

SUSTAINABILITY REPORTING IN SRI LANKA: THE BIG PICTURE



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SUSTAINABILITY REPORTING IN SRI LANKA: THE BIG PICTURE

Emagewise & SheConsults are delighted to publish our first report on Sustainability Reporting in Sri Lanka. We believe that this is the first comprehensive research undertaken to gain an insight in to the trends in this growing area of corporate reporting. Having championed Sustainability Reporting and Integrated Reporting in the country and being involved in the process, we wanted to understand the developments in the market and this report is the result. We hope it enables reporting entities to improve their reports to be more relevant to their readers and more concise through focussing on material aspects while strengthening reporting and risk management processes.

Sri Lankan corporates have been reporting on sustainability using the Guidelines published by the Global Reporting Initiative for over a decade and it is an opportune time to review the progress made.

Over the last decade, holistic reporting on social and environment aspects in corporate reporting has grown significantly, around the world and in South Asia. GRI Guidelines have played a key role in the evolution of social and environment reporting as they provided a framework for holistic reporting. Pressure from large customers located in the Euro zone and the US have provided the necessary impetus for action as compliance with international standards on social and environment criteria was necessary to compete effectively. A plethora of certifications required by the B2B customers created the awareness, development of policy frameworks and monitoring systems for environment and social reporting. As requirements for certifications were often higher than local legislation impacting the social and environment activities of corporates, many corporates have journeyed beyond compliance models to proactive risk management models and set benchmarks within their industry sectors for holistic reporting on economic, social and environment reporting.

The research focusses primarily on reporting of material aspects to the organisation which is critical to holistic reporting. As GRI provides a broad, holistic

framework for identifying and reporting material aspects and is the dominant framework used for holistic narrative reporting, we have used the material aspects identified in the GRI G4 guidelines as a benchmark for comparison.

This paper also reviews the progress made on sustainability reporting in Sri Lanka by the public listed companies based on reports published as at 30th September 2015 with a view to highlighting areas for improvement and to serve as a reference point for measuring progress in this vital area, supporting the development of capital markets in the country.

OVERVIEW OF SUSTAINABILITY REPORTING IN SRI LANKA

Sustainability reporting in Sri Lanka evolved over the last decade with chambers of commerce and professional accounting bodies championing the cause through awards programmes that recognize best in class performance providing the motivation required to stimulate activity. They also created awareness on the subject through seminars and workshops providing the know-how required to produce reports that increased in quality over the years. A few multinationals

listed in the local stock exchange played a key role in the early stages of evolution providing world class benchmarks as they

had reporting systems in place as part of their risk management structures.

GRI Database of Annual Reports

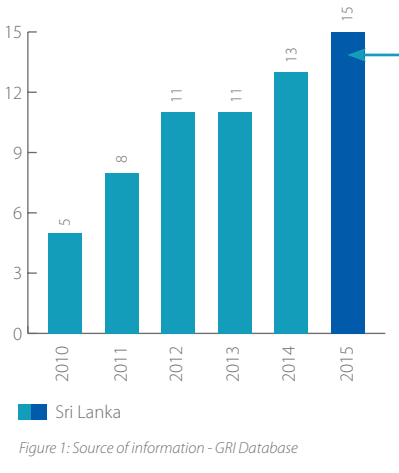


Figure 1: Source of information - GRI Database

Total Number of GRI Reports 59

Statistics for Sustainability Reporting in Sri Lanka are encouraging as more corporates are voluntarily adopting the GRI Guidelines for social and environmental reporting. Failure of companies to upload their Sustainability Reports to the GRI database deters research on the subject besides portraying a lower level of reporting than the actual level.

Sri Lankan corporates have been reporting on sustainability using the Guidelines published by the Global Reporting Initiative for over a decade and it is an opportune time to review the progress made. As at 30th September 2015, 59 public listed companies (30%) prepared their annual report using either the G3.1 or G4 Guidelines which shows commendable progress. Interestingly, we

KEY STAKEHOLDERS IN SUSTAINABILITY REPORTING

Champions

Regulators

Reporting Entities

Professional Accounting Organisations

Universities

Chambers of Commerce

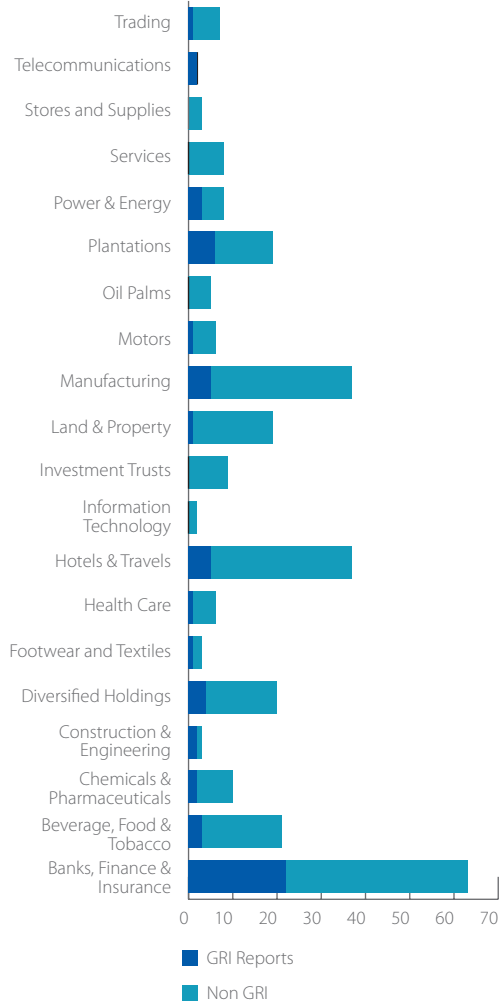
Certifying bodies

SEC

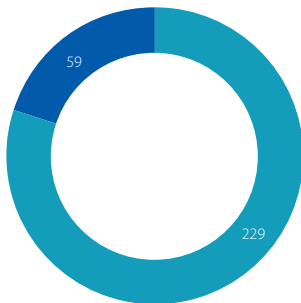
CSE

Corporates

Sustainability Reporting by Sector



Annual Reports



- GRI Reports - 59
- Non GRI Reports - 229

Figure 2 Proportion of GRI Reports in PLCs

also observe a few non-listed companies embracing the reporting standards and preparing reports in accordance with the GRI Guidelines which is encouraging and affirmation of the fact that Sustainability Reporting delivers value, although that is outside the scope of this report.

While there is no regulation in place requiring companies to embrace sustainability reporting, the voluntary Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2013 requires disclosures on Sustainability. The following standards are accepted for reporting purposes as described in Principle G1.7 of the Code:

- National Green Reporting System of Sri Lanka
- The Global Reporting Initiative Guidelines
- AA 1000 Framework and Stakeholder Engagement Standard

- United Nations Global Compact
- ISO 9000 Quality Management Assurance Standard
- ISO 14000 Environmental Standard
- ISO 26000 on Social Responsibility
- OHSAS 18000 Occupational Health and Safety Standard

G1. Principles of Sustainability Reporting (Extract from Code of Best Practice on Corporate Governance)

G.1.1	Principle 1 - Economic Sustainability
G.1.2	Principle 2 - The Environment
G.1.3	Principle 3 - Labour Practice
G.1.4	Principle 4 - Society
G.1.5	Principle 5 - Product Responsibility
G.1.6	Principle 6 - Stakeholder identification, engagement & effective communication
G.1.7	Principle 7 - Sustainable reporting and disclosure should be formalised as part of the Company's reporting processes and take place on a regular basis.

It is worth noting that an increasing number of organisations are now embracing the Integrated Reporting Framework and adapting sustainability reporting to this framework. GRI Guidelines remain as the primary framework for reporting on sustainability and references are made to these guidelines throughout.

RESEARCH METHODOLOGY

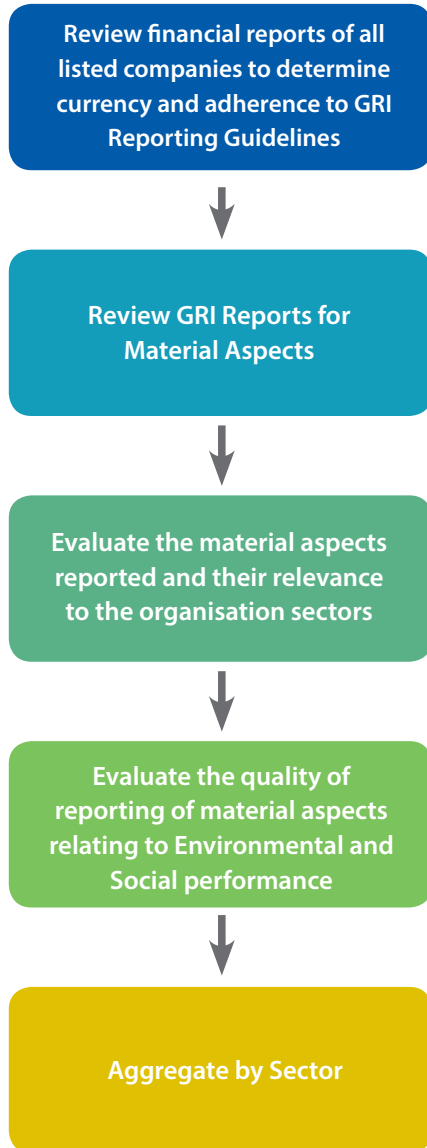
This research was undertaken in order to evaluate whether listed companies were correctly identifying and reporting on material aspects to their organisations as this is critical to driving confidence in corporate reporting and development of capital markets.

The research covers the annual reports of all companies listed in the Colombo Stock Exchange uploaded on to the CSE website as at 30th September 2015. From these, we have reviewed the annual reports for the financial years ending 31st December 2014 and 31st March 2015 by excluding companies that had reports relating to previous financial years.

All reports were reviewed to identify whether they were in accordance with GRI Guidelines and whether the guideline followed was G3.1 or G4. Reports that were identified as GRI reports were selected and further reviewed to determine the material aspects reported on including whether there was sufficient quantitative and qualitative information in accordance with the GRI disclosure requirements. The research was focussed on Environment and Social performance as Economic performance is generally

well covered. Additional sector disclosures were not considered in order to minimise complexity of the research project.

The results were tabulated and aggregated at sector level to review relevance of material aspects to each sector. Our findings are presented below together with our suggestions for improvements.



ENVIRONMENT

The GRI G4 Guidelines has 34 indicators classified into 12 aspects in the Environment category as follows

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluents and Waste
- Products and Services
- Compliance
- Transport
- Overall
- Supplier Environmental Assessment
- Environmental Grievance Mechanisms

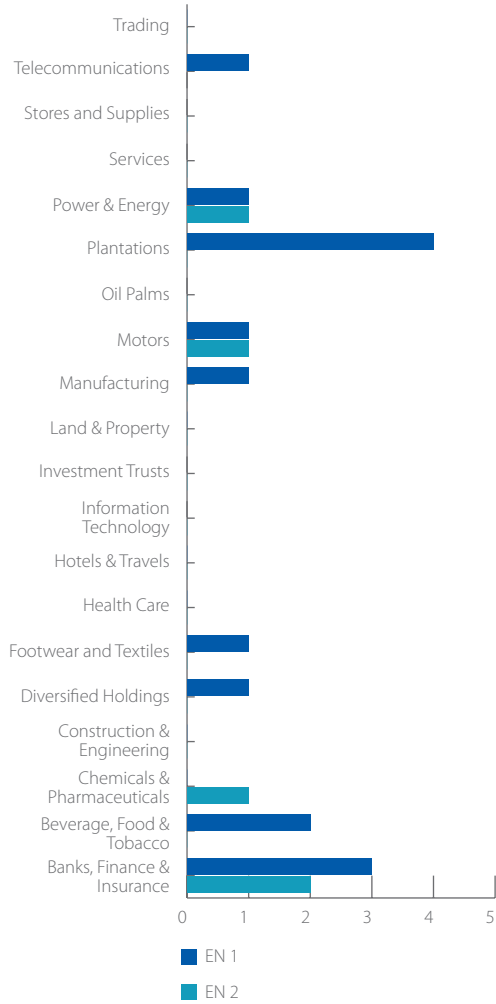
Performance of these aspects have been analysed by each aspect in the following pages of this report.

Materials

Only 17 of the 59 companies using the GRI Guidelines report on G4-EN1 materials consumption as set out in the following chart with 7 of this being partial disclosures without quantitative information. Reporting on G4-EN2: percentage of materials used that are recycled input materials is done only by 5 companies.

It is reasonable to assume that both EN1 and EN2 are material aspects to the Beverage, Food & Tobacco, Chemicals & Pharmaceuticals, Footwear & Textiles, Manufacturing and Power & Energy sectors. Corporates in the identified sectors below must be encouraged to include materials in their material aspects to enhance their sustainability and/or integrated reporting processes. It is also observed that other sectors re-evaluate the inclusion of materials as a material aspect as in the case of Banks, Finance and Insurance.

Reporting on Materials



Energy

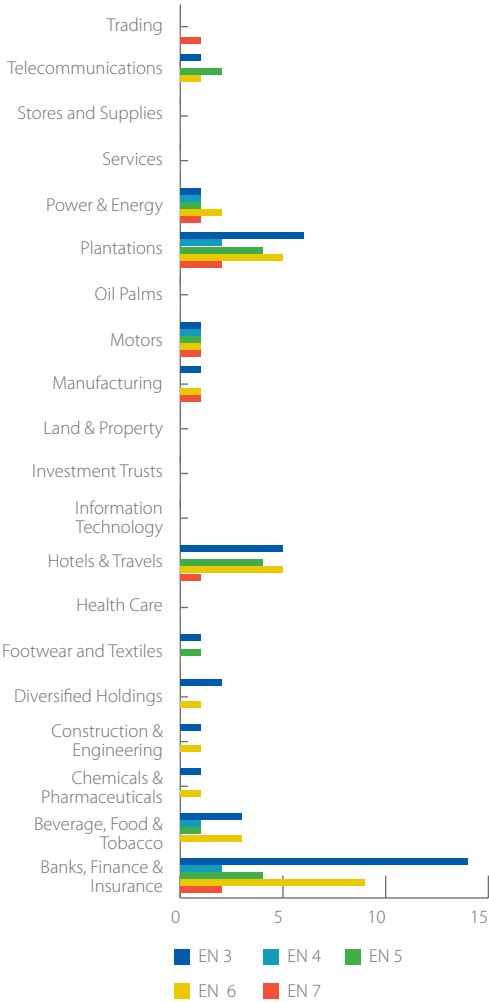
For entities identifying energy as a material aspect, the G4 guidelines provide guidance on 5 indicators that companies could report on as listed below.

Indicator	Description
EN3	Energy consumption within the organisation
EN4	Energy consumption outside of the organisation
EN5	Energy intensity
EN6	Reduction of energy consumption
EN7	Reductions in energy requirements of products and services

It is encouraging to note that 37 of the 59 GRI reporting entities identify energy as a material aspect and report on the same, with only 3 of these entities having partial disclosures. The Banking, Finance & Insurance sector leads the way with 14 entities reporting on energy followed by 6 entities from the plantation sector. Disclosures are mainly focussed on EN3 with fewer entities attempting disclosures on EN4-7. As energy is a material aspect across most sectors with perhaps the exception of Investment Trusts and Land

& Property, there is further room for enhancing reporting in this key aspect across the remaining sectors. Rapid innovation in technology in this area also makes it a business imperative for companies to track and report on the same to ensure that opportunities for enhancing shareholder value are sufficiently explored.

Reporting on Energy



Water

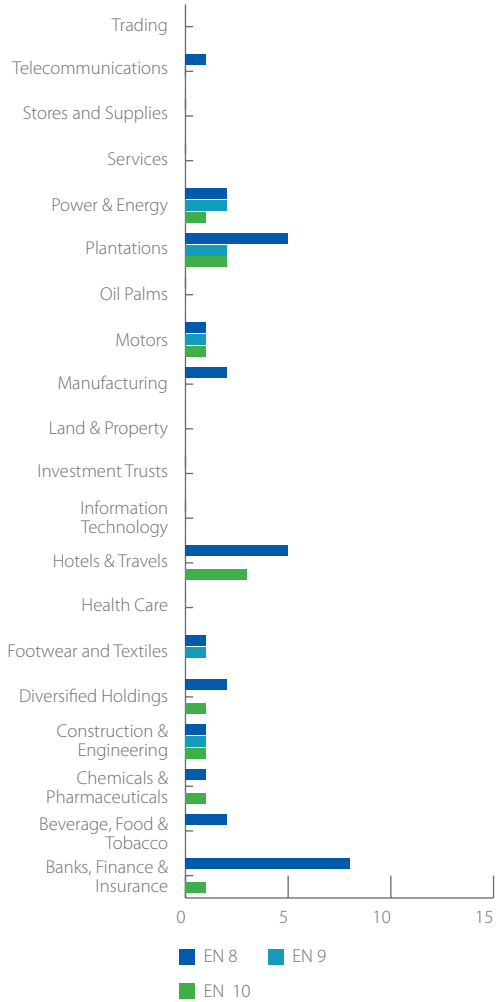
The GRI Guidelines include 3 indicators for reporting on Water if it is identified as a material aspect which are listed below.

Indicator	Description
EN8	Total water withdrawal by source
EN9	Water sources significantly affected by withdrawal of water
EN10	Percentage and total volume of water recycled and reused

Reporting on Water is also encouraging with a total of 31 of 51 GRI Reports reporting on EN8 of which 23 provide quantitative data. Reporting on G4-EN9 and G4-EN10 is not as encouraging totalling 7 and 11 respectively. Banks, Finance & Insurance sector accounts for 8 of the 31 entities reporting on water highlighting the need to correctly identify material aspects as this aspect is unlikely to be significant to the performance of this sector. Progress made by the Hotels & Leisure and Plantations sector is commendable with all 5 reporting entities in the Hotel sector and 5 out of 6

Plantation sector companies reporting on EN8. Sectors that must be encouraged to correctly identify and report on Water as a material aspect include Beverages, Food & Tobacco, Manufacturing, Health Care, Construction & Engineering and Chemicals & Pharmaceuticals as it is significant to their value creation processes.

Reporting on Water



Biodiversity

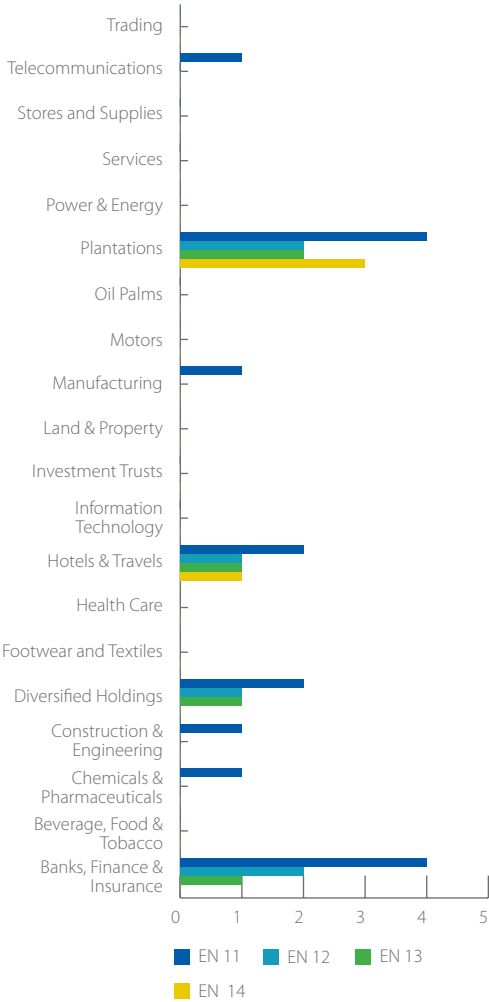
The G4 guidelines encourage reporting entities who identify Biodiversity as a material aspect to report on the following indicators.

Indicator	Description
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
EN13	Habitats protected or restored
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

A total of 16 corporates report on Biodiversity with the Plantations sector and the Banks, Finance & Insurance sectors having a total of 4 reports covering this topic. While it is a material aspect for the Plantation Sector, the rationale for inclusion in material aspects of the Banks, Finance & Insurance sector is less apparent. Three corporates comprising 2 from the Plantations sector and 1 from the Hotels sector report across

all indicators for biodiversity. It is more difficult to identify the sectors that should be reporting on this aspect (excluding the Plantation sector and some entities from the Hotels & Leisure sector) as it is largely dependent on the location of the business and specific activities undertaken.

Reporting on Biodiversity



Emissions

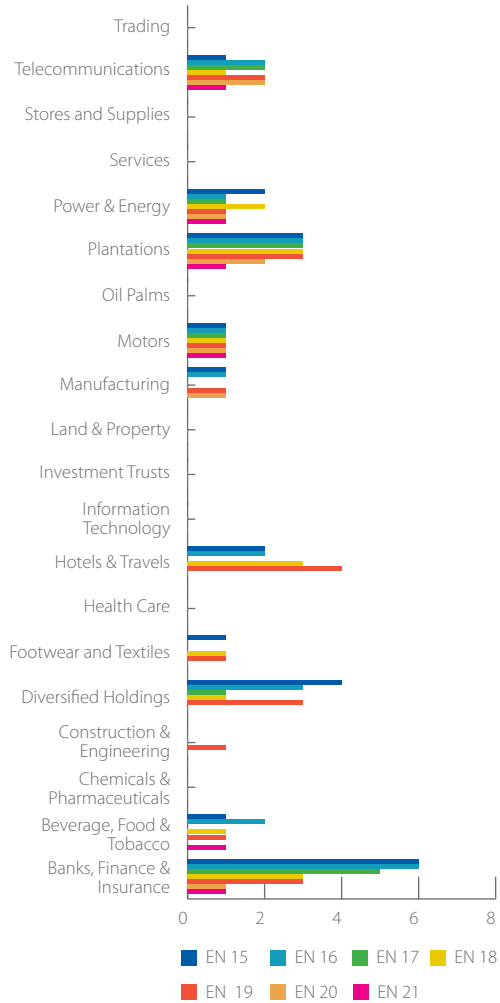
The Indicators for reporting on emissions are listed below.

Indicator	Description
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)
EN18	Greenhouse gas (GHG) emissions intensity
EN19	Reduction of greenhouse gas (GHG) emissions
EN20	Emissions of ozone-depleting substances (ODS)
EN21	NOX, SOX, and other significant air emissions

Emissions are material across a wide range of sectors and a total of 22 entities report on emissions of which 19 provide quantitative information. As this is less than 50% of the companies using the GRI Framework, it is apparent that more entities must be encouraged to report on emissions. Our experience in working with companies to report on Emissions highlights the need for training identified persons within organisations to calculate emissions on a regular basis so that information is available within the organisation at all times. The current model of engaging external consultants to calculate emissions on an annual basis is unsustainable, adding costs to the sustainability reporting process and undermining the corporates' risk management capability. Instead, these engagements must be transformed to

facilitate knowledge transfer so that corporates can compute their own emissions and report on the same on a regular basis, strengthening their risk management capability and driving investment in reducing the intensity of emissions and innovation.

Reporting on Emissions



Waste & Effluents

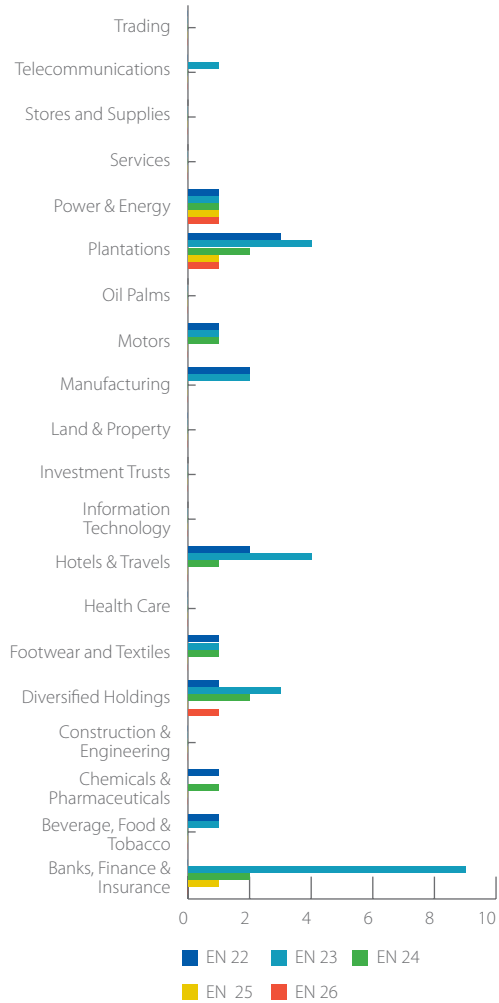
The Indicators for reporting on waste and effluents are listed below.

Indicator	Description
EN22	Total water discharge by quality and destination
EN23	Total weight of waste by type and disposal method
EN24	Total number and volume of significant spills
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff

A total of 28 companies report on Waste & Effluents which amounts to 47% of companies using the GRI Framework. It is encouraging to observe that 9 entities in the Banks, Finance & Insurance sector report on EN23 with Hotels and Plantations sector also having 4 entities each. Only two entities report across all four indicators and these are in the Power & Energy sector and the Plantations sector. While recognising that all indicators may not be relevant across all sectors, the relatively low level of reporting on EN 22 with only 13 entities reporting on this indicator gives cause for concern. EN22 is relevant across Beverage, Food & Tobacco, Chemicals & Pharmaceuticals, Manufacturing, Footwear & Textiles, Hotels & Travels, Plantations, Power & Energy and

Health Care sectors which should be encouraged to report on the same. It is noteworthy that there are only 3 entities reporting on EN25 and 3 on EN26 which also highlights the need for companies in Chemicals & Pharmaceuticals, Manufacturing, Plantations to re-evaluate these material aspects.

Reporting on Waste & Effluents



Products & Services, Compliance, Transport and Overall

These four material aspects have been analysed together to maintain brevity of the report.

Indicator	Description
Aspect	Products & Services
EN27	Extent of impact mitigation of environmental impacts of products and services
EN28	Percentage of products sold and their packaging materials that are reclaimed by category
Aspect	Compliance
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
Aspect	Transport
EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce
Aspect	Overall
EN31	Total environmental protection expenditures and investments by type

Seventeen (17) companies report on Products & Services as a material aspect including 7 companies from the Financial Sector for whom this is not a material aspect. This may be explained by the fact that few companies manufacture products that have an environmental impact during their use or at the end of their useful life.

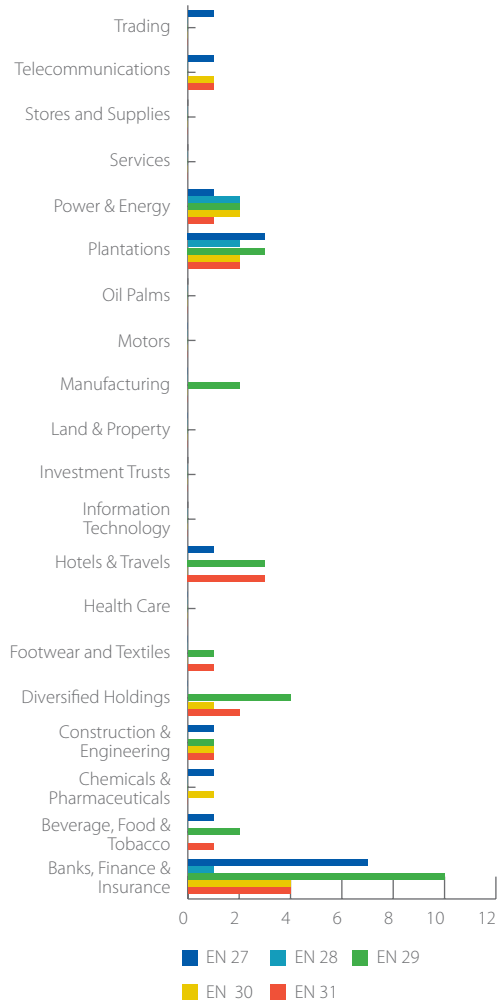
It is disappointing to note that only 5 companies report on EN28 indicating that few entities identify this as a material aspect. Entities in the Beverage Food and Tobacco, Chemicals & Pharmaceuticals and Manufacturing sector must be encouraged to examine whether this is a material aspect and report accordingly.

Twenty eight (28) companies report on EN29 with all disclosures on this aspect being nil reports indicating high levels of

compliance. However, this total includes 10 entities in the Banks and Finance sector for whom this aspect is unlikely to be material and reporting on this indicator merely serves to increase the number of criteria reported on negatively impacting the conciseness and quality of the report. Reporting entities are strongly encouraged to consider the materiality of this indicator prior to reporting on the same.

Only 12 entities report on Transport as a material aspect (EN30) although it is likely to be material across several sectors. Sixteen (16) entities report on EN31 pointing to the need for entities to re-evaluate the materiality of this criteria to ensure that entities for which it is material track and report on this indicator and entities to whom it is not material are discouraged from reporting on the same.

Reporting on Products & Services, Compliance, Transport and Overall



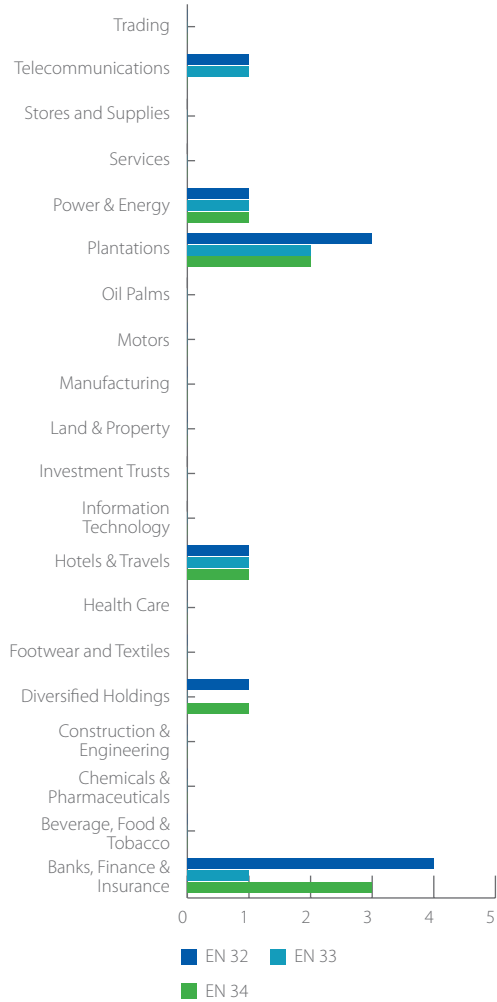
Supplier Environmental Assessment & Environmental Grievance Mechanisms

The GRI Indicators for these aspects are as follows:

Indicator	Description
Aspect	Supplier Environmental Assessment
EN32	Percentage of new suppliers that were screened using environmental criteria
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken
Aspect	Environment Grievance Mechanisms
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms

Reporting on these two aspects highlights the need for credible processes for identifying materiality aspects for reporting entities. It also highlights the brand vulnerabilities of organisations in the Manufacturing, Beverage, Food & Tobacco, Chemicals & Pharmaceuticals to name a few sectors which should have identified these aspects as material and reported accordingly.

Reporting on Supplier Environmental Assessments & Environmental Grievance Mechanisms



Social

This vital category has several sub-sectors which are as follows;

- Labour Practices and Decent Work
- Human Rights
- Society
- Product Responsibility

Labour Practices & Decent Work

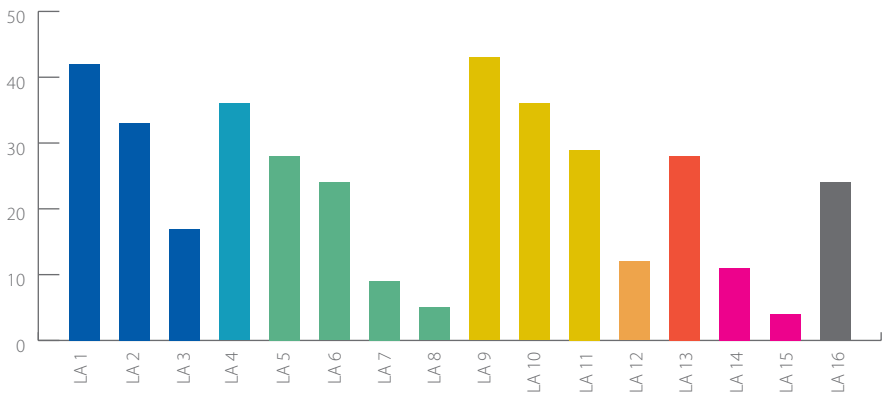
Reporting on Labour Practices & Decent Work is encouraging with 43 (73%) entities reporting on at least one aspect.

Many entities have correctly identified Employment, Labour/Management Relations and Training & Education as material aspects. Reporting on Occupational Health & Safety is significantly less with a total of 28 entities reporting of which 17 are in the Banks, Finance and Insurance sector. It is noteworthy that sectors such as Manufacturing, Construction & Engineering, Healthcare, Food, Beverage & Tobacco for which this is likely to be a material aspect have only one entity reporting on the same.

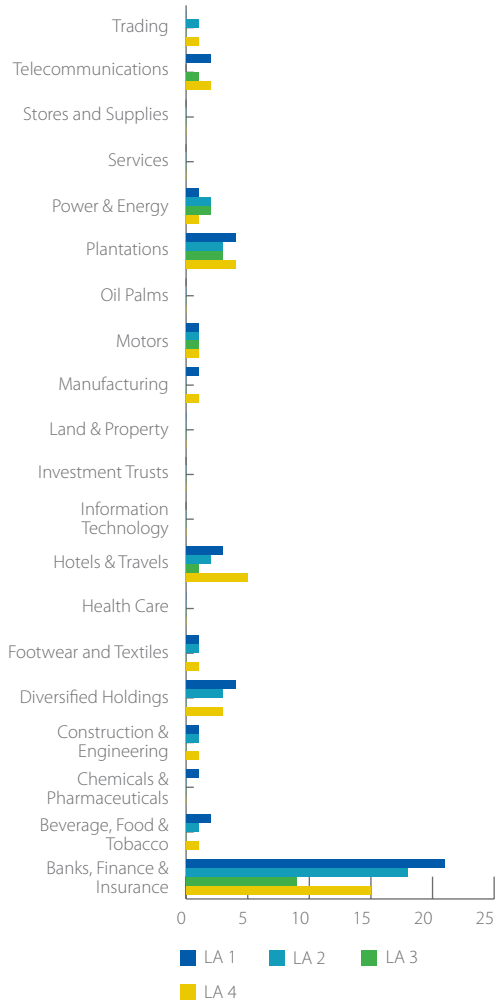
Indicator	Description
Aspect	Employment
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
LA3	Return to work and retention rates after parental leave, by gender
Aspect	Labour/Management Relations
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements
Aspect	Occupational Health & Safety
LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
LA7	Workers with high incidence or high risk of diseases related to their occupation
LA8	Health and safety topics covered in formal agreements with trade unions
Aspect	Training & Education
LA9	Average hours of training per year per employee by gender, and by employee category

Indicator	Description
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
Aspect	Diversity & Equal Opportunity
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
Aspect	Equal Remuneration for Women & Men
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation
Aspect	Supplier Assessment for Labour Practices
LA14	Percentage of new suppliers that were screened using labour practices criteria
LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken
Aspect	Labour Practices Grievance Mechanisms
LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms

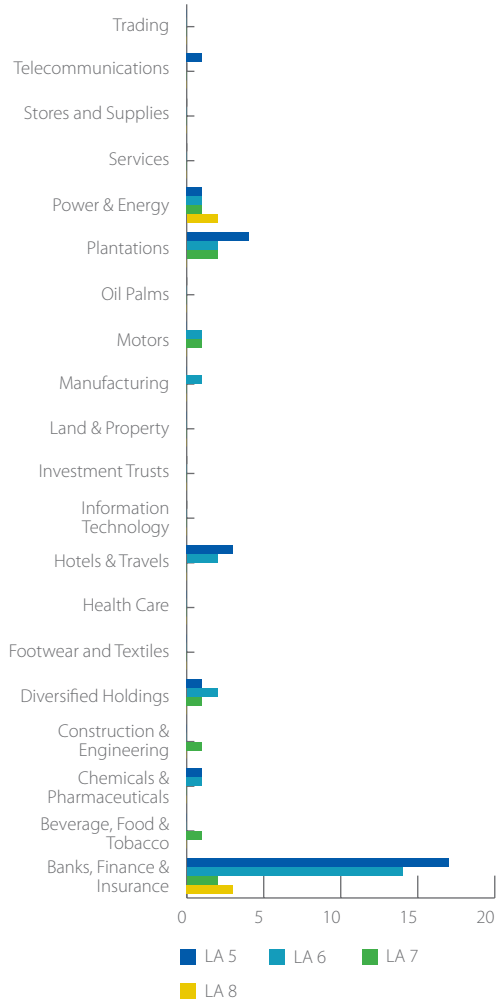
Reporting on Labour Practices & Decent Work



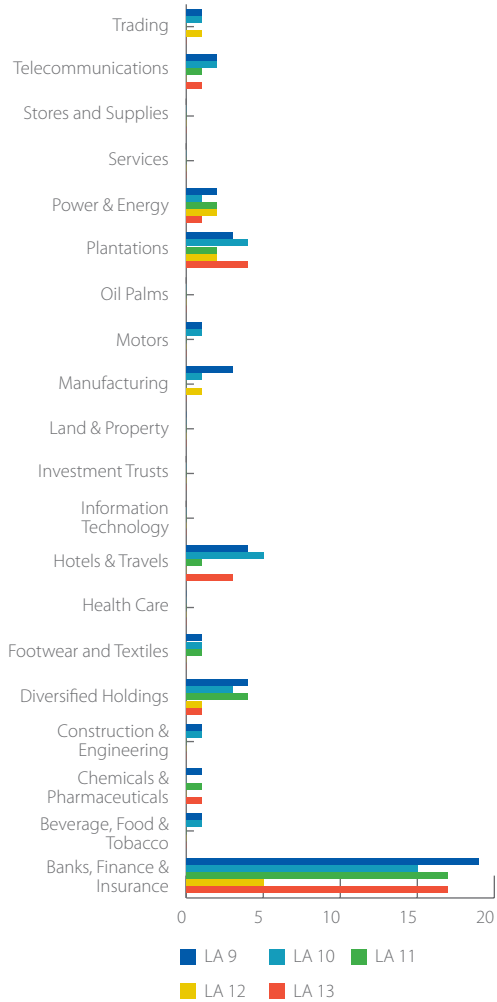
Reporting on Employment & Labour/Management Relations



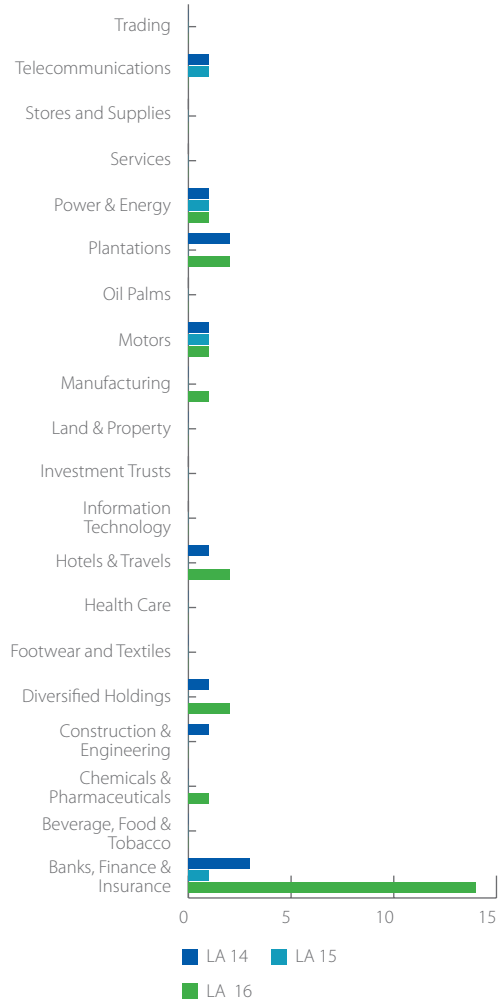
Reporting on Health & Safety



Reporting on Training & Education, Diversity & Equal Opportunity and Equal Remuneration for Men & Women



Reporting on Supplier Assessment for Labour Practices and Grievance Mechanisms for Labour Practices



Human Rights

It is observed that less than 50% of GRI Reporting entities report on Human Rights with a maximum of 28 entities reporting on HR3 while 27 entities report on HR5 and HR6. Only 3 entities report on HR1 with one entity reporting from Plantations, Power & Energy and Manufacturing which may be due to relatively low investment activity by reporting entities although it must also be considered whether it could also be attributable to a systematic weakness in human rights screening in investment agreements. It is noteworthy that none of the Diversified Holdings companies report on HR1 which may be more relevant to this sector than others.

A number of companies may also consider aspects such as child labour (HR5) and

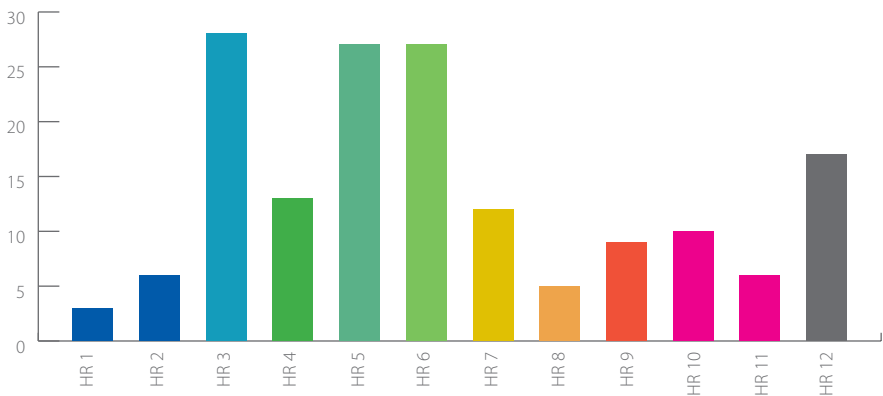
forced or compulsory labour (HR6) to be of low materiality as many entities that engage in Sustainability Reporting have had policies in place for many years in this regard although some entities where this may be an issue could also have failed to recognise this aspect as material. Low levels of reporting on HR2, HR10 and HR11 underscores the need for reporting entities to evaluate whether organisations have sufficiently robust processes in place to reduce brand vulnerabilities.

From a sector perspective, the Banking, Finance & Insurance and the Plantations sectors have the highest number of entities reporting on Human Rights although this would be relevant across a broad spectrum of industry sectors.

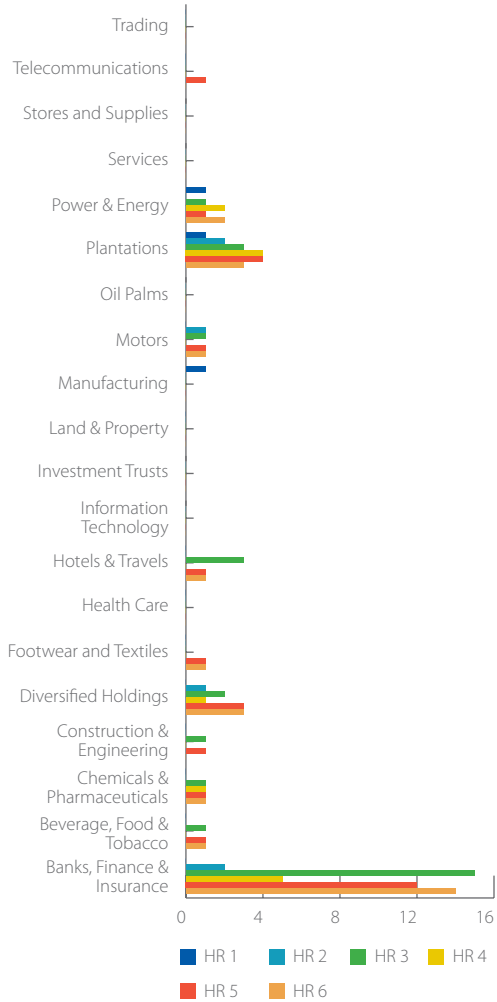
Indicator	Description
Aspect	Investment
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
Aspect	Non-discrimination
HR3	Total number of incidents of discrimination and corrective actions taken
Aspect	Freedom of Association and Collective Bargaining
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights
Aspect	Child Labour
HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour

Indicator	Description
Aspect	Forced or Compulsory Labour
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour
Aspect	Security Practices
HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations
Aspect	Indigenous Rights
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken
Aspect	Assessment
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments
Aspect	Supplier Human Rights Assessment
HR10	Percentage of new suppliers that were screened using human rights criteria
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken
Aspect	Human Rights Grievance Mechanisms
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

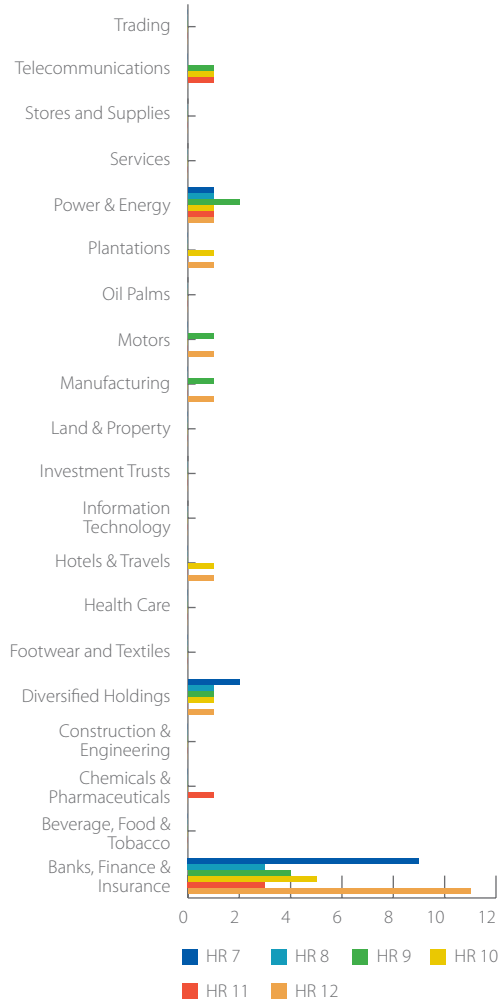
Reporting on Human Rights



Reporting on Human Rights - 1



Reporting on Human Rights - 2



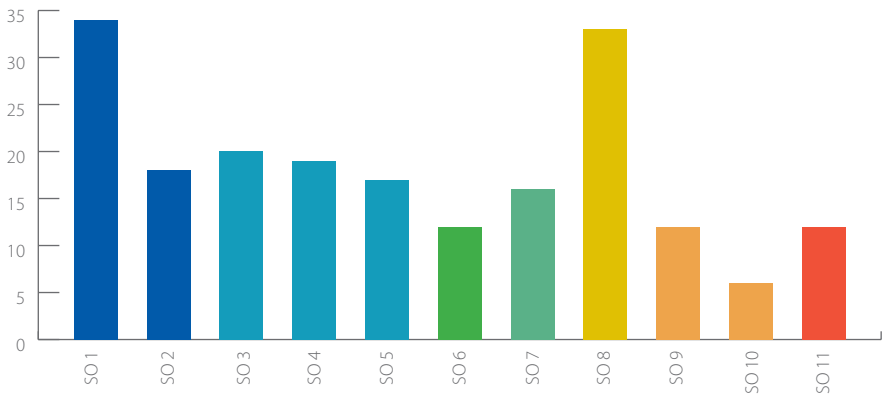
Local Communities

With 34 entities reporting on SO1 and 33 entities reporting on SO8, there appears to be significant acceptance of Local Communities and Compliance as material aspects to organisations which is encouraging. However, relatively low levels of reporting across other aspects such as Anti-Corruption, Supplier Assessment for Impacts on Society and Grievance Mechanisms for Impacts on Society which are relevant across many sectors raises concerns regarding the processes adopted for determining material aspects. As with other categories, the Banking, Finance & Insurance sector accounts for the highest number of reporting entities with Plantations and Diversified Holdings also reflecting relatively significant levels of reporting.

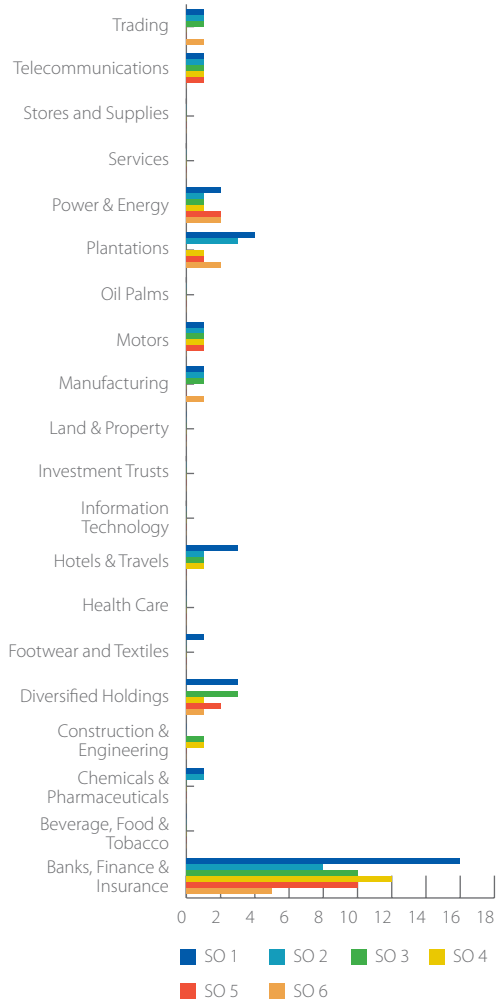
Indicator	Description
Aspect	Local Communities
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes
SO2	Operations with significant actual and potential negative impacts on local communities
Aspect	Anti-Corruption
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
SO4	Communication and training on anti-corruption policies and procedures
SO5	Confirmed incidents of corruption and actions taken
Aspect	Public Policy
SO6	Total value of political contributions by country and recipient/beneficiary
Aspect	Anti-Competitive Behaviour
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes
Aspect	Compliance
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Indicator	Description
Aspect	Supplier Assessments for Impacts on Society
SO9	Percentage of new suppliers that were screened using criteria for impacts on society
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken
Aspect	Grievance Mechanisms for Impacts on Society
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

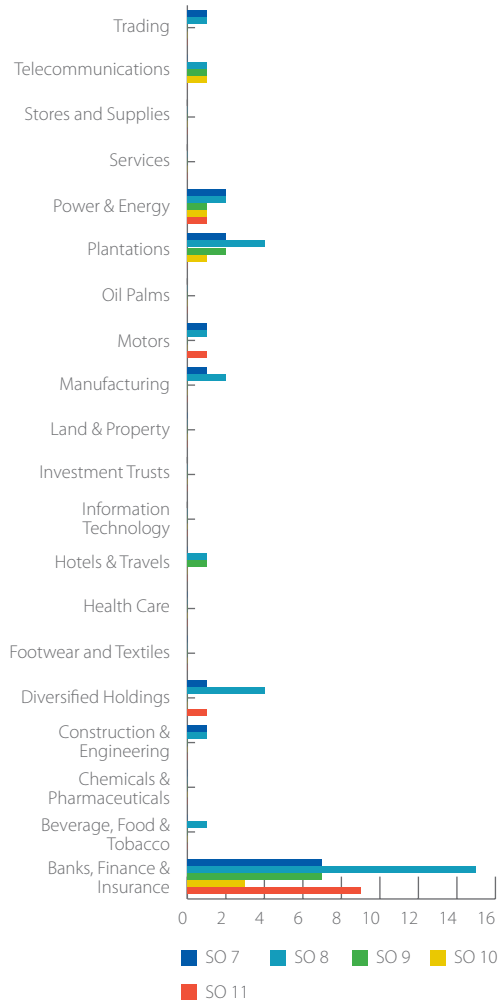
Reporting on Local Communities



Reporting on Society - 1



Reporting on Society - 2



Product Responsibility

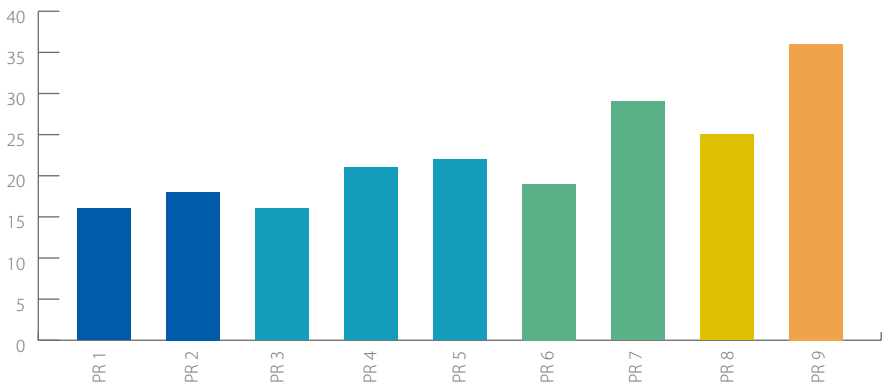
Surprisingly product responsibility aspects and product service and labelling aspects reporting is not widely prevalent or is not referenced in the GRI Index of most reports except for PR9 on compliance which 36 entities have reported on. These are material aspects that significantly impact the company's ability to create value and should be included as material issues in most entities. Entities focussed on these issues are far more likely to be successful in managing issues related to their products and driving product innovation, reducing brand vulnerabilities.

The low levels of reporting on Product Responsibility in the Beverage, Food & Tobacco, Chemicals & Pharmaceuticals and the absence of reporting by the Health Care sector reflects poorly on the credibility of reporting within these sectors for which Product Responsibility must be considered material in the absence of evidence to the contrary. It underscores the urgent need to encourage these sectors to adopt a holistic approach to balanced narrative reporting which will strengthen the organisations ability to deliver sustained value in the long term.

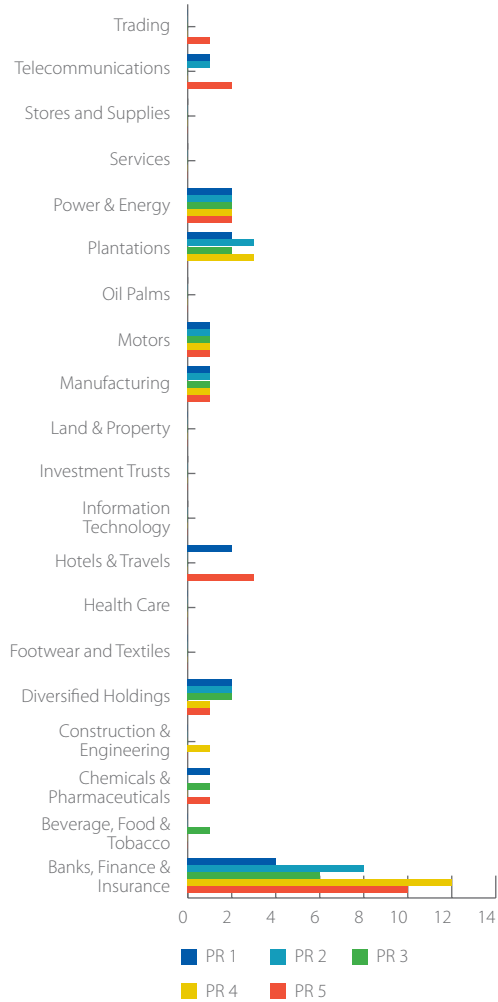
Indicator	Description
Aspect	Customer Health & Safety
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes
Aspect	Anti-Corruption
PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
PR5	Results of surveys measuring customer satisfaction

Indicator	Description
Aspect	Marketing Communications
PR6	Sale of banned or disputed products
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes
Aspect	Customer Privacy
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
Aspect	Compliance
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

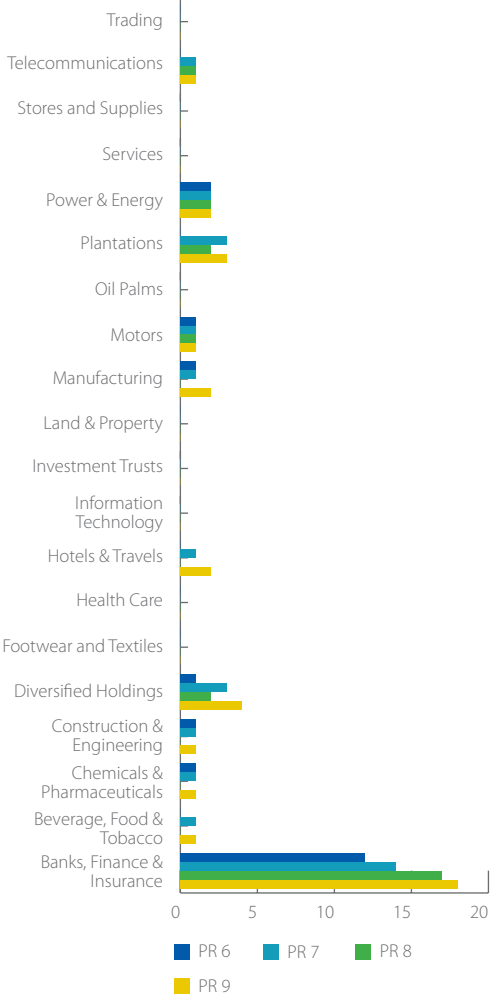
Reporting on Product Responsibility



Reporting on Product Responsibility - 1



Reporting on Product Responsibility - 2



High level engagement in review of stakeholder engagement processes and the organisation's value creation processes greatly enhances the identification of material issues and connectivity of risk management, internal controls and performance management to the material issues.

WAY FORWARD FOR SRI LANKA

Sustainability Reporting is becoming increasingly important in the development of capital markets and voluntary sustainability reporting in Sri Lanka is clearly gaining traction. A quick way to gain recognition of these efforts is to ensure that Sustainability Reports are uploaded on to the GRI database so that awareness is created about the progress in this regard in the country. For 2014 and 2014/15, only 15 reports have been uploaded on to the GRI database although we have 59 GRI reports in the country.

The Banking, Finance & Insurance, Plantations, Hotels and Diversified Holdings sectors are relatively more advanced in sustainability reporting with a number of entities reporting using the GRI Framework and reporting across a number of material aspects. Other sectors Beverages, Food & Tobacco, Chemicals & Pharmaceuticals, Manufacturing and Health Care must be encouraged to adopt more holistic reporting practices

particularly as their operations have wide ranging environmental and social impacts.

All reporting entities are encouraged to review their processes for identifying material aspects as reporting across less significant aspects compromises the quality of the report as they become more voluminous. It also raises concerns on greenwashing and whitewashing by companies compromising the value of sustainability reporting.

Reporting entities should subject the sustainability information to the same rigorous internal control processes and review as financial reporting information to enhance the quality of the reports. This will enable organisations to understand and use the information to support objective decision making which in turn will support optimal resource allocation and reduce brand vulnerabilities.

It is important to note that Sustainability Reporting initiatives must be led from the front by the CEO and the Board. This serves to highlight the importance placed

on the processes and encourage a change in the organisation culture on awareness and engagement with sustainability reporting. High level engagement in review of stakeholder engagement processes and the organisation's value creation processes greatly enhances the identification of material issues and connectivity of risk management, internal controls and performance management to the material issues. It also secures the much needed time, resources and recognition required for embedding sustainability reporting processes within the organisation. Sustainability reporting in Sri Lanka needs to evolve to a stage where targets can be set for key indicators and only high level commitment can take entities forward towards this goal.

Investing in external assurance on sustainability reports will enhance their credibility and also gain expertise and insights in to areas for improvement from experts in sustainability reporting. This will also collectively drive the quality of reporting across the Board as entities implement the recommendations, enhancing their own quality of reporting. Awards and accolades for sustainability reporting also drive growth in both the number and the quality of reports as entities review and research new developments to gain an advantage.

The above recommendations intend to drive performance and innovation as we expand the key performance indicators beyond a financial focus towards sustainability indicators based on a clear identification of material issues. Other benefits such as the positive impact on reputation both internally and externally will impact several areas of performance positively in a myriad ways and build strong organisations that will drive the sustainable growth of capital markets.



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