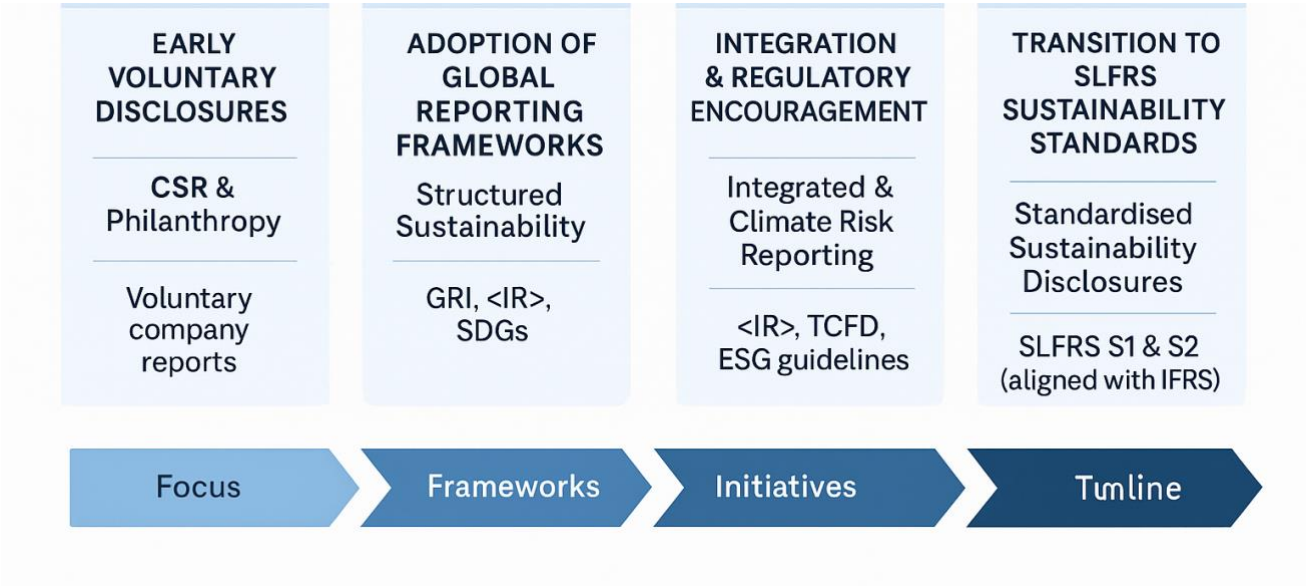
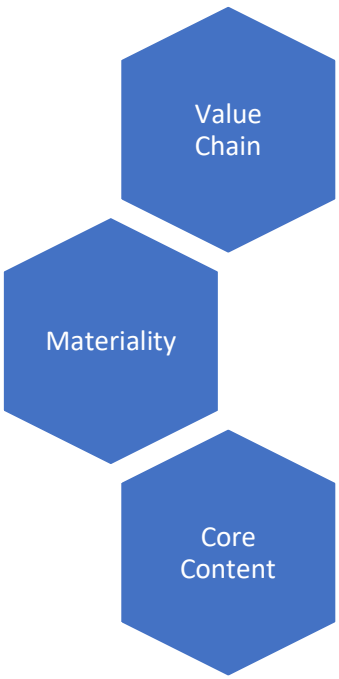
Sustainability Standards SLFRS S1 & SLFRS S2

From CSR to SLFRS: The Evolution of Sustainability Reporting in Sri Lanka



The Sri Lanka Financial Reporting Standards (SLFRS) S1 and S2, which will be effective from January 1, 2025, introduce a unified framework for sustainability and climate-related reporting. These standards, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), are aligned with the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2), ensuring global comparability and consistency.

SLFRS S1 – General Requirements for Sustainability-related Financial Disclosures



<u>Value Chain</u>

An entity should define its value chain comprehensively to include all significant interactions, resources, and relationships that influence sustainability-related risks and opportunities over the short, medium, and long term.

Materiality

💰 1. Financial Materiality

Focus: Effects on the company's financial position, performance, and cash flows.

Information is financially material if sustainability-related risks or opportunities could reasonably be expected to influence investors' decisions.

Example: Rising carbon prices increasing production costs, or climate risks affecting asset values.

Perspective: "How sustainability matters affect the company."

Objective: To provide investors and lenders with decision-useful financial insights.

Standard Reference - SLFRS S1 (Aligned with IFRS S1)

🌍 2. Impact Materiality

Focus: Effects of the company's operations and value chain on people, the environment, and society.

Information is impact material if the company's actions have a significant actual or potential impact on the external environment or stakeholders.

Example: Pollution, human rights violations, or positive social programs.

Perspective: "How the company affects sustainability matters."

Objective: To show the entity's broader environmental and social footprint.

More aligned with GRI / ESRS approaches

Core Content



🔍 Area 💡 Description

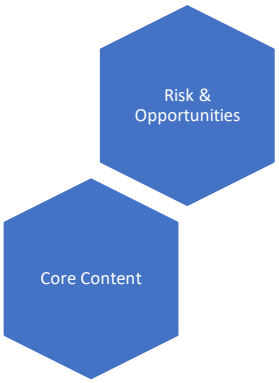
Governance : How sustainability responsibilities are assigned and overseen within the organisation.

Strategy : How sustainability factors influence the business model, objectives, and long-term planning.

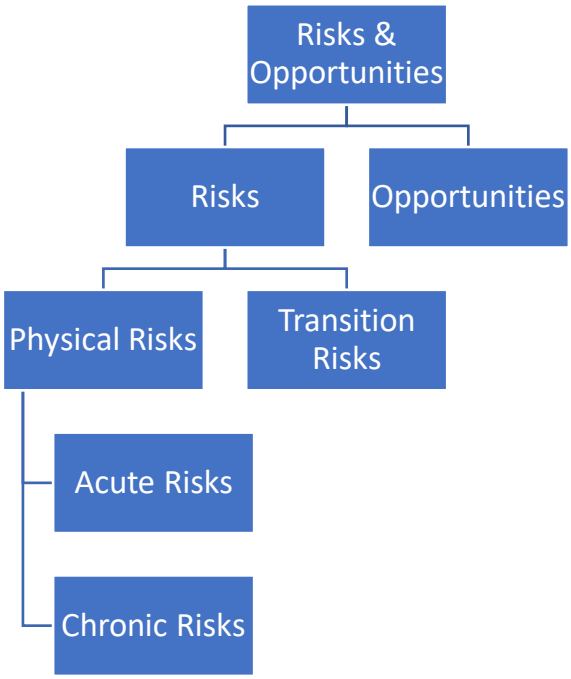
Risk Management: Identification and management of sustainability-related risks and opportunities.

Metrics & Targets: Quantitative and qualitative measures used to assess performance and progress.

SLFRS S2 – Climate-related Disclosures



Risk & Opportunities



Physical Risks

Acute risks: Short-term, weather-related events such as floods, heatwaves, and storms.

Chronic risks: Long-term climate changes, including rising sea levels, declining water availability, biodiversity loss, and reduced soil productivity.

Transition Risks

Risks that emerge from the shift toward a low-carbon economy, such as policy changes, new technologies, or market shifts.

Opportunities

Potential positive outcomes for an entity that arise from effective mitigation and adaptation to climate change — including innovation, efficiency gains, and access to sustainable markets.

Core Contents

Component	Description
Governance	:Oversight of climate-related risks and opportunities by management and the board.
Strategy	: The actual and potential effects of climate risks (physical and transition) on the organisation's strategy and financial planning.
Risk Management	: How climate risks are identified, assessed, and managed across operations and supply chains.
Metrics & Targets	:Disclosure of GHG emissions (Scopes 1, 2, and where relevant, 3) and climate-related performance targets.

Recent Standards & Amendments

Standard / Amendment	Key Focus / Change	Effective Date
Amendment to LKAS 1 (Classification of Liabilities)	Clarifies classification of liabilities as current or non-current based on rights at reporting date	From 1 April 2024
Amendment to SLFRS 16 (Sale & Leaseback – Variable Payments)	Clarifies accounting for sale and leaseback transactions with variable payments.	From 1 April 2024
Amendment to LKAS 21 (Lack of Exchangeability)	Guidance for determining exchange rates when currencies are not freely exchangeable.	From 1 January 2025
SLFRS 17 – Insurance Contracts	New model for insurance contract measurement and disclosure.	From 1 January 2026
Amendment to LKAS 7 & SLFRS 7 (Supplier Finance Arrangements)	Enhances disclosures on supplier financing and liquidity risk.	From 1 April 2024

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15.10.2025