holdings	75.9	Platinum
6	HNB	Banks, Finance & Insurance	75.55	Platinum
7	DIMO	Motor & Logistics	75.35	Platinum
8	Ceylon Tobacco	Beverage, Food & Tobacco	74.7	Gold
9	Aitken Spence Hotels	Hotels & Travel	72.1	Gold
10	Brandix	Apparel, Footwear & Textiles	69.75	Gold

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The author is the Head of Strategic Corporate Responsibility at STING Consultants. She holds an MA in Corporate Social Responsibility from Nottingham University Business School and a BA in Economics from the University of Nottingham, UK.