

## STING CORPORATE ACCOUNTABILITY INDEX METHODOLOGY

# THE BUILDING BLOCKS

**STING Consultants** explains the nuts and bolts of its unique model that assesses corporate accountability in Sri Lanka

The largest listed companies, private entities and State Owned Enterprises (SOEs) operating in Sri Lanka were invited to participate in the compilation of the STING Corporate Accountability Index by voluntarily supplying information on their corporate-accountability practices and performance. Companies ranked in THE LMD 50 and nine key SOEs were rated on a compulsory basis, given that they are the largest entities in the country with the greatest degree of potential impact.

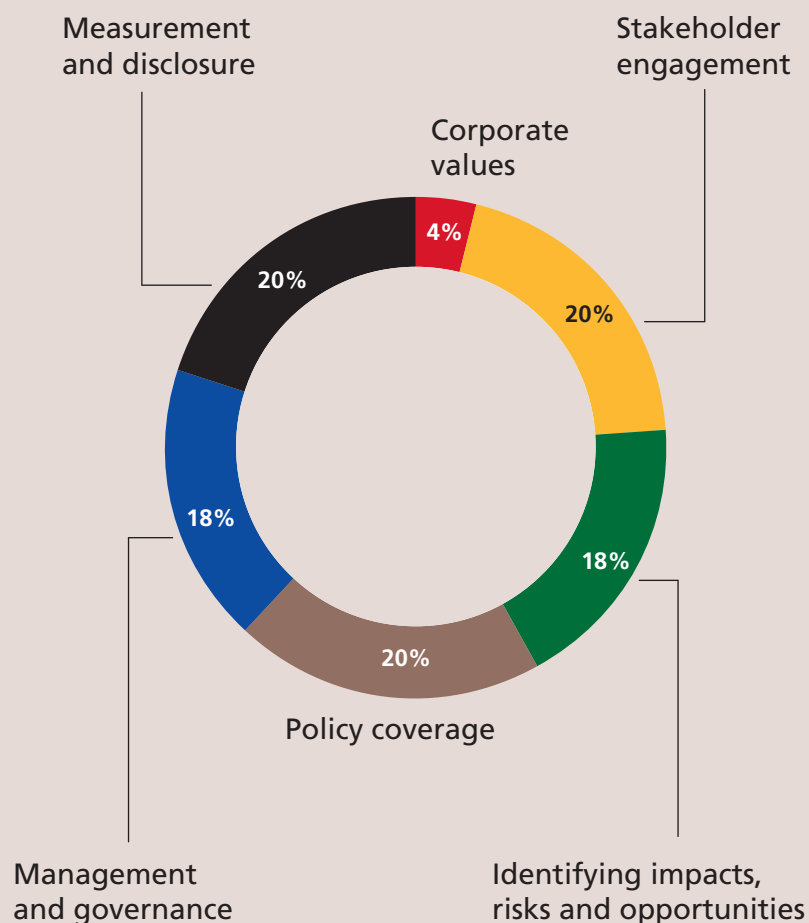
As in the previous year, 19 listed companies responded to the call for information, including two entities outside THE LMD 50. A further five privately owned companies took the initiative to provide information, along with two SOEs, thereby increasing the number of voluntary responses to 26 this year. The remaining LMD 50 companies and SOEs were rated on the basis of publicly available information – annual reports, sustainability reports and corporate websites. One previously rated SOE could not be included in this year's rankings due to the unavailability of a published annual report for the year under review.

Companies are once again categorised into broad bands, providing an indication of their levels of advancement in the area of corporate accountability and enabling them to be benchmarked against their peers. The hope, as always, is that this hierarchical ranking will act as an impetus for continued improvements to be made in corporate accountability amongst Sri Lankan businesses.

Classification is based on the scores achieved (Platinum 75-100, Gold 60-74.9, Silver 50-59.9, Bronze 40-49.9). The minimum score for classification remains 40, and companies scoring below this level aren't classified.

The scores are derived from the proprietary model that STING Consultants has developed to reflect a holistic and integrated approach to Corporate Responsibility (CR), sustainability and governance. This model is based on a set of qualitative aspects which are converted into a quantitative score by our expert panel of

### KEY ATTRIBUTES OF CORPORATE ACCOUNTABILITY



consultants. Plans are underway to review and update the model in time for the 2013 Corporate Accountability Index which will place more emphasis on how these qualitative aspects are operationalised within the entities that are assessed.

In keeping with the previously established methodology, the implications of a company's products have once again been taken into account. This means that entities producing 'negative products' (i.e. alcohol and tobacco)

are subject to a penalty that is set off against their total scores. The results portrayed in the index reflect these companies' corporate-accountability performance after accounting for this penalty.

The STING Corporate Accountability Index assesses companies across six key areas, which together are the foundations of holistic and integrated corporate accountability. Each area consists of a range of criteria which are the basic ingredients required for operating

through an integrated framework of responsibility. The six key areas are weighted according to their relative importance in facilitating corporate accountability (see accompanying chart) and are summarised as follows.

**Corporate values** determine whether a company has made an effort to establish a set of high-level values or principles that define the role it wants to play in society by incorporating aspects of accountability and responsibility in its corporate statements (vision, mission, values and so on).

**Stakeholder engagement** assesses whether a company is aware of who its key stakeholders are, the extent to which it engages with them, as well as whether it provides reasonable responses to key issues, concerns or grievances raised by stakeholders.

**Identifying impacts, risks and opportunities** measure the extent to which a company is aware of the main impacts on economic, social and environmental sustainability resulting from its operations, as well as whether it can identify and respond to credible risks and opportunities arising from such impacts.

**Policy coverage** assesses the extent to which a company has policies in place with regard to managing environmental aspects, labour practices, human rights and societal concerns.

**Management and governance** consider whether globally recognised management systems are in place with respect to the environment, health and safety, quality and workplace practices. This section also assesses the nature of corporate governance, and the extent to which accountability and responsibility are integrated into core governance processes of a company.

**Measurement and disclosure** centre on the extent to which a company measures its performance against key sustainability-related indicators. This section also assesses whether it publishes a sustainability report that addresses its environmental, social and economic performance and impacts, and the quality, comparability and credibility of information within such reports.



# THE STING CORPORATE

RANK 2012	RANK 2011	COMPANY	SECTOR	SCORE	CHANGE	CLASSIFICATION
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1	1	Dialog Axiata	ICT and telecommunications	82.45	▲	Platinum
2	2	Aitken Spence	Diversified holdings	82.05	▲	Platinum
3	4	Maga Engineering	Manufacturing and construction	81.50	▲	Platinum
4	5	John Keells Holdings	Diversified holdings	79.20	▲	Platinum
5	3	Cargills	Food and beverage	76.00	▼	Platinum
6	6	HNB	Banking, finance and insurance	75.80	▲	Platinum
7	7	DIMO*	Motor and logistics	75.55	▲	Platinum



8	9	Aitken Spence Hotels	Hotels and travel	71.20	▼	Gold
9	-	Access Engineering	Manufacturing and construction	70.10	-	Gold
10	22	Printcare	Manufacturing and construction	69.40	▲	Gold
11	13	CIC	Diversified holdings	67.35	▲	Gold
12	19	Commercial Bank*	Banking, finance and insurance	67.15	▲	Gold
13	12	Asian Hotels	Hotels and travel	67.00	▼	Gold
14	-	Watawala Plantations	Food and beverage	65.85	-	Gold
15	14	John Keells Hotels	Hotels and travel	65.15	▲	Gold
16	15	Hayleys*	Diversified holdings	64.55	▲	Gold
17	16	People's Leasing Company	Banking, finance and insurance	62.90	▲	Gold
18	11	Coca-Cola Beverages	Food and beverage	62.45	▼	Gold
19	19	Hayleys Advantis	Motor and logistics	62.10	▲	Gold
20	35	Seylan Bank	Banking, finance and insurance	60.95	▲	Gold
21	21	Union Assurance*	Banking, finance and insurance	60.50	▲	Gold



22	17	Ceylon Cold Stores	Food and beverage	59.55	▼	Silver
23	32	HDFC Bank*	Banking, finance and insurance	59.40	▲	Silver
24	18	National Development Bank	Banking, finance and insurance	58.65	▼	Silver
25	25	Finlays Tea Estates	Food and beverage	57.45	▲	Silver
26	24	Sampath Bank*	Banking, finance and insurance	54.85	▲	Silver
27	8	Ceylon Tobacco Company*	Alcohol and tobacco	52.90	▼	Silver
28	42	SriLankan Airlines	Hotels and travel	52.65	▲	Silver
29	45	Sunshine Holdings	Diversified holdings	52.10	▲	Silver
30	31	Hemas Holdings	Diversified holdings	50.70	▲	Silver
31	28	LOLC*	Banking, finance and insurance	50.10	▼	Silver



# ACCOUNTABILITY INDEX

RANK 2012	RANK 2011	COMPANY	SECTOR	SCORE	CHANGE	CLASSIFICATION
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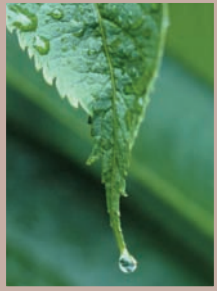
32	43	Dipped Products*	Manufacturing and construction	49.85	▲	Bronze
33	29	Aviva NDB Insurance*	Banking, finance and insurance	48.90	▼	Bronze
	30	Richard Pieris*	Diversified holdings	48.90	▼	Bronze
35	26	Bank Of Ceylon*	Banking, finance and insurance	46.85	▼	Bronze
36	27	NSB*	Banking, finance and insurance	46.30	▼	Bronze
37	33	DFCC Bank*	Banking, finance and insurance	46.15	▲	Bronze
38	36	Janashakthi Insurance	Banking, finance and insurance	46.00	▲	Bronze
39	41	Colombo Dockyard	Manufacturing and construction	43.55	▲	Bronze
40	37	Singer*	Consumer durables	42.75	▲	Bronze
41	38	Chevron Lubricants*	Oil, gas and lubricants	40.00	▼	Bronze



42	40	Sri Lanka Telecom*	ICT and telecommunications	38.95	▲	Unclassified
43	39	Nestlé*	Food and beverage	38.00	▼	Unclassified
44	50	Tokyo Cement*	Manufacturing and construction	37.15	▲	Unclassified
45	-	Lankem Ceylon*	Diversified holdings	36.15	-	Unclassified
46	51	MBSL*	Banking, finance and insurance	33.00	▲	Unclassified
47	58	ACL Cables*	Manufacturing and construction	32.65	▲	Unclassified
48	52	Airport and Aviation Services*	Hotels and travel	32.45	▲	Unclassified
49	46	Ceylon Grain Elevators*	Food and beverage	32.40	▼	Unclassified
50	56	Lanka IOC	Oil, gas and lubricants	32.00	▲	Unclassified
51	54	People's Bank*	Banking, finance and insurance	30.50	▲	Unclassified
52	-	Laufgs Holdings*	Oil, gas and lubricants	29.25	-	Unclassified
53	57	Central Finance*	Banking, finance and insurance	28.15	▲	Unclassified
	59	Ceylinco Insurance*	Banking, finance and insurance	28.15	▲	Unclassified
55	60	Nations Trust Bank*	Banking, finance and insurance	27.90	▲	Unclassified
56	53	United Motors*	Motor and logistics	26.40	▼	Unclassified
57	55	State Mortgage & Investment Bank*	Banking, finance and insurance	26.35	▼	Unclassified
58	47	Browns*	Diversified holdings	25.50	▼	Unclassified
59	63	Distilleries*	Alcohol and tobacco	17.20	▲	Unclassified
60	65	Lanka Ceramic*	Manufacturing and construction	16.15	▲	Unclassified
61	64	C. W. Mackie*	Diversified holdings	13.65	▲	Unclassified
62	-	Lanka Ashok Leyland*	Motor and logistics	12.90	-	Unclassified
63	66	Ceylon Brewery*	Alcohol and tobacco	5.65	▲	Unclassified

\*These companies didn't respond to STING Consultants' questionnaire and have therefore been rated on the basis of publicly available information





## REPORT CARD ON CORPORATE ACCOUNTABILITY

# JOURNEY CONTINUES

**Y**ear 2011 will go down as a momentous 12 months for democracy. It will be remembered as the year in which power truly transitioned from the conventional bases such as that of governments and security forces to ordinary global citizens. Set alight and unleashed by the Arab Spring, this followed decades of suppression through dictatorships in the Arab world; through the Occupy Wall Street movement which resulted from the antagonism festering against big business, the privileged and the wealthy minority in North America; and closer to home, through India's aggressive anti-corruption activist Anna Hazare's protests against state corruption and the lack of transparency.

With media now firmly in the hands of the ordinary citizen, power has been transferred... and this has galvanised entire countries to take action against injustice, corruption and selfish motives that enrich those in traditional roles of power – be it government or business.

*This is the new world order that local corporates must now wake up to and take note of.*

Why? Because if this isn't taken seriously, ordinary citizens in Sri Lanka will rise up against injustice in any form. And in our case, we have a history in the insurgencies of 1971 and 1988, which can be easily transformed into a more democratic movement, as witnessed in other parts of the world. So as a small niche of the corporate establishment, it is highly pertinent that we ask ourselves whether Sri Lanka's businesses are truly responsible.

**RESEARCH FINDINGS** Since launching the first edition of the STING Corporate Accountability Index in 2009, we have gathered a significant amount of data which provides evidence of trends pertaining to responsible business practices in Sri Lanka.

A change in corporate behaviour and mindsets requires an understanding of the expected outcomes and benefits of implementing change. It is the inherent nature of the arena of responsible business, as well as of sustainable development, that the real outcomes of change may not be immediate and may take years to be felt. However, an understanding of what's happening in other parts of the world will shed light on the implications of change.

The fact that outcomes cannot be realised immediately, particularly in the environmental dimension, is a significant problem for companies. We are unable to say, for the most part, whether measures to protect the environment and mitigate impacts will result

in saving our planet for future generations. Yet, we know that taking these measures is at least a step in the right direction. Further, it is clear that there are numerous other benefits that companies will create for themselves and for their stakeholders in the short to medium terms by choosing to invest in becoming a strategically responsible and accountable business, not least of which is the effective and holistic risk management that this encourages, which then ensures

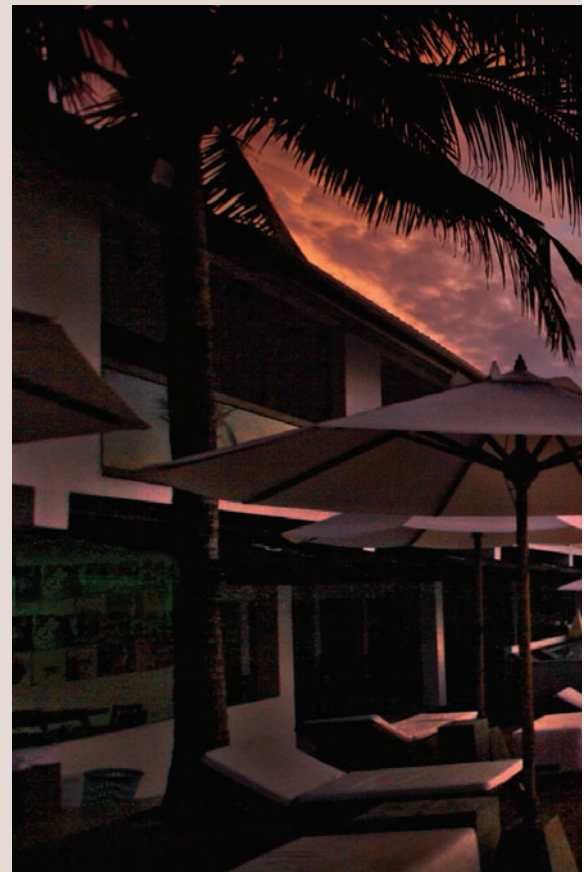
they operate and the impacts they create as a result of their business activities. This year's results are presented together with an analysis of how far companies have come since the launch of the first Index... and how much further they need to go.

**OVERARCHING TREND** The results presented by the Corporate Accountability Index reflect an upward trend at company level. Indeed, the average score of companies listed on the Index has seen a slow but

## SHAPING THE FUTURE

From inception, we have been committed to providing lasting social infrastructure. Development has however, come at the cost of depleting natural resources. Through a more systematic approach to accountability, we have been striving to reduce this impact whilst creating better value for society – and this process has been a rewarding learning curve. More so, it has gradually become the instrument which has started to shape the future of our business... and how we want to get there.

**Mega Kularatne**  
Director Development  
Maga Engineering



long-term business viability. Most companies have yet to fully understand this concept: they find it inherently difficult to change their ways, since they are unaware and uncertain of what the expected outcomes will be and when they will be achieved. A certain degree of farsightedness is required to implement the necessary changes now – and whilst helping to save the planet in the future and enhancing our communities, this establishes a business as one that is truly responsible. And this, in turn, has its own set of benefits.

The STING Corporate Accountability rating process and Index are tools by which we assess whether these companies have begun taking a long-term view of the way in which

steady rise over three years. Although it remains within the Bronze category, this year's average score of 49.4 (derived from the individual results of the 63 companies on our index) is encroaching on the 50 mark – the minimum score in the Silver category.

This upward momentum appears to be mirrored by the level of interest in this area amongst corporates. The number of companies providing voluntary submissions for the Corporate Accountability rating process has increased steadily over the past three years. Twenty-one companies submitted responses for the 2010 index, followed by 24 last year and 26 for the 2012 STING Corporate Accountability Index. This is a clear indication that awareness of the importance of

STING Consultants' **Tiara Anthonisz** and **Ruchi Gunewardene** note that the corporate journey to achieve genuine accountability is in its early stages – the ultimate goal being sustainable development of the nation

strategic responsibility being built into business operations is on the rise.

Forty-one companies scored above the required level in order to be classified as Platinum, Gold, Silver or Bronze this year. This number too has seen a steady rise: it stood at 38 companies on the 2011 Index, preceded by 30 in 2010.

The number of companies producing sustainability reports that follow a globally established structure has also increased

It seems that only a handful of companies perform exceptionally well and with a strong level of commitment that translates into high standards of performance. Most remain at an average level of performance with no significant improvements over the years, whilst a fair number have yet to recognise the importance of this approach to managing business – and to begin embracing the principles of sustainability and corporate responsibility.

Companies that ignore this vital approach

ment; their ability to identify sustainability-related impacts, risks and opportunities; policy coverage; effective management and sustainability-governance procedures; and measurement and disclosure practices.

All categories of assessment have seen an upward movement over the three years, with the exception of stakeholder engagement. This is a surprising outcome, given that it is not only a key area of sustainable-business management but is vital in the context of



steadily – from 15 companies on the 2010 index, to 20 last year, to 24 in 2012. Furthermore, 11 of these reports include external assurances confirming the credibility of information reported, which is yet another improvement from the eight assured reports in 2011.

While these steady upward movements are an encouraging sign of the state of affairs in corporate Sri Lanka, this year's average score of 49.4 is a poor result in relative terms, given the importance the topic (corporate responsibility) commands on a global scale today. The results continue to reflect a less-than-adequate rate of development in this field amongst corporates here, in Sri Lanka.

to conducting business are clearly opening themselves up to severe risks, as stakeholders in Sri Lanka and the world over continue to embrace the concept of responsibility and sustainable business. Indeed, these ideals have become increasingly interlinked with a business' license to operate, in stakeholders' eyes. These companies will also lag further and further behind their competition, and they will find themselves struggling to catch up once stakeholders begin demanding increasing levels of accountability by companies that depend on them and vice versa.

**TRENDS BY CATEGORY** As detailed in the methodology presented along with this year's Index, companies are rated in six key areas: corporate values; stakeholder engage-

ment; their ability to identify sustainability-related impacts, risks and opportunities; policy coverage; effective management and sustainability-governance procedures; and measurement and disclosure practices.

This result is especially surprising given that sustainability reporting, when it is undertaken with the right intentions, should be rooted in a process of stakeholder engagement. This then casts doubts on the true motivation for the rise in reporting amongst the business community – whether this has been done as part of a mechanism of monitoring performance and ensuring

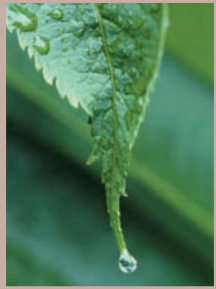
## SUSTAINABLE FUTURE

A strategy for sustainable business is a necessity to succeed in today's global marketplace. We see corporate sustainability as a proactive effort to ensure long-term viability, profitability and integrity of the business which demands a 360-degree perspective. We attempt to capture this perspective in our overall sustainability strategy that encompasses operations across a variety of sectors. Establishing and nurturing such a corporate sustainability framework is an ongoing challenge for a diversified business; but it is a challenge we are wholly committed to, every day, as we are convinced of its ability to create long-term value not only for shareholders but to all our key stakeholders.

### Dr. Rohan Fernando

Director  
Head of Business Development  
& Plantations  
Aitken Spence





## REPORT CARD ON CORPORATE ACCOUNTABILITY

# JOURNEY CONTINUES

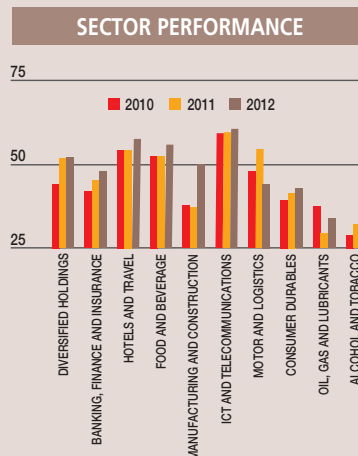
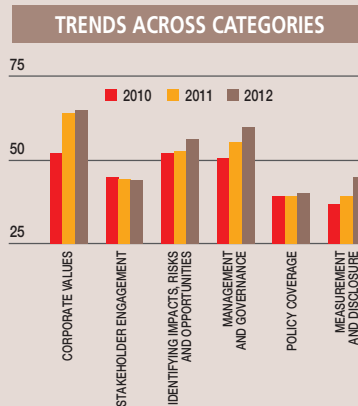
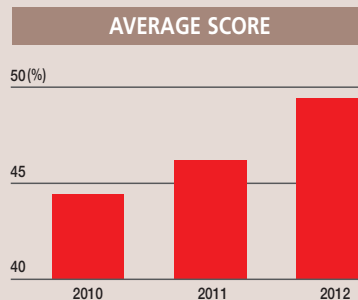
accountability to stakeholders for all positive or negative business impacts through transparent and public disclosure, or whether it is being pursued purely for the purposes of 'green wash' – as a marketing gimmick, to be eligible for awards, or simply because we have come to a stage where everybody is doing it... and so we must too.

The management and governance category too, though it reflects a slight upward movement over the three years, has been the most sluggish of all areas of assessment. In particular, it continues to be the weakest area of performance. This is yet another disheartening outcome, as stringent management and governance procedures should be the platform that fuels development in other areas, including effective policies and a rigorous approach to managing risk. The fact that companies continue to perform at a score of 40 or below, on average, in this area is a sign that corporate responsibility isn't being pursued with proper intent or with the necessary commitment from company boards and senior management in order to ensure lasting and meaningful change in the ways in which businesses operate.

**TRENDS BY SECTOR** The sector analysis remains largely similar to previous years, with ICT and telecommunications; hotels and travel; diversified holdings; and food and beverage once again performing above average. Meanwhile, banking, finance and insurance; consumer durables; oil, gas and lubricants; and alcohol and tobacco remain below average. The manufacturing and construction and motor and logistics sectors were the exceptions, with the former moving to above average this year and the latter falling to below the mean. This is mainly due to the addition of newcomers into the fold: a strong performer entered the manufacturing and construction sector, whilst a relatively weak company joined the ranks of the motor and logistics companies.

Most sectors have improved their performance over the three years vis-à-vis the STING Corporate Accountability Index, with the exception of motor and logistics; oil, gas, and lubricants; and alcohol and tobacco. This is an unexpected result because globally, they represent three of the most contentious sectors in the arena of social and environmental business impacts – they are, therefore, also amongst the sectors that go to the greatest lengths to make themselves accountable for their actions and ensure maximum responsibility through their business operations.

In the case of the first two however, the trend in performance can to some extent be attributed to newcomers (Lanka Ashok



ABOVE-AVERAGE SECTORS		
1	ICT and telecommunications	60.70
2	Hotels and travel	57.69
3	Food and beverage	55.96
4	Diversified holdings	52.02
5	Manufacturing and construction	50.04

BELOW-AVERAGE SECTORS		
1	Banking, finance and insurance	47.93
2	Motor and logistics	44.24
3	Consumer durables	42.75
4	Oil, gas and lubricants	33.75
5	Alcohol and tobacco	25.25

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Leyland and Laugfs Holdings respectively) that have entered their ranks this year. When these companies start instilling the principles and processes of accountable and responsible business into their core operations, along with continued and necessary improvements by some of their peers, it is expected that this trend in performance will be reversed.

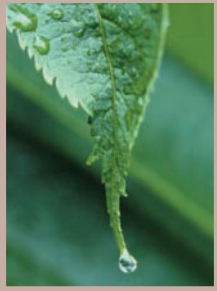
The alcohol and tobacco sector is one that consistently performs below the rest, on average. But it is important to keep in mind that this portrayal of performance has been subjected to a penalty imposed on the sector due to the overall negative impacts of products marketed by its representatives. Yet, globally, the sector performs far above and beyond the rest for this very reason, as relevant global corporations have realised the importance of accountability and sustainability in counteracting the negative image fostered by their products in the eyes of the public – and how essential it is to focus on this area, to maintain their social license to operate. While this sector here, in Sri Lanka, continues to be propped up by one stronger player in the field of accountability, it is vital that all companies realise that they cannot continue to sustain themselves indefinitely if aspects of social accountability and environmental responsibility are ignored.

**CONCLUSIONS** The results of the 2012 Corporate Accountability Index make it clear that the journey towards achieving true accountability and responsibility in corporate Sri Lanka is only just beginning. Companies across all sectors – whether they are publicly listed, privately owned, or owned and managed by the state – need to take greater steps to ensure that all businesses operate in a way that will minimise the negative impacts created by the corporate fraternity, while at the same time creating long lasting benefits to all stakeholders.

*This needs to be done if they are to contribute towards achieving the ultimate goal – sustainable development of our nation, for the benefit of generations to come.*

Today, we are firmly entrenched in an age where social uprising against both governments and corporates the world over are everyday occurrences. Companies in Sri Lanka can no longer afford to waste anymore time debating whether or not accountable and responsible business is the way forward.

It has already been established that irresponsible businesses will not survive in the long run. Time wasters will lose out when stakeholders rise up against the Sri Lankan corporate body and fight for inclusivity and social accountability, and for the survival of our planet.



## A SUSTAINABLE APPROACH TO TOURISM

# THE NEED OF THE HOUR

**T**ourism in Sri Lanka is booming, and it will continue to do so into the foreseeable future. Our country welcomed the arrival of the 800,000<sup>th</sup> tourist in December, and it achieved 2011's arrivals target of 750,000 five weeks prior to the year end – an all-time record, in that it was the first time that Sri Lanka hosted in excess of 700,000 travellers in any year. The boom in tourism isn't just a result of the end of war, opening up of areas previously inaccessible to tourists and locals, and major infrastructure-development efforts, but also due to the fact that our island-nation has many treasures that attract tourists to its shores.

Not only do we boast sunshine and beaches, coral reefs, wildlife and nature parks, we also possess a rich culture to which we can proudly expose guests. This bountiful offering has been reinforced by various institutions globally, encouraging droves of tourists to our island. Sri Lanka was amongst the tourist destinations listed by The New York Times as being among the '31 Places to go in 2010.' And many other accolades have come our way since.

The results of the 2012 Corporate Accountability Index and analysis of trends over the past three years have seen the hotels and travel sector performing above average consistently, together with a steady upward movement in its fortunes. However, the sector is characterised by just three leisure companies, along with the national carrier and international airport – this is only a small fraction of Sri Lanka's tourism industry. Further, though the sector has arguably performed better than most others, it has never achieved an average score in excess of 60.

This is a cause for concern, as it casts doubts on future economic viability, since the industry's continued success intrinsically depends on sustainable development that does not prevent future generations from witnessing the wonders that we have enjoyed. So while a booming tourism industry benefits the economy immensely, it also gives rise to serious risks – and if they are not managed properly and proactively, these risks will hinder the future of the industry and eliminate the very features that attract people here in the first place.

**THE ISSUES** Growth in tourism and the influx of tourists into any one place has a direct impact and contributes towards the location's environmental degradation. This is due to a number of reasons, not least of which is the need for resources. Energy is essential for meeting the needs of tourists, and an increase in visitors directly correlates with a higher demand for and use of energy.

It is no secret that increasing energy use affects the environment through greenhouse-gas emissions which in turn results in climate change and catastrophic damage. Some of the world's most revered tourist hotspots are small tropical island-nations, which are likely to be the first and worst affected by rising sea levels and other effects of global warming.

The demand for clean water is also directly related to a boom in tourism. Water is already a scarce resource, and many experts claim that it is likely to be the cause of inter-

Other waste also poses problems, including non-biodegradable packaging, harmful cleaning chemicals, as well as the shocking quantities of food that goes to waste – which incidentally could have alleviated poverty through access to nutrition for the masses.

Problems arise due to a lack of sufficient facilities to manage this waste in an appropriate and responsible manner. Thus, the majority of waste ends up in dumping sites, creating a serious – not to mention unattractive – problem which tourists certainly would not want to witness. The situation in



**As the country develops and populations move away from indigenous trades and into cities and to more industrial activity, much of the rich and unique traditions that we have to offer our guests will be lost...**



national conflict in the future as its availability continues to diminish. The need for clean water, particularly for drinking, also contributes towards the additional issue of waste caused by inflows of holidaymakers. Tourists generally prefer bottled water when the safety of locally available water is questionable. So for each guest, there is likely to be at least one plastic bottle sent out with the trash after a meal. In fact, this is likely to be the source of the greatest volume of waste.

the Maldives is a classic example, where a lack of facilities results in waste from every corner of the archipelago being dumped onto one 'garbage island.' It has been estimated that in the Maldives, a tourist creates seven kilograms of waste for every day of his or her stay. This island, which was previously as remarkable as some of the most pristine resort islands in that country, is now a mountain of garbage that is seeping into the ocean – it is destroying coral reefs and is home to



**Tiara Anthonisz** emphasises the dire need for a sustainable approach to tourism in this land – and describes the consequences of failing to have one

frequent fires caused by the decomposing waste, which releases harmful emissions into the atmosphere.

For a country as fragile as the Maldives, this is clearly a serious problem. And so it is for Sri Lanka. Proper facilities need to be in place in order to manage the waste created by the massive influx of people, and this needs to be converted into its least environmentally harmful state. Establishments should ensure that the use of resources is reduced, or that waste materials are reused or recycled wherever possible.

Additionally, investments in infrastructure development – whether they relate to new roads and highways, hotels or resorts – whilst essential for the continued growth of the industry, can cause the destruction of natural areas and habitats, essentially destroying all that we have to offer nature-loving holidaymakers. So it is clear that development should be undertaken keeping in mind its environmental consequences; and that steps should be taken to ensure minimal degradation, or mitigating action including the restoration of natural areas that

completely, particularly as tourists are drawn to the rich culture that we currently have on offer.

The natural and cultural characteristics of Sri Lanka attract many a tourist to our land. But both these facets are being gradually destroyed in the name of ‘development,’ to attract increasing numbers of travellers here. The multitude of tourists and the extent of tourism development, if it continues unchecked, will cause severe strains on the industry by rendering it unsustainable environmentally and culturally – and as a consequence, financially. This then is clearly an unsustainable business practice, as tourists will begin switching to other destinations when what attracts them to our island is no longer available.

**THE SOLUTION** It is for this reason that it is vital that tourism businesses – including hotels, resorts, restaurants, and travel and transportation companies – embrace corporate accountability and responsibility, and implement the steps that are needed to ensure sustainable business practices. They must engage with their stakeholders, to be constantly aware of changing requirements. They must also stringently identify the impacts created by their activities, not least of which is the ever increasing demand for resources caused by their operations. And they must have rigorous management and governance procedures in place, if they are to truly behave in a sustainable manner – these include clear policies and guidelines for their employees to follow. Above all, they must consistently monitor their performance against key sustainability indicators, and strive to find and implement the least socially and environmentally harmful alternatives.

Some leisure companies in the region, including those listed on the 2012 Corporate Accountability Index, have begun implementing these key ingredients. They have strived to implement changes in their operations, which will reduce their overall impact on society and the environment. These changes include retrofitting properties with energy-efficient equipment and lighting systems, the use of alternative sources of energy including solar and Dendro power and the installation of water-saving features including low-flow fittings, rainwater-collection systems and water-treatment facilities that enable recycling and reuse for purposes such as gardening and flushing. These companies have also established waste-sorting facilities, allowing for reusing and recycling waste materials where possible. And they only use housekeeping and laundry chemicals that are biodegradable, thereby



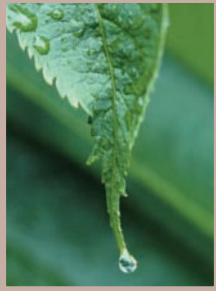
MEDIA SERVICES PHOTOFILE (THUSITH WIJEDORU)

An influx of tourists into environmentally sensitive areas can also cause degradation through other means. Ignorant behaviour when visiting natural wonders such as fragile coral reefs will damage them and result in the reefs being unavailable for the enjoyment of future generations. Irresponsible practices can cause severe harm to the environment in the event that travellers are not properly educated on what is right and wrong.

may be negatively impacted be pursued. A degradation of cultural heritage can also occur as a result of growth in tourism and the resultant surge in arrivals.

As the country develops and populations move away from indigenous trades and into cities and to more industrial activity, much of the rich and unique traditions that we have to offer our guests will be lost. This is of course a natural casualty of economic development; but it will be a shame to lose it





## A SUSTAINABLE APPROACH TO TOURISM

# THE NEED OF THE HOUR



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If the natural environment that we boast about is destroyed, it is logical to conclude that tourists would no longer pick this destination...

causing minimal environmental damage. Several leisure businesses have gone even further by implementing and integrating innovative solutions to their impact on the environment and societies within which they operate.

They have found that these innovations can transform into business opportunities. For instance, a few companies have set up organic-vegetable gardens and farms on their premises, which are immensely beneficial as they enable fulfilling their food and beverage requirements without the use of pesticides and other chemicals. They also reduce the dependence on packaging that is associated with purchasing produce from elsewhere. In addition, excess organic produce can be sold to outsiders thereby creating an additional source of revenue. Other tourism businesses need to take inspiration from these developments and implement changes to their operations, as the success of their businesses in the long run clearly depends on it.

Leisure businesses would also do well to link their business with the cultural and natural environments in which they operate, through cultural tourism and ecotourism. Businesses in Sri Lanka are increasingly doing this, as they have realised the potential for linking the very aspects of the country that attract tourists with their core business operations.

Whilst giving these niche markets the product offering they desire, this will also ensure that businesses do their utmost to protect the cultural and natural integrity of their surroundings, as they know that they cannot sustain their businesses without such a course of action. Of course, many establishments can claim to be ecotourism destinations without holding true to these ideals. It is vital, therefore, that they walk the talk – if, that is, they are to contribute towards sustaining the industry.

It is also important that tourists and guests at tourism establishments are made aware of the impacts created by their holiday activities, and that they are encouraged to go about their vacations in a responsible manner. Many hotels and resorts have begun doing this through collateral made available to their guests on energy and water conservation, as well as waste management. How effective this will be remains to be seen, however. The greatest contribution to sustainable tourism will have to come from the establishments themselves – by installing more sustainable technologies and practices wherever possible, thereby ensuring that guest stays are inherently less harmful to the stock of social and natural capital.

The importance of sustainable business practices for the tourism industry in Sri Lanka has been reinforced by the Greening Sri Lanka Hotels initiative, a European Commission funded project under the SWITCH-Asia programme which aims to enhance the environmental performance of Sri Lankan hotels through improved energy, water and waste-management systems. This is an encouraging development, as it has succeeded in rallying the island's tourism industry under one objective of ensuring sustainable business practice. Once fully implemented and showcased to the world, this will surely position Sri Lanka as a destination where one can enjoy a guilt-free, low-impact vacation.

External certifications on sustainable tourism are another tool that the tourism fraternity can use to solidify these practices. Whilst lending credibility to an establishment's claim to being sustainable and responsible, external certification can also be a yardstick by which to measure performance and facilitate continuous improvement. Certifications are vital for attracting the growing community of conscientious travellers who understand the impacts created by their travel decisions. They make decisions based on various socially responsible criteria.

Additionally, research presented by Travel Weekly in 2009 revealed that 44 per cent of consumers sampled stated that they would be willing to pay between five and nine per cent more to stay at a green-certified hotel, while 14 per cent said they would be willing to spend 15 per cent more or higher. This is a business case for sustainable practices if there ever was one, and is a clear incentive for tourism businesses – in addition to the moral incentive of maintaining a responsible industry.

**CONCLUSION** An ever expanding inflow of people to a location with a finite carrying capacity causes a major strain on the environment. If the natural environment that we boast about is destroyed, it is logical to conclude that tourists would no longer pick this destination. The Sri Lankan tourism industry has a target of reaching 2.5 million tourists by 2016. This means that we cannot afford to waste any time in implementing the measures that are required for mitigating the environmental issues that achieving the target will cause.

Tourism continues to be beneficial to our country; and indeed, for its development. We need to ensure that we protect the industry by preventing any harmful impacts that will make Sri Lanka an unattractive destination and render the industry unsustainable in every sense.