

Sustainability Reporting

A comprehensive lecture on the global baseline for sustainability-related financial disclosures and climate-related disclosures, set in the Sri Lankan reporting context.



Learning Outcomes

On completion you should be able to evaluate and apply the following across the sustainability reporting domain:



Reporting quality

Evaluate integrated & segmental reporting and the quality of financial / non-financial information for investors (IFRS, <IR> Framework, GRI, SASB).



Data analytics

Evaluate data analytics in identifying key sustainability metrics and digital tools that enhance transparency under S1 & S2.



SLFRS S1 — concepts

Evaluate and apply the conceptual foundations, key disclosure requirements and general requirements of SLFRS S1.



SLFRS S1 — application

Evaluate and apply disclosures on judgements, estimation uncertainties and errors; assess a report against S1.



SLFRS S2 — climate

Explain, evaluate and apply the core content disclosure requirements of SLFRS S2 and assess a report against it.



Emerging standards

Evaluate and apply the potential impact of new exposure drafts on sustainability reporting.

From Compliance Activity to Core Strategy

Sustainability reporting has evolved **from a niche compliance activity into a core component of corporate strategy**. Leadership now directs the integration of financial and non-financial performance to drive value, meet stakeholder scrutiny, manage stricter international regulation, and secure access to capital.

THREE CORE COMPONENTS OF MODERN REPORTING



Disclosure quality

Evaluated using established international principles.



New SL standards

SLFRS S1 (general requirements) and SLFRS S2 (climate-related disclosures).



Digital tools

Used to verify reporting accuracy and compliance.

THE STEWARDSHIP CASE

- Fragmented reporting obscures the true drivers of value, creating a valuation gap that misallocates capital.
- A complete account of how the business uses and affects all forms of capital is a fiduciary duty.
- Transparency builds stakeholder trust and the social licence to operate.
- Capital markets demand consistent, comparable data to price risk and assess value creation.

How This Session Is Structured

1



Foundations

Integrated reporting, the Six Capitals & segmental information (SLFRS 8).

2



Evolution of Sustainability Reporting

GRI · SASB · TCFD, double materiality & assurance readiness.

3



SLFRS S1

The global baseline — concepts, core content, general requirements, judgements & errors.

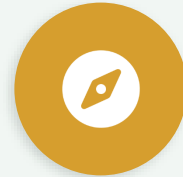
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SLFRS S2

Climate-related disclosures — risks, GHG emissions, transition plans, targets.

5



Enablers & future

Data & digital tools, compliance evaluation and emerging standards.

Corporate Social Responsibility and Non Financial Reporting

A business model that helps a company be **socially accountable** to itself, to its **stakeholders** and to the **general public**



"GIVING BACK"

Benefits of NFR

1. An increased **understanding of risks and opportunities** and resulting effect on strategy and policy
2. The ability to **attract investors** who are seeking sustainable investment opportunities
3. The possibility of getting ahead of regulatory developments
4. Gaining an enhanced **corporate reputation** and avoiding being implicated in environmental and social failures
5. Strengthening **financial performance** by identifying cost saving, revenue generating and risk mitigation opportunities



Examples from Sri Lankan Corporates



Hope Shines Bright for Ilukwewa Junior School, Mahasengama

30th Dec 2024

In a heartwarming gesture, SriLankan Cares and Amelie & Daneil Linsey Foundation (UK) donated school books to Ilukwewa Junior School in Polonnaruwa District. Situated far from city limits, many families in this area struggle with poverty, making it hard for children to attend school. This generous donation ensured these young learners could continue their education and dream of a brighter future. This act of kindness brought hope and joy to the students, as well as gratitude from the local community.

Contribution to
Prime Minister’s
Education
Assistance
Trust (PMEAT)



Rally to Care

'Rally to Care' an initiative by Dialog Foundation, a charitable trust under the aegis of Dialog Axiata PLC

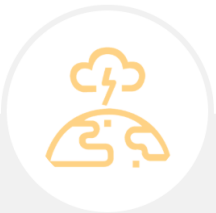
[Learn More](#)



Hearing, Sight and Speech

Vision 2020' is a global initiative of the World Health Organisation (WHO).

[Learn More](#)



Disaster Response

Reconstruction of houses damaged or destroyed by the May 2017 flood

[Learn More](#)



Education

Offers financial assistance to top-performing G.C.E. O/L and A/L students to pursue their higher studies.

[Learn More](#)



Integrated Reporting & the Six Capitals

Integrated Reporting — a concise communication about how an organisation's strategy, governance, performance and prospects create value over time.

Standard: International <IR> Framework (IIRC)

The IIRC framework expands beyond financial metrics to six interacting capitals. Champion this view so the board sees how decisions create or erode value across all of them — not just financial returns.



Financial

Funds available for production / investment



Manufactured

Physical objects: buildings, equipment, infrastructure



Intellectual

Knowledge-based intangibles, IP, systems



Human

Skills, capabilities & experience of people



Social & Relationship

Relationships, trust & social licence



Natural

Environmental resources & ecosystem services



WORKED EXAMPLE

Connected multi-capital returns

Rs. 50m in employee training (Human) drove process innovations (Intellectual) that cut waste **15%** (Natural) while lifting net profit by **Rs. 10m** (Financial).

CONNECTIVITY VALUE FORMULA

$\Delta FC = f(\Delta HC, \Delta IC)$

Change in Financial Capital is a function of changes in Human and Intellectual Capital.

Capital Interdependencies & Trade-offs

The six capitals form an interconnected system: investment in one generates returns in another. Strategic decisions frequently deplete one capital to enhance another — these trade-offs must be explicitly quantified and governed in comparable terms.

VALUE CREATION PATHWAY

Rs. 1m analytics training (Δ HC) → proprietary predictive-maintenance algorithm (Δ IC) → 15% less equipment downtime → Rs. 5m annual cost savings (Δ FC).

Return on investment: 5×

QUANTIFIED TRADE-OFF

+50,000 units → Rs. 10m revenue, but consumes 10,000 m³ water = Rs. 1.5m replenishment cost. Net gain Rs. 8.5m — weighed against unquantified regulatory & reputational risk.

Make depletion transparent & comparable

GOVERNING PRINCIPLES

- Evaluate how activities transform inputs from all six capitals into outputs & outcomes.
- Challenge decisions that deplete one capital for short-term gains in another.
- Align allocation with opportunities that enhance multiple capitals simultaneously.

Segmental Information & Connectivity

Operating Segment — a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Standard: SLFRS 8 Operating Segments

The management approach requires external reporting to mirror the internal view used by the Chief Operating Decision Maker (CODM) — so investors see the company through its leaders' eyes.

SEGMENT PROFITABILITY ATTRIBUTION FRAMEWORK

$$\text{Segment Profit} = \text{Core Operational Profit} + \text{Human Capital} + \text{Natural Capital Impact} + \text{Social \& Relationship Premium} + \text{Intellectual / Manufactured Efficiency}$$

Worked example — Mango Holdings, Textiles & Apparel (Rs. 1,320m operating profit)

Core operations	Rs. 990m · 75%
Intellectual Capital (ERP, –5% waste)	Rs. 198m · 15%
Social & Relationship (OEKO-Tex premium)	Rs. 132m · 10%



CONNECTIVITY PRINCIPLE

A connected strategic narrative

Weave financial and non-financial information into one coherent value-creation story. A disconnected report forces stakeholders to piece together fragments and risks misinterpretation.

- Prioritise clear links between financial results and their non-financial drivers.
- Challenge information silos that block integrated ESG analysis.
- Align the narrative with material stakeholder needs — balanced on positives & negatives.

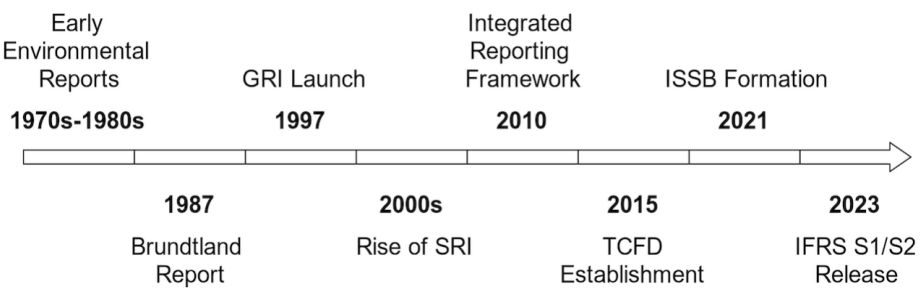
SECTION 02

Evolution of Sustainability Reporting

From voluntary environmental reports in the 1970s to today's mandatory, digitally-tagged, investor-focused disclosures.



Evolution of Sustainability Reporting



Voluntary Era <i>1970s–1990s</i>	Standardisation Era <i>2000s–2010s</i>	Mandatory Era <i>2020s+</i>
<ul style="list-style-type: none">▶ Simple environmental disclosures▶ Triggered by incidents & violations▶ Inconsistent, narrative format▶ Audience: General public	<ul style="list-style-type: none">▶ GRI launched 1997▶ Rise of SRI investing▶ ESG topics broadened▶ Multi-stakeholder focus	<ul style="list-style-type: none">▶ EU CSRD mandatory rules▶ ISSB formed 2021▶ IFRS S1/S2 released 2023▶ Digital/XBRL + assurance

GRI Standards

Modular Structure

Topic Standards

Material topics (e.g. GRI 302, 403)

Sector Standards

Industry-specific disclosures

Universal Standards – GRI 1, 2, 3

Mandatory foundation for all

Reporting Principles

Stakeholder Inclusiveness

Materiality (impact-focused)

Accuracy & Balance

Comparability & Verifiability

GRI Materiality = Impact-Focused

- 1 Understand organisation's context & value chain
- 2 Identify actual and potential impacts
- 3 Assess significance (severity, scale, likelihood)
- 4 Prioritise most significant impacts for reporting

Key Distinction from IFRS:

GRI focuses on an entity's outward impacts on society and the environment (multi-stakeholder). IFRS focuses on how sustainability affects enterprise value for investors.

TCFD — Four Pillars of Climate Disclosure



Governance

- Board committee responsible for climate oversight
- Management's role & reporting lines
- How board is informed about climate matters
- Link to executive remuneration



Strategy

- Climate risks & opportunities (short/medium/long)
- Impact on business model & value chain
- Scenario analysis (1.5°C vs 3°C pathways)
- Strategic resilience & transition plans



Risk Management

- Processes to identify physical & transition risks
- Methods to assess likelihood & financial impact
- Integration into enterprise risk management
- Prioritisation criteria



Metrics & Targets

- Scope 1: direct emissions (owned assets)
- Scope 2: indirect — purchased energy
- Scope 3: value chain emissions
- Targets & progress reporting

Navigating the Multi-Framework Landscape

Each framework serves different audiences and purposes. Combine them strategically to meet diverse stakeholder needs without creating redundancy or incomparable metrics.

Dimension	GRI — Global Reporting Initiative	SASB — Sustainability Accounting Standards Board	TCFD — Task Force on Climate-related Financial Disclosures
Primary audience	Multi-stakeholder: investors, employees, communities, regulators	Investors & capital markets	Investors, lenders, insurers
Core purpose	Accountability for sustainability impacts	Financially material sustainability information	Climate risk & opportunity disclosure
Materiality focus	Impact materiality — effect ON economy, environment, people	Financial materiality — issues affecting enterprise value	Financial materiality — climate-related risks to the business
Materiality basis	Stakeholder engagement; significance of impacts	Industry-specific; reasonably likely to affect financial condition	Scenario analysis; risk assessment
Topical scope	Universal: environmental, social, governance, economic	Industry-specific sustainability topics	Climate-focused only

All three feed into — and are superseded as a baseline by — the SLFRS S1 & S2 standards examined next.

Double Materiality & Assurance Readiness

DOUBLE MATERIALITY — TWO LENSES



Financial materiality

Sustainability topics that affect enterprise value — the 'outside-in' view.



Impact materiality

The organisation's impact on society & environment — the 'inside-out' view.

Central to the European Sustainability Reporting Standards (ESRS) and increasingly influential globally — it prevents a narrow focus on returns while ignoring external impacts that become future liabilities.

INFORMATION QUALITY CHARACTERISTICS

Relevance

**Faithful
representation**

Verifiability

Comparability



ARCHITECTING ASSURANCE READINESS

Make non-financial data as reliable as financial data — robust enough to withstand independent external verification.

- Mirror the rigour of financial reporting controls for ESG data.
- Challenge data sources & estimation techniques (e.g. GHG emissions).
- Create clear ownership & accountability for ESG information.

SECTION 03

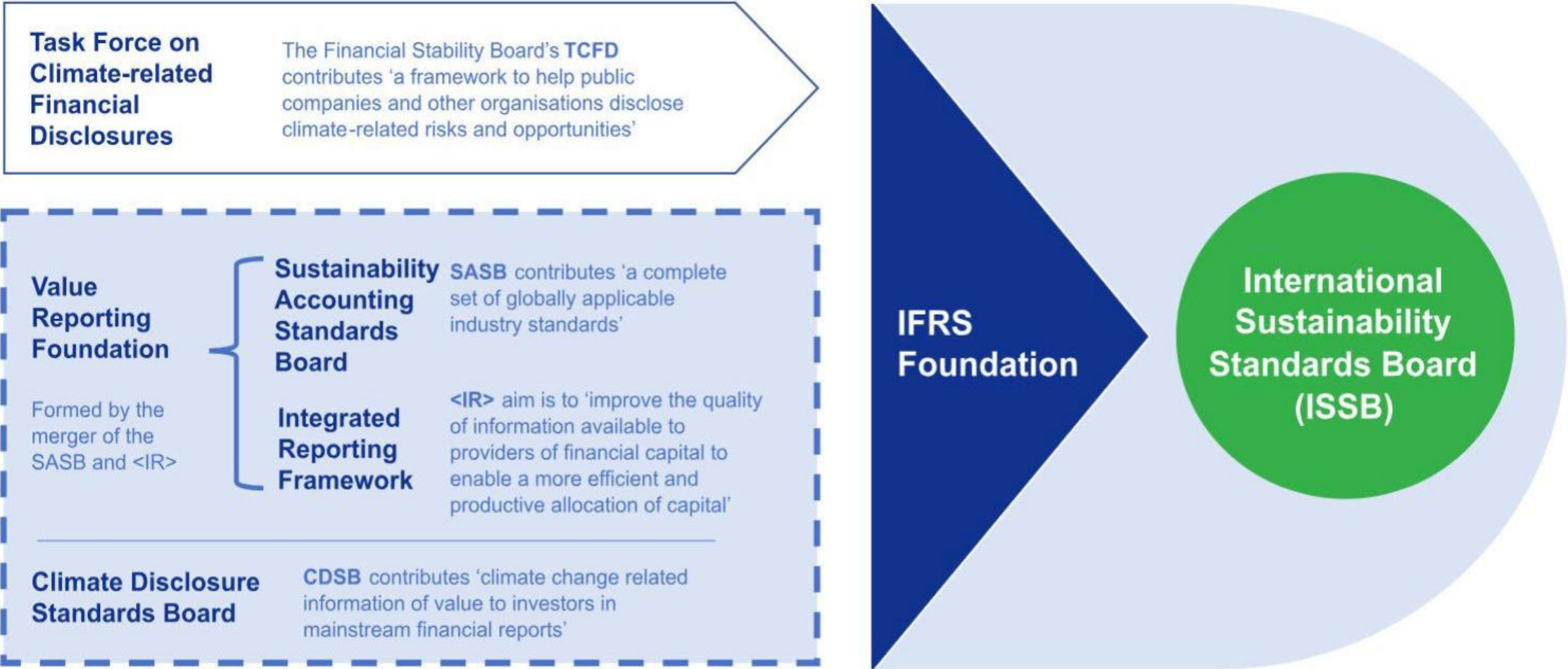
SLFRS S1

The global baseline for sustainability-related financial disclosures.

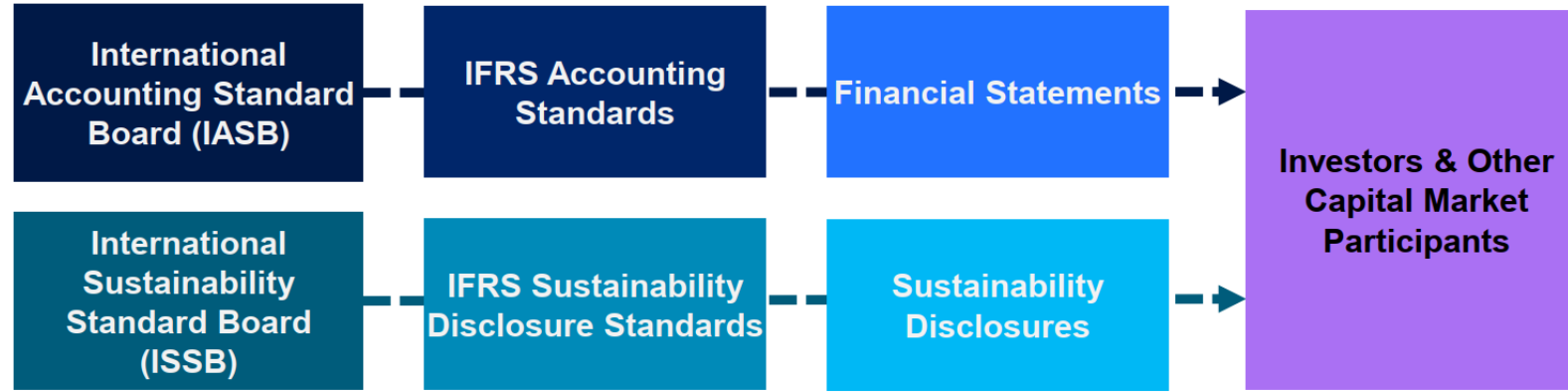
General Requirements for Disclosure of Sustainability-related Financial Information



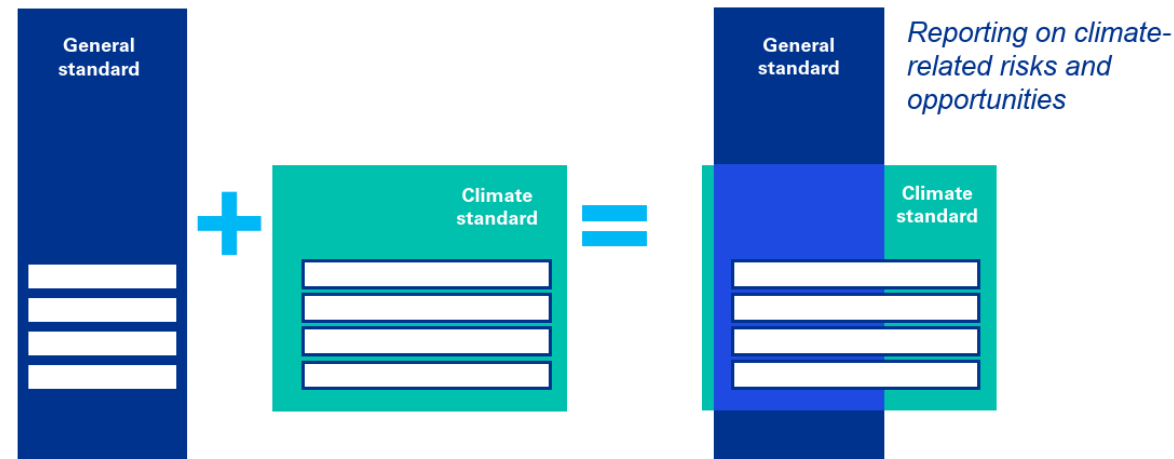
Foundation for Sustainability Standards



Accounting Standards & Sustainability Disclosure Standards Compatibility



The relationship between two standards (SLFRS S1 and S2)



Objective & Scope

Adopting SLFRS S1 means moving from a fragmented, voluntary reporting landscape to a single, enforceable baseline. To disclose information about its “**sustainability-related risks and opportunities (SRROs)**.”

This is on all **significant SRROs**.

Standard: SLFRS S1 — General Requirements (sustainability-related financial information)

WHAT GOOD APPLICATION DELIVERS

	Decision-useful information	Influences how primary users value the entity and assess its prospects.
	Connected reporting	Sustainability data is linked to, and consistent with, the financial statements.
	Capital-market confidence	Consistent, comparable data lets markets price risk and reward value creation.



THE COST OF GETTING IT WRONG

- Regulatory sanctions for non-compliance with the standard.
- Capital flight & eroded investor confidence.
- Mispriced risk and a higher cost of capital.
- Governing the transition is a board-level fiduciary duty.

The Four Pillars of Disclosure

SLFRS S1 structures all disclosures around four core pillars, mirroring the TCFD recommendations to ensure comprehensive, comparable reporting.

01



Governance

The governance processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities.

02



Strategy

The approach for managing sustainability-related risks and opportunities that could affect the entity's prospects.

03



Risk Management

The processes used to identify, assess, prioritise and monitor sustainability-related risks and opportunities.

04



Metrics & Targets

Performance in relation to risks and opportunities, including progress towards any targets set or required by law or regulation.

Materiality & Connected Information

MATERIAL INFORMATION

Information that could reasonably be expected to influence the decisions primary users (investors, lenders, creditors) make about providing resources to the entity.

Standard: SLFRS S1. An investor-focused lens — narrower than broad, stakeholder-oriented frameworks.

CONNECTED INFORMATION

- Disclosures must be linked to the financial statements — no reporting in isolation.
- Align assumptions across asset valuations, impairment tests and provisions.
- Challenge any narrative that cannot be traced to financial statement line items.
- When providing information on risks and opportunities (SRROs) it is required to maintain connectivity of all 04 core contents



MATERIALITY IN PRACTICE

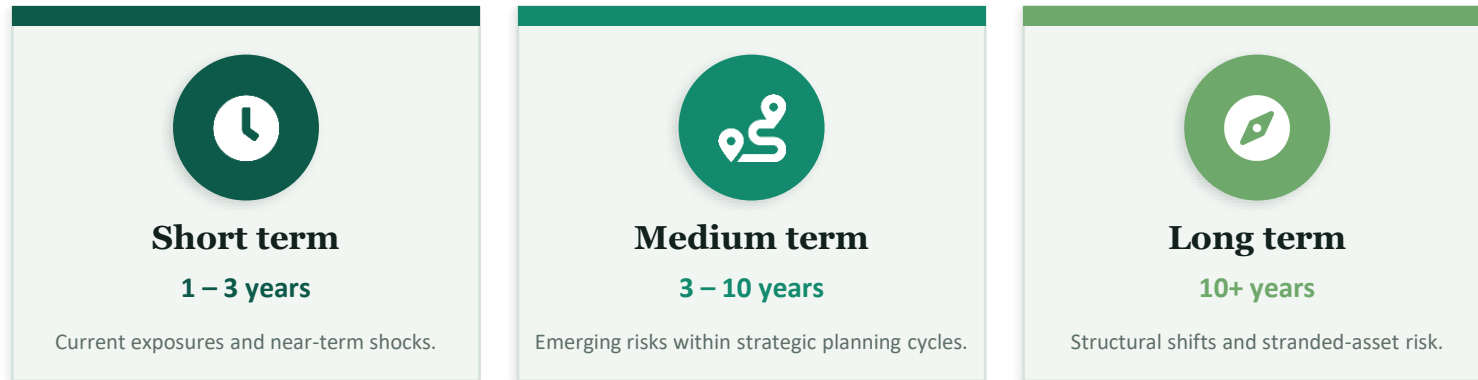
A potential **Rs. 50m carbon-tax liability** is material — it directly affects future cash flows and profitability.

By contrast, a general environmental commitment with no clear financial implication may matter to stakeholders yet not be material to investors.

Test materiality across the entire value chain and all time horizons, with defensible thresholds.

Risk & Opportunity Across Time Horizons

SLFRS S1 defines a sustainability-related risk as an event or condition that could negatively affect cash flows, access to finance or cost of capital — identified across three time horizons:



QUALITATIVE CHARACTERISTICS OF USEFUL INFORMATION

FUNDAMENTAL

- Relevance
- Faithful representation

ENHANCING

- Comparability
- Verifiability
- Timeliness
- Understandability



REPORTING BOUNDARY — VALUE CHAIN

The boundary must include material value-chain impacts that could affect enterprise value — regardless of the degree of control. Difficulty in obtaining reliable data does not justify omitting a material risk; disclose with data limitations and uncertainty ranges instead.

Core Content Disclosure Requirements

What the standard requires you to disclose under each of the four pillars — moving beyond a compliance checklist to a clear line of sight from board oversight to measurable outcomes.



Governance

Disclose the governance bodies, processes and controls. Disclose the board's skills & competencies relative to material risks, and the data-to-disclosure pathway from management to board.



Strategy

Explain how material risks & opportunities affect the business model, value chain and financial-planning horizons; test resilience against plausible scenarios.



Risk Management

Disclose the processes to identify, assess, prioritise and monitor risks, and how they integrate with enterprise risk management (ERM).



Metrics & Targets

Disclose performance against material risks; benchmark target ambition; align metrics with executive remuneration to embed accountability.

General Requirements & Compliance

Beyond core content, SLFRS S1 sets procedural requirements that make disclosures timely, accessible and comparable — matching the rigour of the financial statements.



Timing

Concurrent publication with the financial statements, as part of the same reporting package — reshaping the reporting calendar.



Comparatives

Comparative information for all reported metrics, with consistent methodologies and transparent restatement of any changes.



Estimation uncertainty

Transparent disclosure of significant uncertainties that could materially adjust figures — especially Scope 3 and scenario analysis.



Statement of compliance

An explicit and unreserved, board-approved statement of adherence to SLFRS. Any material gap prevents an unqualified statement.

Statement of Compliance — Standard: SLFRS S1 General Requirements

An unqualified compliance statement carries significant legal and reputational weight and demands a defensible evidence trail.

Judgements, Uncertainties & Errors

Material sustainability metrics often rely on estimates. The standard requires transparency about significant judgements, the sources of estimation uncertainty, and the correction of errors.



Estimation uncertainty

Susceptibility to a lack of precision in measurement.

Standard: IFRS S1



Key source of estimation uncertainty

An assumption about the future with significant risk of material adjustment.

Standard: IAS 1 · SLFRS S1



Confidence interval

A range of estimates for an unknown parameter.

Standard: SLFRS S1 · IFRS 13

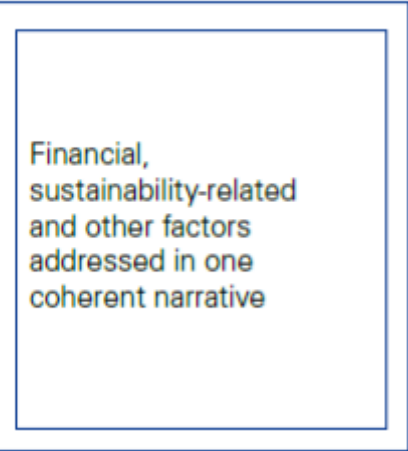


WORKED EXAMPLE — DISCLOSING A SCOPE 3 ESTIMATE WITH ITS RANGE

60% of emissions (30,000 tCO₂e) come from supplier data at ±5%; **40%** (20,000 tCO₂e) use industry averages at ±25%. Aggregating the bounds, the figure is disclosed as **50,000 tCO₂e (range 43,500 – 56,500)** — fulfilling IFRS S1 transparency on estimation uncertainty.

Structure of Presentation

Illustration 1: Integrated



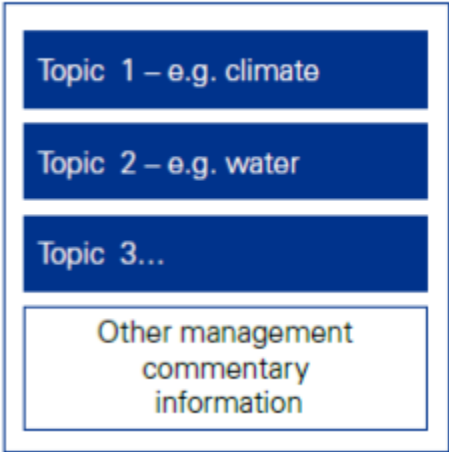
Include all info within single general purpose financial report

Illustration 2: By content area



Present info on the content areas separately

Illustration 3: By topic



Integrate Both

Key Definitions & Standard References

A consolidated reference of the SLFRS S1-related concepts and the standards in which they are grounded.

Concept	Definition (concise)	Standard reference
Material information	Could influence primary users' resource-allocation decisions	SLFRS S1
Faithful representation	Information faithfully represents the phenomena it purports to	SLFRS S1 · Conceptual Framework
Statement of compliance	Explicit & unreserved statement of adherence to SLFRS	SLFRS S1 General Requirements
Scenario analysis	Analysing possible future events via alternative outcomes	SLFRS S1 · IFRS S1 · TCFD
Estimation uncertainty	Susceptibility to lack of precision in measurement	IFRS S1
Key source of est. uncertainty	Future assumption with significant risk of material adjustment	IAS 1 · SLFRS S1
Confidence interval	A range of estimates for an unknown parameter	SLFRS S1 · IFRS 13

SECTION 04

SLFRS S2

Translating complex climate science into the language of financial risk and opportunity.

Climate-related Disclosures



Objective & Scope

SLFRS S2 is the global standard for climate-related disclosures. Objective is to disclose information about its “**climate -related risks and opportunities (CRROs)**”. Follows TCFD recommendations.

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Standard: SLFRS S2 Climate-related Disclosures

BUILDS DIRECTLY ON SLFRS S1

SLFRS S2 applies the four core pillars of SLFRS S1 — Governance, Strategy, Risk Management, and Metrics & Targets — specifically to climate, transforming it from a peripheral concern into a central component of financial reporting.



WHY RIGOUR MATTERS

- Avoids accusations of greenwashing.
- Prevents mispriced climate risk in capital markets.
- Protects against value erosion & a higher cost of capital.
- Gives investors a credible view of climate resilience.

Physical vs Transition Risks

SLFRS S2 requires identification of two fundamentally different risk categories — each demanding distinct mitigation strategies and financial modelling.



PHYSICAL RISK

Risks from the physical effects of climate change — acute events (floods, cyclones) and chronic shifts (sea-level rise, temperature).

Application: asset impairment, supply-chain disruption.

Example — a coastal facility quantifies **Rs. 500m** potential asset damage and **Rs. 100m/yr** higher insurance.

Standard: SLFRS S2

- **Acute risks** that relate to more frequent or more severe one-off disruptions to companies from extreme weather
- **Chronic risks** that stem from sustained greenhouse gas emissions leading to gradual changes in climate patterns, changes in precipitation patterns, and extreme variability in weather patterns



TRANSITION RISK

Risks from the shift to a lower-carbon economy — policy changes, technological shifts and changing market sentiment.

Application: asset valuation, revenue & cost structures.

Example — a utility faces a carbon tax raising operating costs **15%** plus market loss as customers switch to renewables.

Standard: SLFRS S2

- **Legal and regulatory** may arising costs from possible fines, regulations or litigations
- **Reputational** (e.g. brand damage, shift in consumer preferences);
- **Technological** (e.g. costs to transition to lower emissions technology.);
- **Market** (e.g. changing customer behavior, increased cost of raw materials)

Physical vs Transition Risks & Governance Disclosures

Physical Risks

Acute (Event-driven)

- Flooding of coastal facilities
- Extreme heat disrupting operations
- Storm damage to infrastructure

Chronic (Long-term shifts)

- Rising sea levels affecting assets
- Changing rainfall → crop yield loss
- Temperature extremes → energy costs

Transition Risks

Policy & Regulatory:	Carbon taxes, emission caps, new regulations
Technology:	Disruption from lower-carbon alternatives
Market:	Shifting consumer & investor preferences
Reputational:	Stakeholder concerns about climate performance

Climate Governance Disclosures (Required)

✓ Board committee or individual responsible for climate oversight

✓ Frequency & processes for informing the board on climate matters

✓ Management's role in assessing and managing climate risks

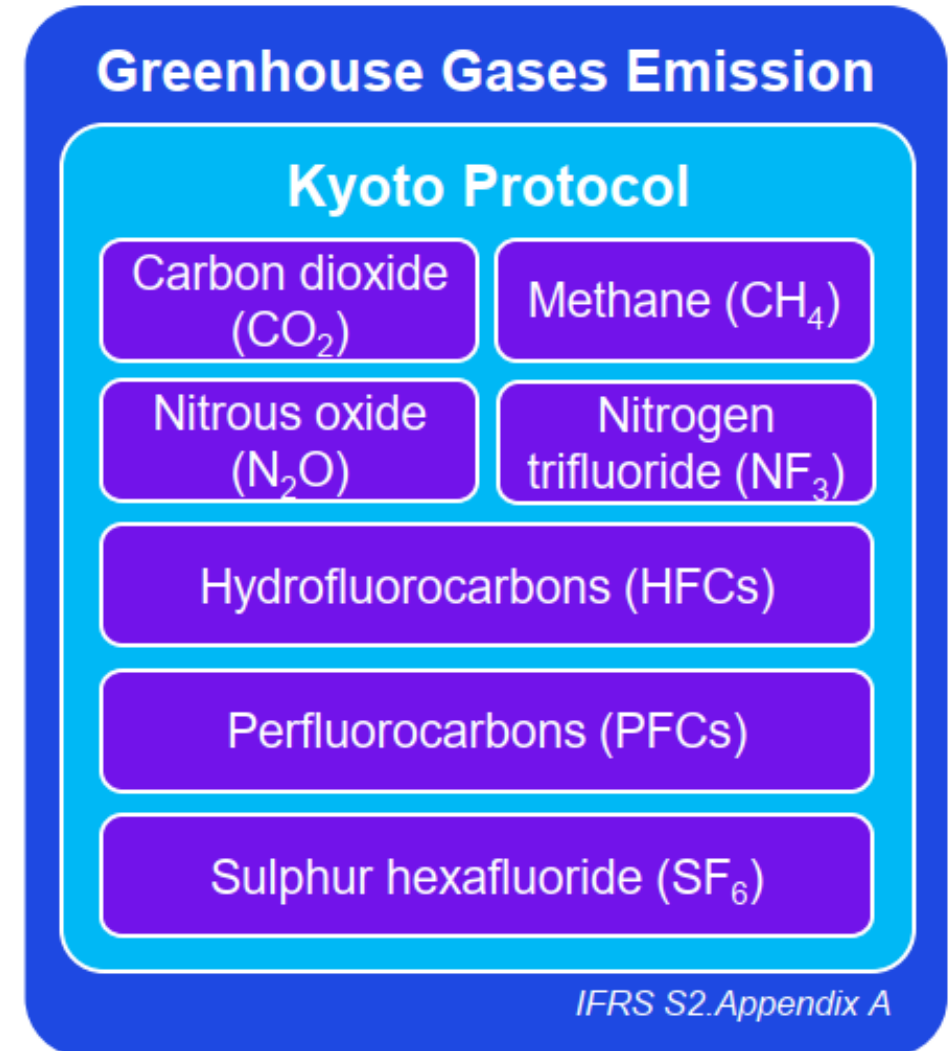
✓ How climate performance links to executive remuneration

Climate Related Opportunities

Climate-related opportunities may also arise from both **physical changes** (e.g. warmer average temperatures allow new crops to grow) or **transition changes** (e.g. developing new technologies to facilitate climate adaptation or participation in carbon market).

- Resource efficiency and cost saving
- Adoption of low-emission energy sources
- Development of new products and services
- Access to new markets
- Building resilience along the supply chain

GHG Emissions — Scopes 1, 2 & 3



GHG Emissions — Scopes 1, 2 & 3

Measurement across Scopes 1, 2 and 3 is mandatory under SLFRS S2, in accordance with the GHG Protocol. Treat emissions data with financial-grade rigour and assurance-ready controls.



Scope 1
Direct emissions

From sources the entity owns or controls — e.g. a truck fleet's fuel combustion.



Scope 2
Purchased energy

Indirect emissions from purchased electricity, steam, heating & cooling.

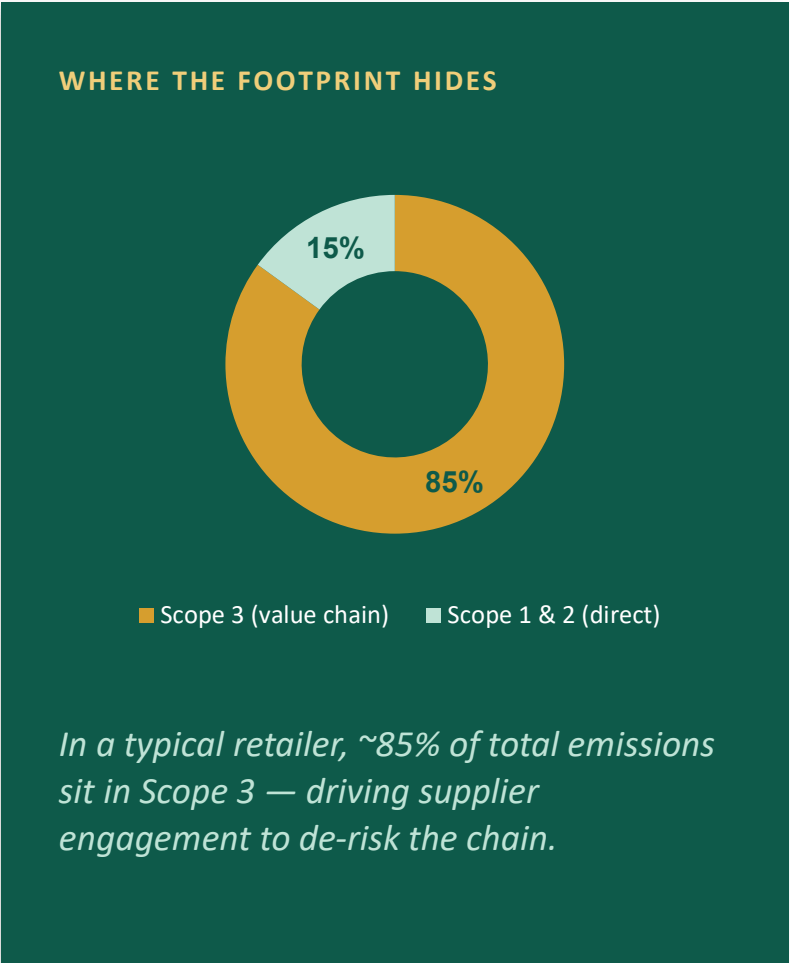


Scope 3
Value-chain emissions

All other indirect emissions across 15 categories — often 70–90% of the total footprint.

Standard: SLFRS S2; GHG Protocol (Scope 3: GHG Protocol; SLFRS S2)

Scope 3 is the credibility challenge — scrutinise spend-based vs activity-based methods, and validate the vintage and geographic specificity of emission factors.



Climate Transition Planning

CLIMATE TRANSITION PLAN

An aspect of the entity's overall strategy that describes how it will achieve its climate-related targets — a time-bound action plan to adapt the business model to a low-carbon economy.

Standard: SLFRS S2 Climate-related Disclosures.

CREDIBILITY TESTS FOR THE BOARD

- Is the plan integrated with financial planning, budgeting and capital allocation?
- Challenge key assumptions — carbon-price projections, policy support, technology dependencies.
- Are climate targets aligned with recognised science-based pathways to mitigate greenwashing?



WORKED EXAMPLE

Coal → biomass by 2030

Rs. 1.5bn

capital investment in biomass conversion

Rs. 150m

projected annual operational savings

2030

milestone for full boiler transition

Credible

pathway meeting SLFRS S2 disclosure

Physical Risk Assessment & Adaptation

Move from a qualitative risk register to a ranked portfolio of financial exposures. Asset-level vulnerability modelling translates climate projections into capital-planning and insurance decisions.

Quantifying the Exposure	
Coastal warehouse value	Rs. 800m
1-in-50-yr flood damage (40%)	Rs. 320m
Business interruption (30 days)	Rs. 150m
Total exposure	Rs. 470m

Standard: SLFRS S2

 **COSTED ADAPTATION — SEA WALL**

A **Rs. 150m** sea wall cuts annual expected loss from **Rs. 20m** (5% × Rs. 400m) to **Rs. 4m** (1% probability).

Annual benefit Rs. 16m · ROI 10.7%
exceeds the 10% hurdle rate

Subject each adaptation measure to the same financial scrutiny as any capital project; model co-benefits such as reduced premiums and enhanced asset values.

Climate Targets & Science-Based Alignment

SCIENCE-BASED TARGET

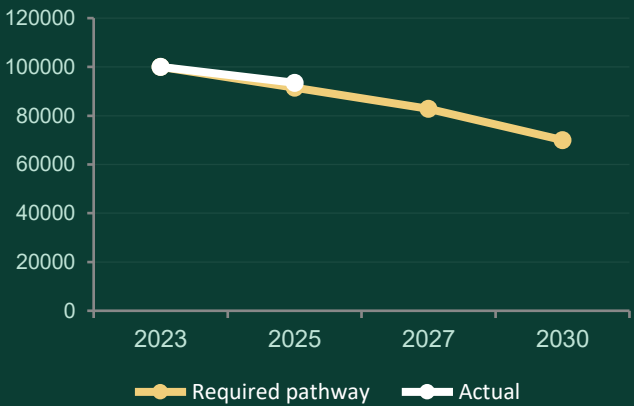
Emissions-reduction targets aligned with climate science to limit global warming to 1.5°C, as specified by the Paris Agreement — credible, measurable and defensible, not arbitrary aspirations.

SBTi TARGET-SETTING WALKTHROUGH

Baseline	50,000 tCO ₂ e (Scope 1 & 2) · Rs. 10bn revenue
Intensity	50,000 ÷ 10,000m Rs. = 5.0 tCO ₂ e per Rs. m
SBTi sector rate	4.2% annual reduction for 1.5°C alignment
Year-1 target	$5.0 \times (1 - 0.042) = 4.79$ tCO ₂ e per Rs. m
Absolute cut	$50,000 \times 0.042 = 2,100$ tCO ₂ e in year one



MONITORING THE TRAJECTORY



A 2,072 tCO₂e deficit by 2025 signals the need to accelerate decarbonisation to keep the 2030 target in reach.

Key Definitions & Standard References

A consolidated reference of the SLFRS S2 climate concepts and the standards in which they are grounded.

Concept	Definition (concise)	Standard reference
Physical risk	Risks from the physical effects of climate change	SLFRS S2
Transition risk	Risks from the transition to a lower-carbon economy	SLFRS S2
GHG emissions	Gaseous constituents causing the greenhouse effect	SLFRS S2 • GHG Protocol
Scope 3 emissions	All indirect emissions in the value chain	GHG Protocol • SLFRS S2
Climate transition plan	How the entity will achieve its climate-related targets	SLFRS S2 Climate-related Disclosures
Science-based target	Targets aligned with climate science (1.5°C / Paris)	SLFRS S2 • IFRS S2 • SBTi
Scenario analysis	Testing strategic resilience via alternative futures	SLFRS S1 • IFRS S1 • TCFD

Transition Reliefs

Transition reliefs :

	First-year relief	How it applies
S1	Comparative information	Disclosure is not required for any period before the date of the initial application.
	Non-climate-related risks and opportunities	Disclosure can focus first on climate-related risks and opportunities.
	Timing and reporting	Publication of the sustainability-related financial disclosure after the related financial statements
S2	Scope 3 GHG emissions	Disclosure of Scope 3 GHG emissions is not required.
	The use of the GHG Protocol	Allow to continue the existing measurement method for Scope 1, 2, and 3 GHG emissions (i.e., methodology other than the GHG Protocol Corporate Standard).

**The transition relief is applicable for the first year of disclosure only*

SECTION 05

Enablers & the Future

Data analytics, digital reporting, compliance evaluation and the emerging standards reshaping the agenda.



Data Analytics & Digital Reporting

Technology is the backbone of credible, assurance-ready sustainability reporting — turning fragmented ESG data into decision-useful, machine-readable disclosures.



ESG data architecture

An integrated architecture replaces fragmented spreadsheets with a single source of truth, feeding validated data to advanced analytics.



AI-driven materiality

Machine learning scans vast datasets — investor feedback, news, regulatory signals — to surface emerging material topics objectively.



Predictive climate modelling

Predictive analytics translates abstract climate pathways into quantified financial impacts on revenue, costs and asset values.



Blockchain traceability

Distributed ledgers create immutable, tamper-proof records of value-chain journeys, substantiating sustainability claims to auditors.



Real-time monitoring

IoT sensors and live dashboards detect anomalies and risks proactively, before they manifest as material reporting failures.



Digital reporting (XBRL)

The IFRS Sustainability Disclosure Taxonomy makes disclosures machine-readable, enabling automated investor comparison and benchmarking.

Standard: IFRS Sustainability Disclosure Taxonomy

Digital assurance moves beyond static PDF certificates to transparent, blockchain-backed audit trails from source data to disclosure.

The Business Case: Disclosure ROI

Investment in disclosure excellence generates tangible financial returns beyond compliance. Taprobane Finance Ltd's enhanced climate disclosure programme illustrates the value chain from better data to a lower cost of capital.

Metric	Before	After
Cost of capital	12.5%	11.8%
Green bond issuance	Not eligible	Rs.500M @ 9.2%
Institutional investment	Rs.850M	Rs.1.2B
Insurance premiums	Rs.45M/yr	Rs.38M/yr
Compliance costs	Rs.25M	Rs.15M

Cost of capital fell 0.7% on a Rs.4.6B portfolio on the back of improved ESG ratings.



QUANTIFIED VALUE

Rs. 59.2M

Total annual value creation

7 months

Payback period

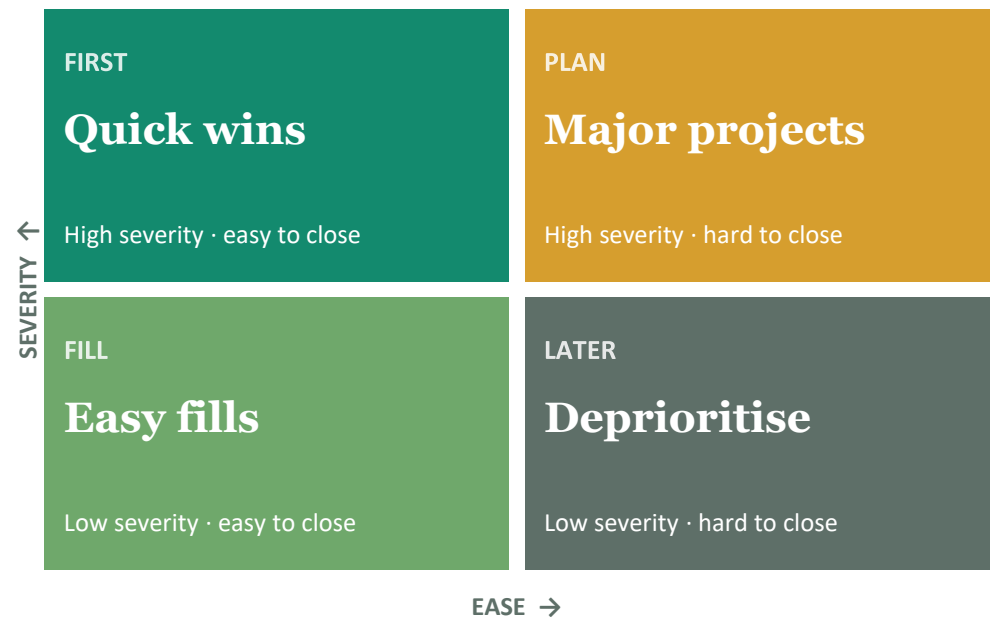
408%

Three-year return on investment

Compliance Evaluation Toolkit

Leaders move beyond opinion-based review to quantitative, defensible assessment of reporting quality against SLFRS S1 and S2.

GAP ANALYSIS — PRIORITISATION MATRIX



REPORTING MATURITY MODEL



Peer benchmarking (spider chart) and assurance-readiness diagnostics complete the toolkit.

Beyond Climate: Nature & Social

The agenda is expanding from climate to nature and people. Forward-looking entities quantify these dependencies now to protect enterprise value and pre-empt future disclosure obligations.



TNFD — Nature & Biodiversity

LEAP approach — Locate, Evaluate, Assess, Prepare nature-related risks.

MSA metric — Mean Species Abundance measures ecosystem intactness (via the GLOBIO model).

Financial integration — nature liabilities enter capital budgeting and provisions (LKAS 37).

WORKED EXAMPLE — biodiversity offset

10 ha factory site × GLOBIO impact factor 0.7 = 7 MSA.ha lost. At Rs.2.5M per MSA.ha → Rs.17.5M offset added to the project's capital budget.



Social & Human Capital

HCROI — Human Capital Return on Investment quantifies value generated per rupee invested in the workforce, recasting talent from cost to value driver.

Workforce metrics — pay equity, safety, skills development and turnover, linked to revenue and resilience.

Future obligations — ISSB and global frameworks are extending mandatory disclosure to nature and people.

Prepare early: maturity, governance and controls must evolve before these standards become mandatory.

Key Takeaways



Integrated thinking Connect the six capitals and segments to show how value is created, preserved or eroded over time.



SLFRS S1 — the baseline Apply the four pillars — Governance, Strategy, Risk Management, Metrics & Targets — to all material sustainability matters, with an explicit statement of compliance.



SLFRS S2 — climate Disclose physical and transition risks, mandatory Scope 1–3 GHG emissions, a credible transition plan and science-based targets.



Enablers Robust data architecture, digital reporting (IFRS Taxonomy) and assurance-readiness make disclosures decision-useful and defensible.



Look ahead Prepare now for nature (TNFD) and social disclosures — early movers protect enterprise value and lower their cost of capital.