



"Pioneers in Professional Education"



CL 02 – Financial Reporting  
and Governance

## Non – Financial Reporting

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## Learning Outcomes

Knowledge Component	Proposed Learning Outcome
<b>5.1 Basic understanding of FR Ethics and Governance</b>	5.1.4 Demonstrate the understanding of the nature, role and <b>importance</b> of corporate social responsibility, including climate change 5.1.5 Demonstrate the basic understanding of professional accountant commitment to <b>public interest</b> 5.1.6 Demonstrate awareness of good understanding of <b>sustainability reporting</b> 5.1.7 Demonstrate awareness of good understanding of <b>integrated reporting</b>

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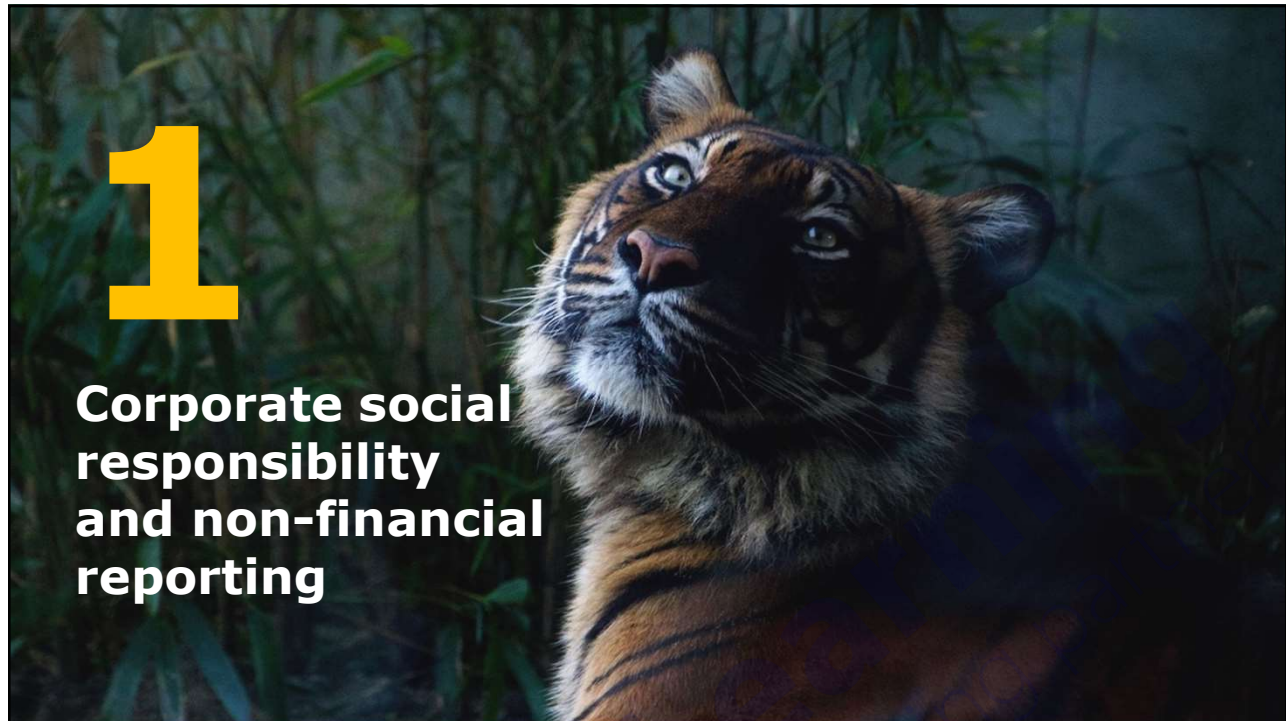
## Learning Outcomes – Updated

Proposed Learning Outcome	Specific Knowledge
5.1.6 Demonstrate awareness of good understanding of <b>sustainability reporting</b>	<ul style="list-style-type: none"> <li>• <b>Awareness</b> about widely used <b>frameworks</b>/ standards for sustainability reporting</li> <li>• Concept relating to <b>proportionality and mechanism to address proportionality</b> in SLFRS sustainability standards (<i>Reasonable and supportable information and Consideration of skills, capabilities and resources</i>)</li> <li>• <b>Phased approach</b> in adopting SLFRS Sustainability Disclosure Standards</li> <li>• <b>Transitional reliefs</b> in adopting SLFRS Sustainability Disclosure Standards.</li> </ul>

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## Examples from Sri Lankan Corporates

### Sri Lankan Airlines - Care



#### Transforming Lives with Clean Water: Kohombadamana Junior School, Medirigiriya

12<sup>th</sup> Nov 2024

SriLankan Cares made a significant contribution to Kohombadamana Junior School in Medirigiriya by donating a reverse osmosis (RO) drinking water system. This generous donation, funded entirely through contributions from our dedicated staff, ensures that the students at Kohombadamana Junior School now have access to clean and safe drinking water.

This initiative was driven by the critical need to address the health challenges faced by the community, as the consumption of unsafe water has led to a high incidence of acute kidney diseases. With the new RO plant, not only are the students' health and well-being safeguarded, but the school is also set to launch a community project to distribute clean water to the surrounding areas. This project underscores the commitment to fostering community responsibility and improving the overall quality of life in Medirigiriya.

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## Examples from Sri Lankan Corporates



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



#### Hope Shines Bright for Ilukwewa Junior School, Mahasengama

30<sup>th</sup> 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.



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](#)



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## Benefits of CSR

1. Attracting the new generation of employees
2. Increased retention through stronger employer and employees' bond
3. Boosting the morale of employees
4. Helping the company and its employees to be more connected with the environment
5. Creating a positive perception of a company in the marketplace
6. Expanding social conscious customer base



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## Benefits of Non-Financial Reporting

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

## ESG Reporting in Sri Lanka

**\*\*VOLUNTARY**

Best **practice recommendations** of GRI are:

- Leadership and drive
- Consider stakeholder interests
- Identify and prioritize material issues
- Adopt relevant performance indicators
- Reporting integrity and transparency
- Proper communication



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# Sustainability Reporting

A way for organizations to become more **sustainable** and **contribute** to a sustainable global economy.

- **Sustainability report** is a report about the **economic, environmental and social** impacts (both negative and positive) caused by an organization's everyday activities.
- It also presents the organization's values and governance model and demonstrates the link between strategy and commitment to a sustainable global economy

## Reporting Guidance

### Global Reporting Initiative - GRI

#### Standards

- **Universal (101-103)**
- **Economic (201-206)**
- **Environmental (301-308)**
- **Social (401-491)**

**\*\*VOLUNTARY**

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## GRI 101 Foundation

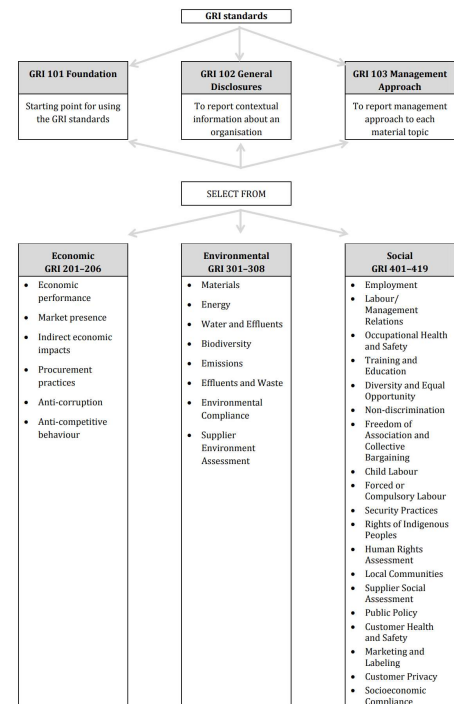
Prescribes **report content** and **report quality**.

- Report content should be inclusive of stakeholders, presented in the wider context of sustainability, deal with material issues and be complete.
- Regarding quality, the report should be accurate, balanced clear, consistent, reliable and timely.

## GRI 102 General Disclosures

General disclosures should cover:

- Organizational profile (name, activities, brands etc)
- Strategy (including key impacts, risks and opportunities)
- Ethics and integrity (values and principles)
- Governance (approach to risk management, remuneration policies)
- Stakeholder engagement (approach, key concerns raised)
- Reporting practice (entities included in group accounts, restatements etc).



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## Concept of proportionality and mechanism to address proportionality

The concept of proportionality in sustainability reporting refers to the idea that the **level of detail and complexity of the reporting should be commensurate with the size, nature, and impact of the organization.**

This means that smaller organizations or those with less environmental impact may not need to provide the same level of detail in their sustainability reports as larger organizations with significant environmental footprints.

### Mechanisms to Address Proportionality:

- Guidelines and Frameworks
- Materiality Assessments
- Stakeholder Feedback
- Simplified Reporting Options
- Continuous Improvement

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## Foundation for Sustainability Standards SLFRS S1 and S2

*This standards draw contents from other exiting other sustainability reporting bodies.*



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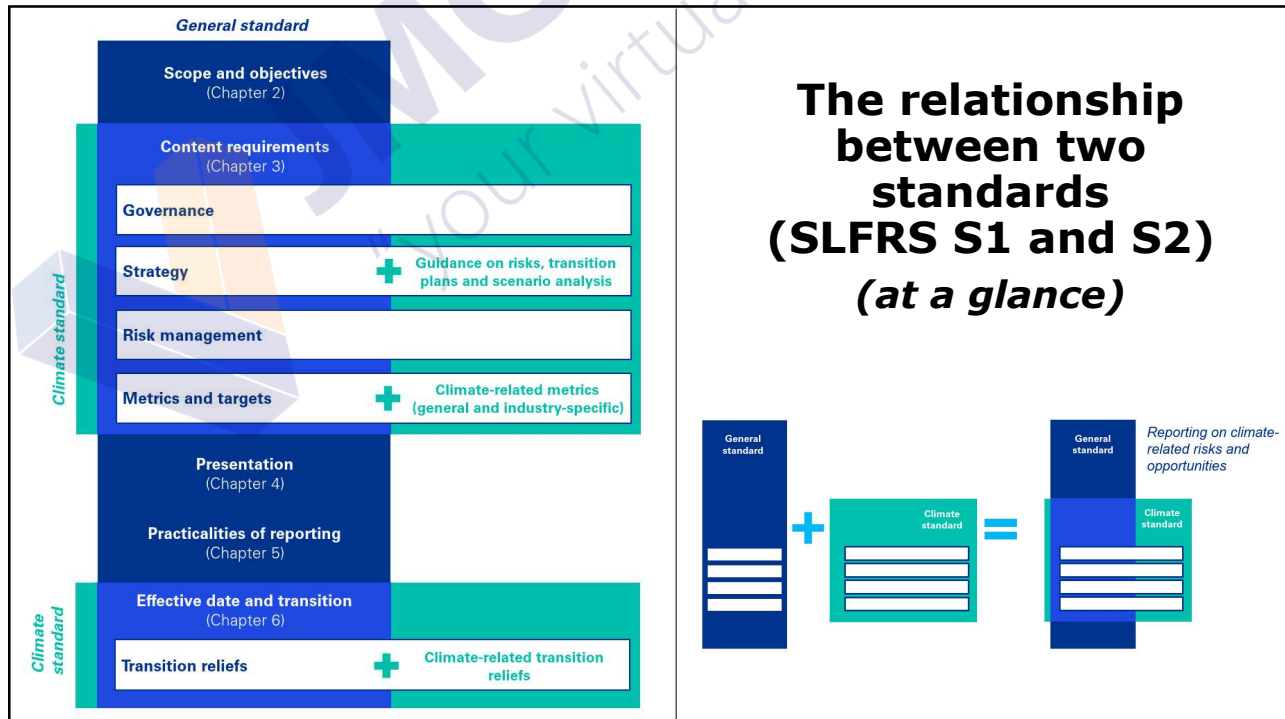
## Accounting Standards & Sustainability Disclosure Standards Compatibility



As already mentioned there are two Sustainability related Disclosure standards are in place:

- SLFRS S1 – General Requirements for Disclosures
- SLFRS S2 – Climate Related Disclosures

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**ALIGNMENT TO IFRS STANDARDS (S1 AND S2)**

**IFRS S1 (CORE CONTENT)**

IFRS No.	IFRS S1 CORE CONTENT (CLAUSES 25 to 53 OF IFRS S1)	Location
25	a, b, c, d	124, 125, 133, 136, 52, 128, 51, 16-21, 49-50
26		124-125, 136, 133, 51-52, 128, 52, 136, 16-21, 49-50, 133, 162-163, 136
27	a-i, a-ii, a-iii, a-iv, a-v, b-i, b-ii	124-125, 136, 133, 51-52, 128, 52, 136, 16-21, 49-50, 133, 162-163, 136
28		146-151
29	a, b, c, d, e	60-66, 32-35, 146-151
30		146-151
31	a, b, c	146-151
32	a, b	146-151
33	a, b, c	146-151
34	a, b	146-151
35	a, b, c, d, e, f, g, h	146-151
36	a, b	146-151
37	a, b	34-40, 64-67
38	a, b	34-40, 64-67
39	a, b, c	34-40, 64-67
40	a, b, c	34-40, 64-67
41		146-151
42		146-151
43	a, b	146-151
44	a-i, a-ii, a-iii, a-iv, a-v, b, c	52, 128, 146-151
45		116-121
46	a, b, c, d	116-121
47	a, b, c, d, e, f, g, h	116-121
48	a, b, c, d	116-121
49	a, b, c, d, e, f, g, h	116-121
50	a, b, c, d	116-121
51	a, b, c, d, e, f, g, h	116-121
52	a, b, c, d, e, f, g, h	116-121
53	a, b, c, d, e, f, g, h	116-121

**IFRS S2 (CORE CONTENT)**

IFRS No.	IFRS S2 CORE CONTENT (CLAUSES 5 to 37 OF IFRS S2)	Location
5		136, 133, 52, 128, 51-52, 16-21, 49-50, 162-163, 50
6	a-i, a-ii, a-iii, a-iv, a-v, b-i, b-ii	136, 133, 52, 128, 51-52, 16-21, 49-50, 162-163, 50
7		50
8		50
9	a, b, c, d	100-109
10	a, b, c, d	100-109
11		100-109
12		146-151
13	a, b	146-151
14	a-i, a-ii, a-iii, a-iv, a-v, b, c	100-109
15	a, b	146-151, 58-66
16	a, b, c, d, e, f, g, h	146-151, 58-66
17	a, b	146-151, 58-66
18	a, b	146-151, 58-66
19	a, b	146-151, 58-66
20	a, b, c	146-151, 58-66
21	a, b, c	146-151, 58-66
22	a-i, a-ii, a-iii, b-i, b-ii, b-iii	146-151, 68-73, 64-67
23		116-121
24	Risk Management	116-121
25	a-i, a-ii, a-iii, a-iv, a-v, b, c	116-121
26		116-121
27		116-121
28	a, b, c	116-121
29	a-i, a-ii, a-iii, a-iv, a-v, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, u, v, w, x, y, z	100-109
30		116-121
31		116-121
32		116-121
33	a, b, c, d, e, f, g, h	100-109
34	a, b, c, d	100-109
35	a, b, c, d	100-109
36	a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, u, v, w, x, y, z	100-109
37	a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, u, v, w, x, y, z	100-109

# Example from a voluntary adopted company in F/Y 2023/24

- Hemas Holdings PLC (Group) early adopted IFRS S1 and S2 voluntarily in the financial year 2023/24.

**Climate related risk management**

Risk	Category	Risk Rating	Mitigation Strategies
<b>Climate Change Related Risks</b> <ul style="list-style-type: none"> <li>Disruptions to business operations and profitability, as well as physical harm to individuals resulting from Physical Risk of Climate Change</li> <li>Physical risk relating to climate change impacting supply chains, could potentially result in delays and business disruptions</li> <li>Increased business cost due to Transition Risk of Climate Change</li> </ul>	Operational	●	<ul style="list-style-type: none"> <li>Acquisition of comprehensive insurance coverage</li> <li>Periodic reports to the Audit Committee regarding Crisis Management &amp; Disaster Recovery plans; including diligent tracking of open items by Group Risk &amp; Control</li> <li>Availability of adequate health &amp; safety processes</li> <li>Ongoing employee training programs</li> <li>Launch of BCP initiatives across SBUs, facilitated by RMF</li> <li>Seeking out and utilising alternate sources for key raw materials</li> <li>Prior to transitioning to low-carbon operations, extensive financial and non-financial assessments are conducted, focusing on R&amp;D, process enhancements, and investments in green energy technologies and resources</li> </ul>

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**IFRS S2 INDICATORS**

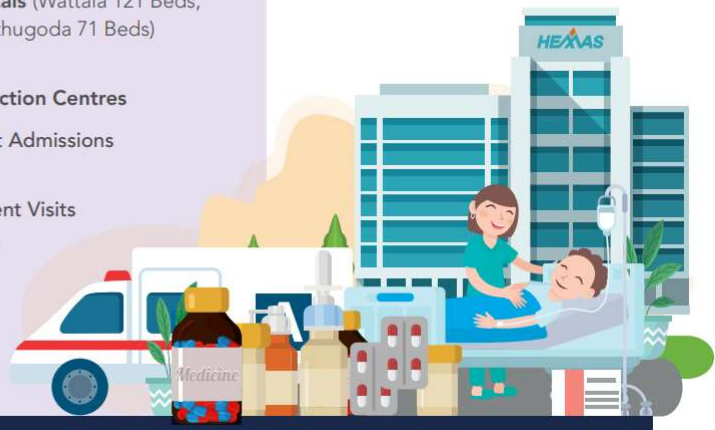
**Metrics**

**Pharmaceutical Distribution**


- Pharmacy Locations **3,400**
- Total area of retail space **850,000 m<sup>2</sup>**
- Number of surgical units sold **6.5 million**
- Number of prescriptions filled, percentage for controlled substances **40 million, 35%**
- Number of pharmacists **11,000 registered, 2,000 working**
- Number of pharmaceutical units sold **47.5 million**
- Payload fuel economy **27,000 Litres**

**Hospitals**

- Number of Facilities **2 Hospitals** (Wattala 121 Beds, Thalawathugoda 71 Beds)
- 7 Labs**
- 16 Collection Centres**
- Inpatient Admissions **17,890**
- Outpatient Visits **494,712**



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June 2023  
**IFRS S1**  
IFRS® Sustainability Disclosure Standard

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General Requirements for Disclosure of  
Sustainability-related Financial Information



International Sustainability Standards Board

## SLFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

**Objective**

To disclose information about its “sustainability-related risks and opportunities” (**SRROs**)

- This is on all **significant SRROs**.

**Conceptual Foundations**

1. Fair Presentation
2. Materiality
3. Reporting Entity
4. Connected Information

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## Core Contents

For SLFRS S1, there are **4 core contents** that an entity shall provide disclosures about, which are:

- 1. Governance**
- 2. Strategy**
- 3. Risk Management**
- 4. Metrics and Targets**

 <h3>1. Governance</h3> <ul style="list-style-type: none"> <li>• The governance processes, controls and procedures the entity uses to <u>monitor and manage</u> sustainability-related risks and opportunities</li> </ul>	 <h3>2. Strategy</h3> <ul style="list-style-type: none"> <li>• The entity’s strategy for managing sustainability-related risks and opportunities</li> </ul>
 <h3>4. Metrics and Targets</h3> <ul style="list-style-type: none"> <li>• the entity’s performance in relation, including progress towards any <u>targets</u> the entity has set or is required to meet by law or regulation.</li> </ul>	 <h3>3. Risk management</h3> <ul style="list-style-type: none"> <li>• The processes the entity uses to identify, assess, prioritize and monitor sustainability-related risks and opportunities;</li> <li>• Assess the entity’s overall risk profile and overall risk management process</li> </ul>

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## Summary of Requirements

Area	Requirement in Standard
Guidance Sources	To identify what information to disclose, use ISSB Standards, and for matters other than climate, shall consider SASB Standards. A company may also consider <ul style="list-style-type: none"> <li>• CDSB Framework Application Guidance</li> <li>• Industry practice</li> <li>• Material of investor-focused standard setters</li> <li>• GRI Standards</li> <li>• European Sustainability Reporting Standards</li> </ul>
Location of Disclosures	Does not specify a location and allows for additional Information
Timing	Financial statements and sustainability disclosures published at the same time covering same period
Comparative Information	Requires for comparative information for the preceding period

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## Presentation

### Fair Presentation

- Comply with the 06 qualitative characteristics in Conceptual Framework for Financial Reporting

### Connected Information

- When providing information on risks and opportunities (SRROs) it is required to maintain connectivity of all 04 core contents

## Structure of Presentation

Illustration 1: Integrated



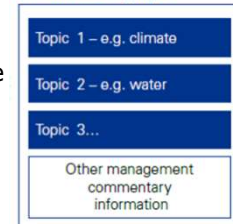
Include all info within single general purpose financial report

Illustration 2: By content area



Present info on the content areas separately


Illustration 3: By topic



Integrate Both

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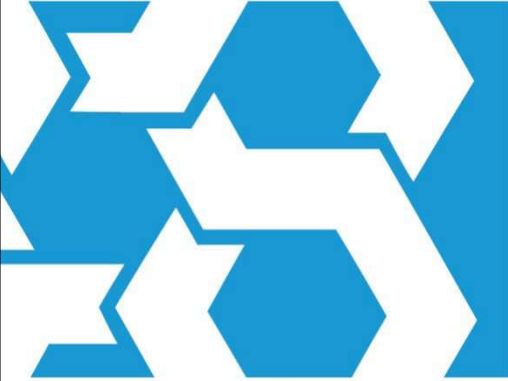




June 2023  
**IFRS S2**  
IFRS® Sustainability Disclosure Standard

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Climate-related Disclosures



International Sustainability Standards Board

## SLFRS S2 – Climate Related Disclosures


**Objective**

To disclose information about its “climate-related risks and opportunities (**CRROs**)”

- Follows **TCFD** recommendations.

**What to Report?**

- Risks and Opportunities in relation to climate of an entity across 4 TCFD pillars



Identify →

Climate-related

Risks

Opportunities

manage through →

4 Pillars

Governance

Strategy

Risk Management

Metrics and Targets

short

medium


long

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## Climate Related Risks

**Physical Risk**

- **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**

- **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)

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## 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).

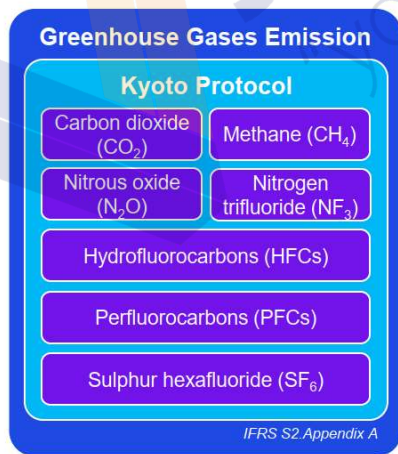
- Resource efficiency & cost saving
- Adoption of low-emission energy sources
- Development of new products and services
- Access to new markets
- Building resilience along the supply chain

### Climate Related Scenario Analysis

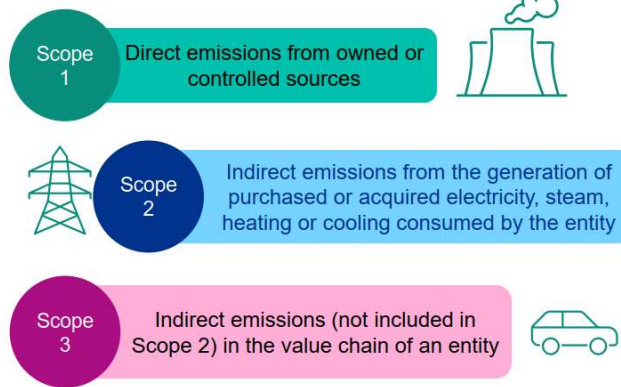
Financial quantification of assessed risks and opportunities			Potential financial impact on profit in the year (€bn) <sup>(a)</sup>		
Physical Environmental Risks	Key assumptions	Sensitivity	2030	2039	2050
<b>5. Extreme weather (temperature) impact on crop yields</b>  We quantified how extreme weather events such as sustained high temperatures could impact crop output and therefore sourcing costs across key commodities.	<ul style="list-style-type: none"> <li>By 2050, in a proactive scenario, extreme weather would increase prices by:                             <ul style="list-style-type: none"> <li>Palm: -12%; Commodities and food ingredients: -14%</li> </ul> </li> </ul>	ρ	-0.3	-0.8	-1.9
	<ul style="list-style-type: none"> <li>By 2050, in a reactive scenario, extreme weather would increase prices by:                             <ul style="list-style-type: none"> <li>Palm: -18%; Commodities and food ingredients: -21%</li> </ul> </li> </ul>	r	-0.4	-1.1	-2.8

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## Greenhouse Gas disclosure under GHG Protocol – Scope 1, 2 and 3 Emissions



Companies need to disclose absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions



There are 15 categories of Scope 3 GHG emissions, as identified in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

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## 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*

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## Key challenges in adopting the ISSB Standard

**01**

**Regulatory requirement**

In some jurisdictions, the standards will provide a baseline either to influence or to be incorporated into local requirements which require the company to be adopt the standard in the nearby future

**02**

**Pressure from stakeholders**

They require companies to elaborate and disclose how sustainability-related risks and opportunities impact their financial statements for their decision.

**03**

**Data availability , quality and collection**

Companies may struggle to gather accurate and reliable data on ESG factors. This can hinder their ability to report under ISSB standards

**04**

**Resource capability**

Reporting under ISSB often requires additional understanding and build up resource capabilities, including financial investments, technology, and human capital. Capability and allocating these resources effectively can be a challenge

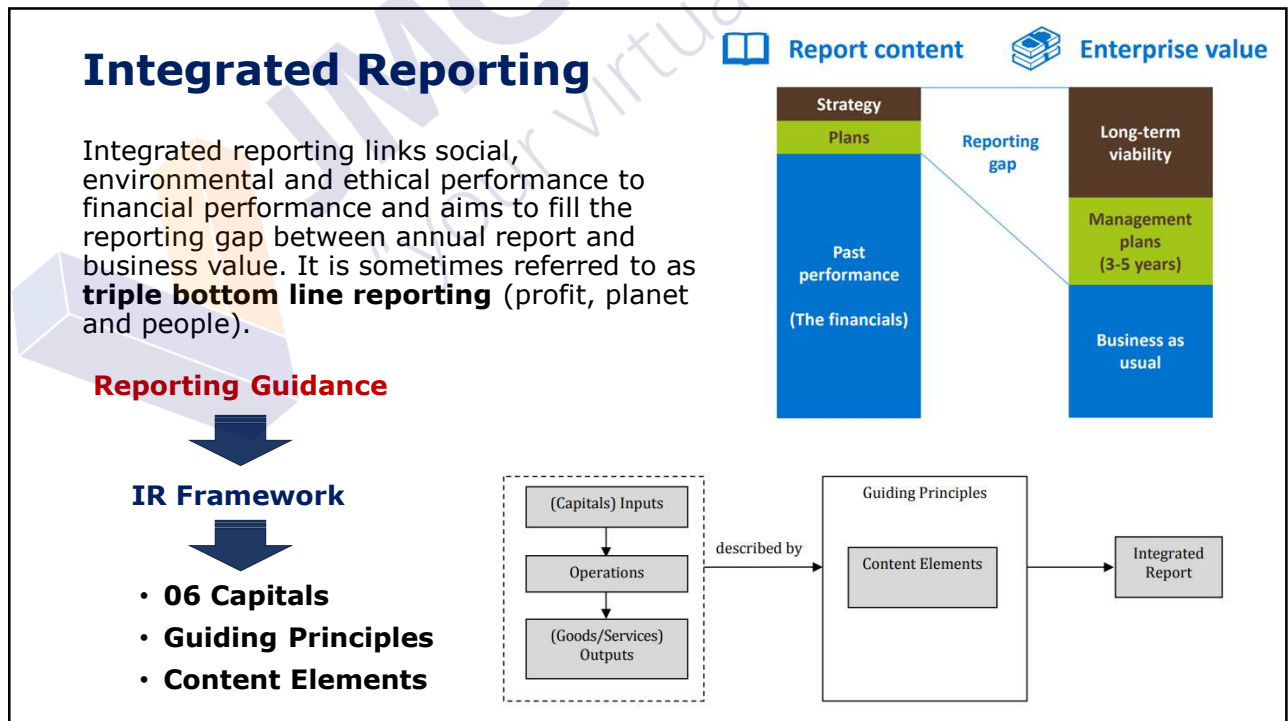
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## Integrated Reporting

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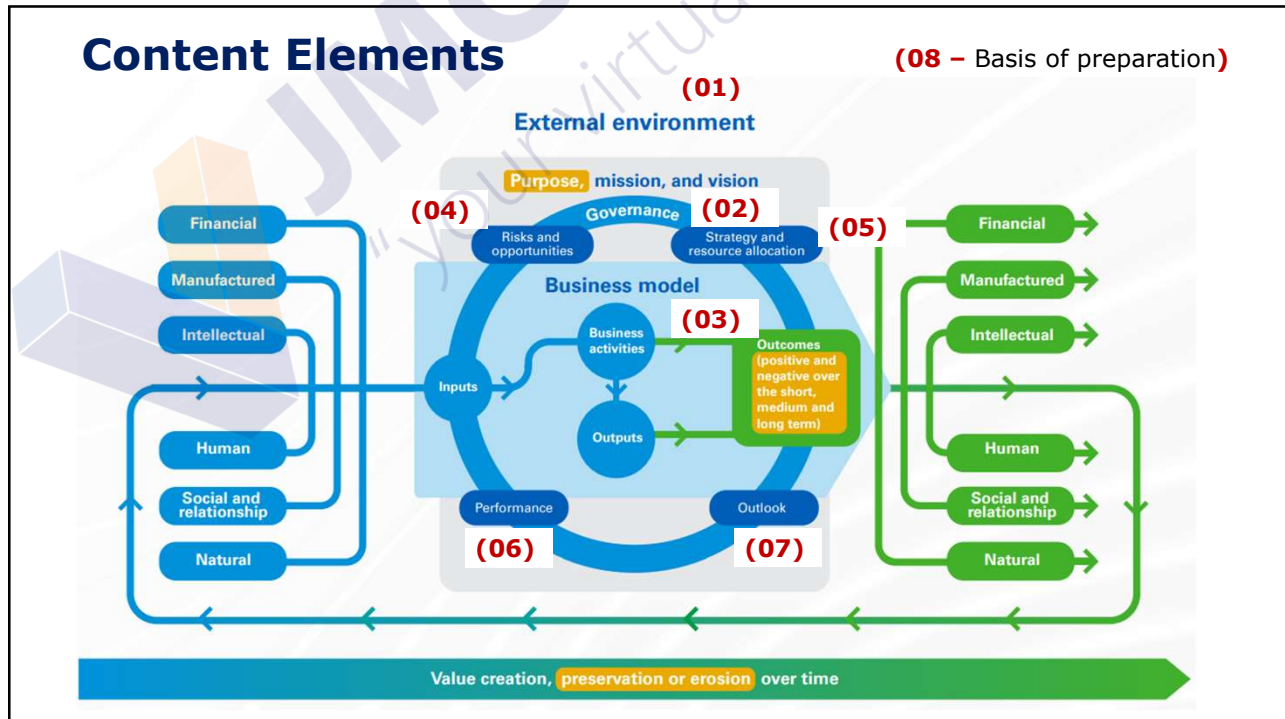


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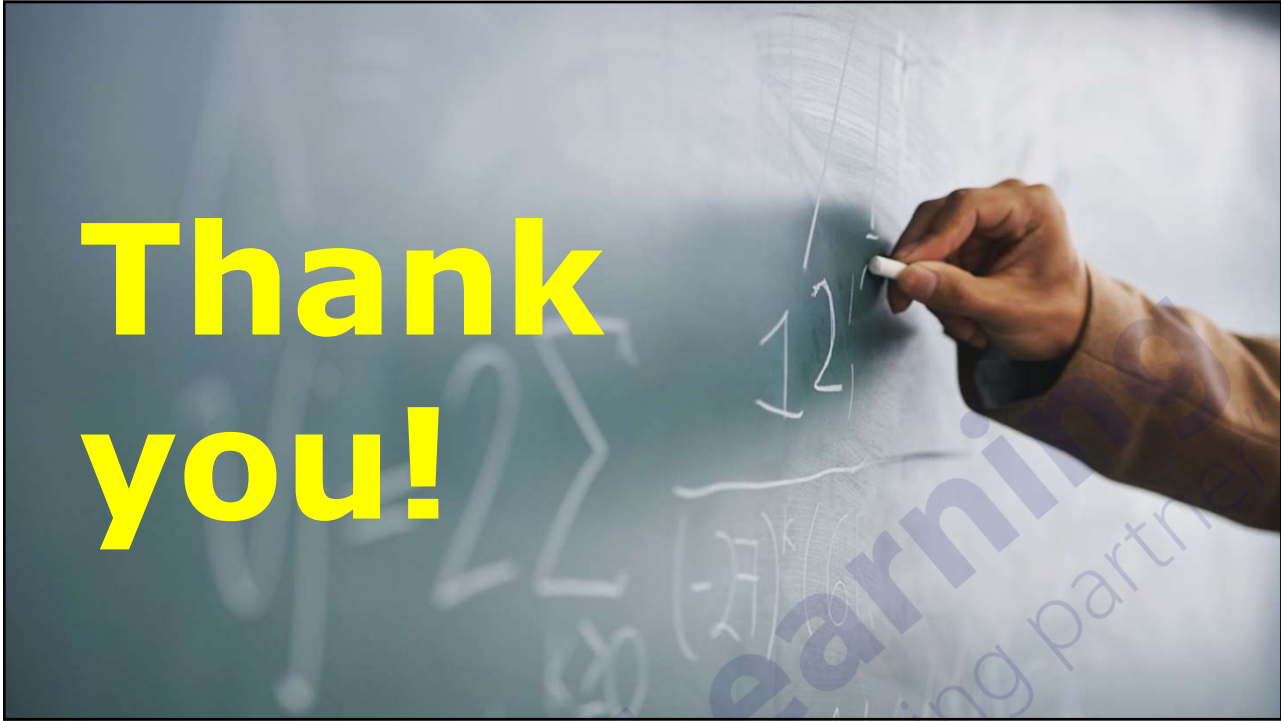




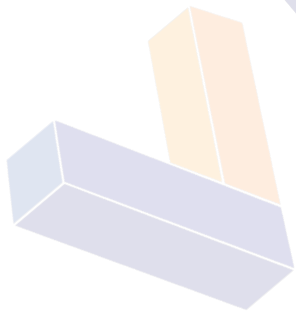
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