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with confidence**

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Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our Procedures Included:

- ▶ Conducted interviews with selected key management personnel and relevant staff to understand the business, value chain and sustainability reporting process of the Company.
- ▶ Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified.
- ▶ Performed procedures to understand the Company's disclosures in relation to the Conceptual Foundation of SLFRS S1, including fair presentation, materiality, reporting entity, and connected information
- ▶ Conducted procedures to understand the governance processes, controls and procedures employed by the Company to monitor, manage and oversee climate-related risks and opportunities, supported by relevant evidence.

- ▶ Perused the minutes of the Board of Directors and Board Audit Committee meetings from the financial year to ensure alignment with the content of governance related disclosures.
- ▶ Conducted procedures to comprehend the Company's strategy for managing identified sustainability-related risks and opportunities, supported by relevant evidence and calculations.
- ▶ Performed analytical procedures to obtain explanations and supporting evidence regarding the Company's processes for identifying, assessing, prioritizing, and monitoring sustainability-related risks and opportunities, including their integration into the overall risk management framework.
- ▶ Conducted analytical procedures to gather explanations and supporting evidence to evaluate the Company's performance in relation to its identified sustainability-related risks and opportunities, including progress towards any targets the Company has set during the assurance engagement.
- ▶ Performed procedures to assess the Company's disclosures and compliance with the General Requirements of SLFRS S1.
- ▶ Conducted procedures to evaluate the disclosures regarding judgments and uncertainties in the process of preparing the Company's sustainability-related financial disclosures.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of Matter

There are inherent limitations in the identification, measurement and disclosure of underlying Subject Matter against the applicable Criteria due to forward looking information, uncertainties and management judgements. For clarity, our engagement does not extend to providing assurance on the accuracy or achievability of these forward-looking information, uncertainties and management judgements.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to SLFRS Sustainability-related Financial Disclosures for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

Restricted Use

This report is intended solely for the information and use of Talawakelle Tea Estates PLC for the purpose of providing an assurance conclusion on the Subject Matter based on the Criteria and is not intended to be and should not be used by anyone other than those specified parties.

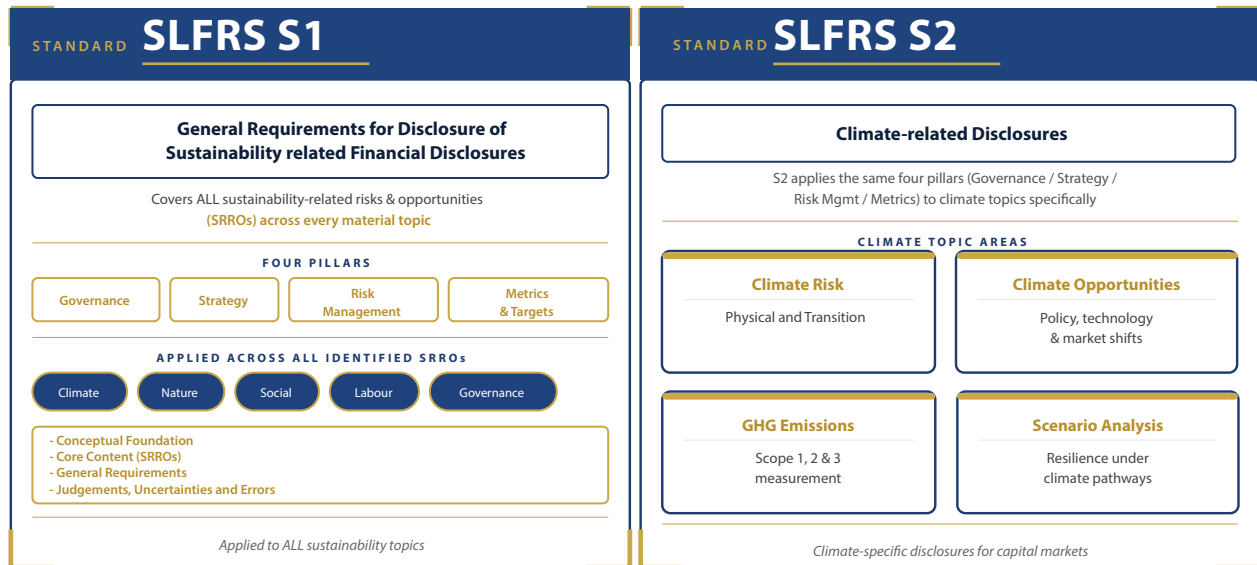
Chartered Accountants
02 June 2026

Colombo

NOTE 1 - Basis of Preparation

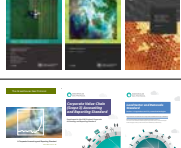
1.1 Application of SLFRS Sustainability Disclosure Standards

These sustainability-related financial disclosures have been prepared in accordance with the SLFRS Sustainability Disclosure Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), specifically:



This is the third consecutive year in which Talawakelle Tea Estates PLC has presented full-scope SLFRS S1 and S2 disclosures. The Company discloses all material sustainability-related risks and opportunities (SRROs) identified through the process described in Note 5.

The sustainability-related financial disclosures have been prepared in accordance with SLFRS S1 and SLFRS S2. In applying these standards, TTEL has also referred to selected supplementary frameworks and methodological guidance to support the identification, measurement and presentation of industry-specific, climate-related, nature-related and GHG-related information. These supplementary sources do not introduce additional mandatory disclosure requirements for this section; they have been used only to enhance consistency, comparability and methodological rigour.

Standard / Framework		Discription	Application Status	Note Reference
Sri Lanka Financial Reporting Standards (SLFRS) - S1		General requirements for sustainability-related financial disclosures, including materiality, governance, strategy, risk management, metrics and targets	Mandatory disclosure standard	All Notes
Sri Lanka Financial Reporting Standards (SLFRS) - S2		Climate-related disclosures, including physical and transition risks, scenario analysis, GHG emissions and climate-related targets	Mandatory disclosure standard	Notes 9, 11, 12, 13
SASB Agricultural Products Standard		Industry-specific sustainability metrics relevant to agriculture, including energy, water, GHG emissions and certified area	Supplementary guidance only	Note 13.2.4
Global Reporting Initiative (GRI) - 13 Agriculture, Aquaculture and Fishing Sector Standard (2022)		Sector-specific guidance for identifying and presenting social, environmental and biodiversity-related topics relevant to plantation operations	Supplementary guidance only	Notes 5, 7, 13
Taskforce on Nature-related Financial Disclosures (TNFD)		Nature-related guidance used to support biodiversity exposure mapping and alignment with LEAP-based assessment principles	Supplementary guidance only	Notes 7, 9, 13.2.7
Greenhouse Gas (GHG) Protocol Corporate Standard, Scope 2 Guidance and Scope 3 Standard		Methodological guidance for GHG inventory preparation, including Scope 1, Scope 2 and Scope 3 categorisation, activity data and emission-factor selection	Supplementary methodology only	Notes 13.2.1–13.2.3
International Organization for Standardization (ISO) 14064-1:2018		Organisation-level GHG emissions and removals reporting standard used to support inventory design, reporting structure and verification criteria	Supplementary methodology only	Note 13.2.2

SLFRS Sustainability Related Financial Disclosures

1.2 Functional Currency

All monetary amounts in these disclosures are presented in Sri Lankan Rupees (Rs.) unless otherwise stated.

1.3 Reporting Period

These disclosures cover the financial year 1 April 2025 to 31 March 2026, consistent with the Company's annual financial statements prepared under Sri Lanka Accounting Standards (SLFRS/LKAS) for the same period. There is no lag in the reporting cycle; sustainability-related financial data is reported on the same period-end basis as the financial statements.

1.4 Time Horizons

For the purposes of SRRO classification and financial exposure estimation, TTE applies the following time horizon definitions consistently across all Notes in these disclosures:

The disclosures are presented on a consolidated basis, encompassing Talawakelle Tea Estates PLC as the parent entity and its wholly owned subsidiaries:

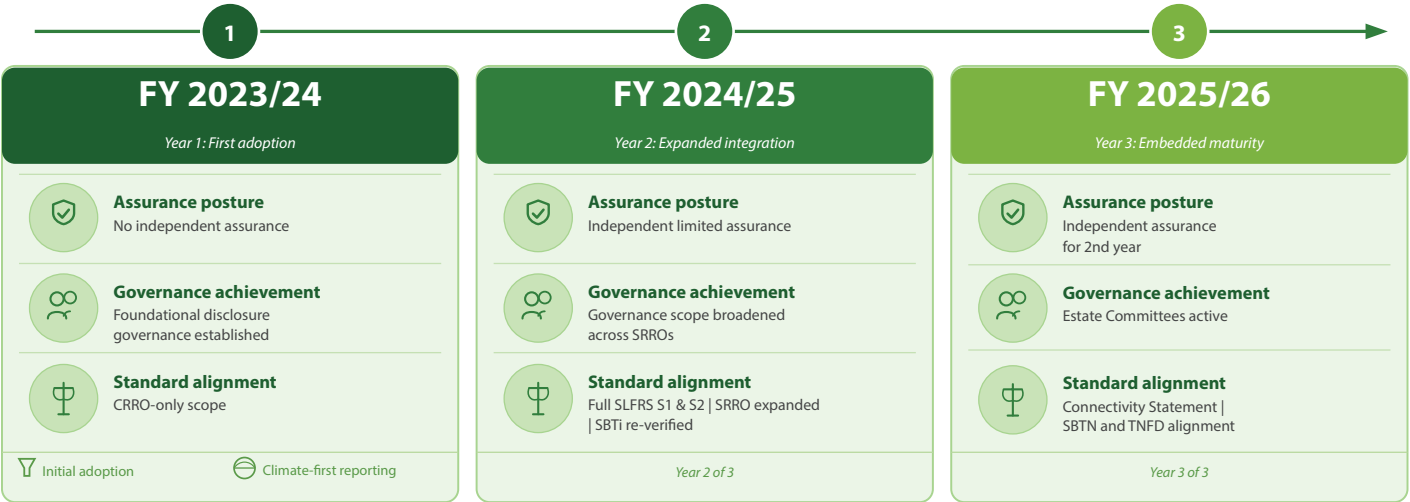
Time Horizon	Period	Basis
Short term	1 years	Aligned to TTE's annual operating cycle, corporate budget plan, and near-term estate operational decisions
Medium term	2–3 years	Company Strategic planning cycle
Long term	Beyond 3 years	Aligned to TTE's long-cycle strategic and investment planning horizon

The Group operates 16 estates and 15 factories across diverse agro-climatic zones in Sri Lanka's Upcountry and Low-country regions, encompassing tea cultivation, manufacturing, cinnamon, and rubber as supplementary crops, as well as renewable energy generation through solar and hydropower assets. The value chain and estate configuration are detailed in Note 2.

1.5 Changes from Previous Reporting (FY 2024/25 to FY 2025/26)

The following changes have been made to these disclosures relative to the FY 2024/25 Integrated Annual Report.

Governance maturity	ESEG Steering Committee TOR reviewed and updated. 16 Estate-Level Sustainability Steering Committees operational with documented Terms of Reference.
Materiality methodology	Materiality process applied for third consecutive year. Quantitative threshold for materiality refined based on FY 2025/26 financial data.
Climate scenario rationale	Scenario selection rationale enhanced with explicit linkage to IPCC AR6 SSP pathways and IEA NZE 2050 and Sri Lanka's Nationally Determined Contribution (NDC 3.0). Qualitative and quantitative outputs updated for FY 2025/26 projections.
GHG inventory and emission factors	Emission factors updated to DEFRA 2025 and IPCC AR6 GWP100 values for N ₂ O and CH ₄ . SLSEA grid emission factor updated to latest published value for FY 2025/26.



Progression from initial adoption to connected, assured and embedded disclosure maturity.

1.6 Statement of Compliance and External Assurance

TTEL confirms that these sustainability-related financial disclosures have been prepared in full compliance with SLFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 - Climate-related Disclosures, as issued by CA Sri Lanka and effective for reporting periods beginning on or after 1 January 2024.

Ernst & Young, Chartered Accountants (EY), have performed an independent limited assurance engagement on these sustainability-related financial disclosures in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised) (SLSAE 3000) issued by CA Sri Lanka. Independent assurance report is presented on page 80 of this report.

1.7 Connected Information

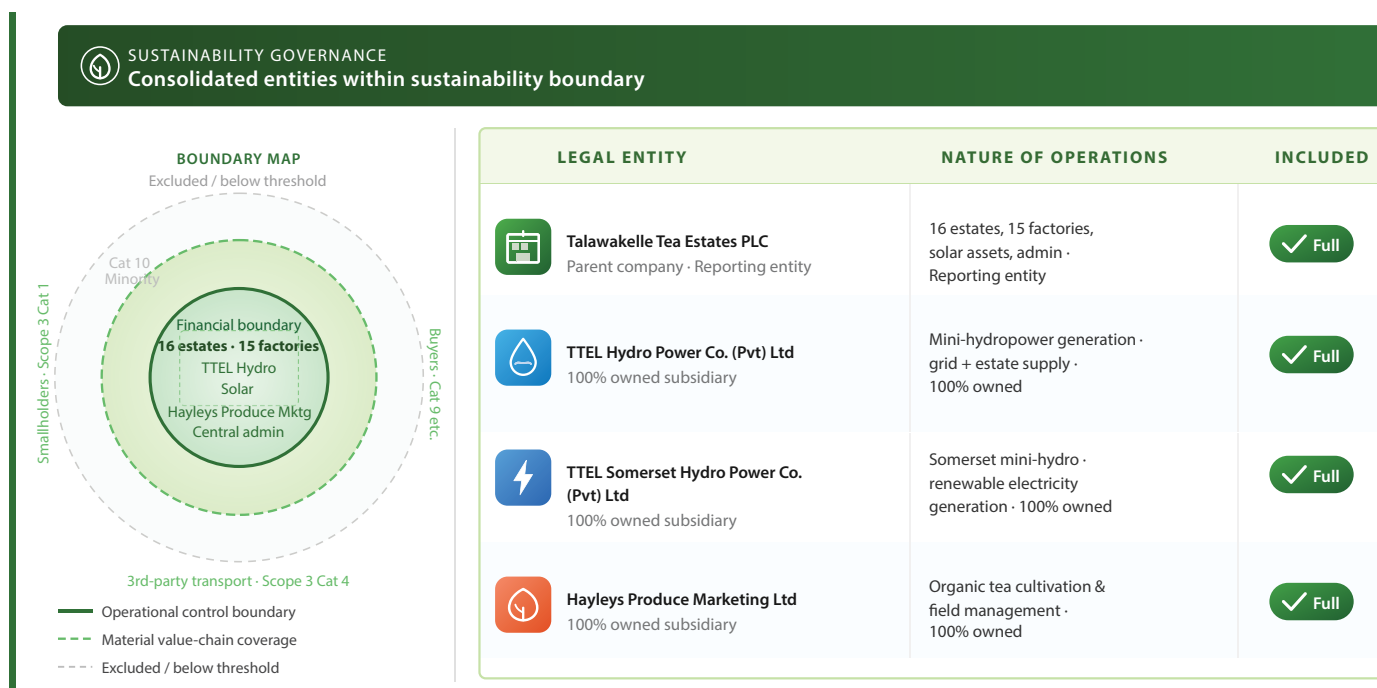
These disclosures are prepared on an integrated basis and should be read in conjunction with the relevant sections of the Integrated Annual Report FY 2025/26. Information disclosed across Notes 7–13 is interconnected, and readers are encouraged to refer to the corresponding report sections indicated below for a complete understanding of TTE's sustainability-related risks, opportunities, strategy and governance.

SLFRS S1 & S2 Section	Primary Location — These Disclosures	Connected Information section of Integrated Annual Report
Governance	Note 6	Corporate Governance Report: Page 234; Board Audit Committee Report : Page 257
Strategy	Notes 8 & 9	Strategy & Resource Allocation: Page 70; Value Creation Model: Page 50; MD&A: Page 120
Risk Management	Note 12	Risk & Opportunity Management Report: Page 218
Metrics & Targets	Note 13	ESG Highlights: Page 22; Consolidated ESG Statement: Page 275; Financial Statements: Page 284
Basis of Preparation	Notes 1–5	About the Report: Page 07; Materiality in Focus: Page 66

NOTE 2 - Overview of the Value Chain



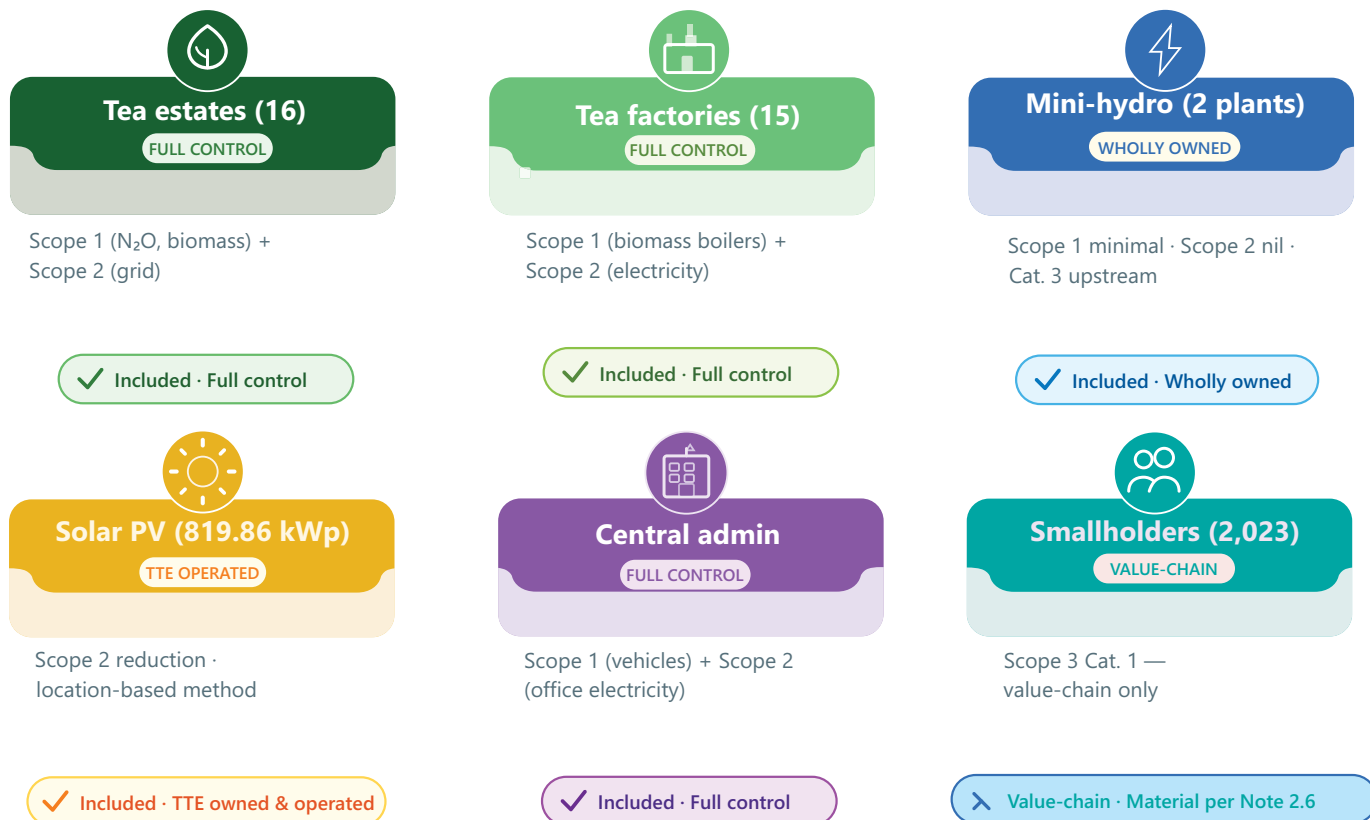
FINANCIAL MATERIALITY BY VALUE-CHAIN SEGMENT		
Segment	Illustrative Financial Materiality	Key Linkage
Upstream Supply chain & input management	Cost volatility, supply continuity, input access	Linked to raw-material availability and cost base
Midstream Processing & operations	Operational efficiency, quality, energy, production continuity	Linked to margins, asset utilisation and output quality
Downstream Sales & market access	Market access, customer demand, pricing and channel resilience	Linked to revenue realisation and customer mix



3.2 Operational Control Definition

For the purposes of greenhouse gas (GHG) emissions reporting and for the broader identification of operational sustainability impacts, TTE applies the GHG Protocol Corporate Standard operational control approach. Under this approach, TTE accounts for 100% of the GHG emissions and sustainability impacts arising from operations over which it has full authority to introduce and implement its own operating policies regardless of financial ownership share.

Operational control is defined as the authority to direct the operations, safety practices, environmental management systems, and sustainability policies of a facility or activity. This is a broader test than financial ownership: an entity may hold operational control over a site it leases or manages under contract, even if it does not hold a majority financial interest; conversely, a wholly owned entity may be managed independently such that TTE does not exercise operational control. In practice, for TTE's current Group structure, operational control aligns precisely with the SLFRS 10 consolidated financial boundary (Note 3.1).



3.3 Value Chain Coverage Beyond the Financial Boundary

The inclusion of material sustainability information relating to activities outside the operational-control financial boundary. TTE includes such value-chain information where three conditions are satisfied simultaneously:

- ▶ Financial materiality — the activity generates a sustainability-related risk or opportunity that meets or exceeds the quantitative or qualitative threshold established in Note 5;
- ▶ Operational or strategic relevance — TTE has a demonstrable exposure pathway to financial consequences arising from the activity, even without direct operational control (e.g., through certification requirements, contractual obligations, or

reputational linkage); and

- ▶ Data availability — reasonable and supportable data can be obtained without undue cost or effort.

Where all three conditions are met, the activity is identified as a value-chain SRRO in Note 7 and its financial effects are discussed in Note 10. Scope 3 GHG emissions from value-chain activities are reported in Note 13 per the GHG Protocol Scope 3 Standard.

NOTE 4 Judgement and Measurement Uncertainties

4.1 Overview of Judgement in Sustainability Disclosures

The preparation of TTE's SLFRS S1 and S2 sustainability-related financial disclosures

requires management to exercise significant professional judgement and to make estimates and assumptions that materially affect the information reported. This requirement arises from three structural characteristics of TTE's operating context. Five principal judgement categories are addressed in Notes 4.2–4.6:

- (i) materiality threshold setting;
- (ii) reporting boundary definition;
- (iii) time horizon classification;
- (iv) climate scenario selection; and
- (v) quantification vs. qualitative treatment.

SLFRS Sustainability Related Financial Disclosures



Climate-sensitive long-cycle operations

Tea cultivation involves biological assets with replanting cycles of 40–60 years, physical climate risks across short, medium and long horizons, and yield-damage models with inherent uncertainty.



Labour-intensive wage-regulated workforce

~48% labour-dependent cost structure. Government wage-setting is a recurrent source of judgement — most recently a 35% increase in September 2024, adding Rs. 270 million in annual costs.



Export-oriented with evolving requirements

RA, ISO 22000, EUDR, CBAM and ESG buyer expectations evolve faster than established financial modelling frameworks, requiring judgement-based qualitative disclosures where quantification is not yet

4.2 Key Areas of Professional Judgement

Judgement Area and Nature of Judgement Required	Governance Anchor	Uncertainty
Financial materiality threshold — SRRO inclusion / exclusion Setting the quantitative threshold above which an SRRO is considered material; applying qualitative factors where financial effects are indirect or not precisely quantifiable.	BAC annual approval of SRRO register, ESEG Committee threshold test.	Medium
Reporting boundary — outsourced and value-chain activities Whether smallholder bought-leaf suppliers, sub-leased parcels, and downstream activities satisfy the three-condition test (materiality, relevance, data availability) for inclusion.	ESEG Steering Committee boundary review, confirmed annually	Medium
Time horizon classification of SRROs Short term: 1 year · Medium term: 2–3 years · Long term: >3 years Aligned with TTE's annual operating cycle, strategic planning cycle, and long-cycle investment horizon.	ESEG Steering Committee annual horizon review	Medium
Climate scenario selection and pathway interpretation Physical risk: IPCC AR6 SSP1-2.6 (low warming) and SSP5-8.5 (high warming). Transition risk: IEA NZE 2050 and STEPS pathways. Downscaled to Sri Lanka estate-level impacts using IPCC AR6 regional outputs and NAPCC projections.	ESEG Steering Committee scenario review	High
Quantification vs. qualitative treatment of financial effects Determining whether financial effects of each SRRO are: (a) quantifiable with reasonable precision; (b) a directional estimate only; or (c) qualitative-only, with a structured narrative disclosure applied.	ESEG Steering Committee quantification status review	High
GHG emission factor and activity data selection Emission factors applied: DEFRA 2025, IPCC AR6 GWP100, SLSEA grid factor. Activity-based vs. spend-based methodology for Scope 3 categories where primary data is unavailable.	Internal management review and independent external assurance; ISO 14064-1:2018 applied as the inventory standard	Medium

4.3 Significant Sources of Measurement Uncertainty

Measurement uncertainty arises when the inputs or assumptions required to quantify a sustainability-related financial effect are subject to significant variability, are based on incomplete data, or reflect long-term projections with evolving methodologies. TTE discloses the following key areas of measurement uncertainty, in each case identifying the source of uncertainty, the direction of the potential financial impact, and the range of plausible outcomes where assessable. The following heatmap summarises the key areas of measurement uncertainty identified in TTE's sustainability-related financial disclosures. It illustrates the relationship between the estimated financial materiality of each issue and the level of uncertainty associated with its measurement. Larger circles indicate greater potential financial exposure, while colour coding reflects the relative level of uncertainty. The assessment supports management in prioritising monitoring, sensitivity analysis, and future data improvement initiatives.

4.4 When Quantification Is Not Reasonably Possible

For certain sustainability-related risks and opportunities, TTE has determined that quantification of financial effects is not reasonably achievable at this stage without introducing false precision that could mislead primary users. This determination is made when one or more of the following conditions are present:

- (i) the cause-effect relationship between the sustainability factor and TTE's financial metrics is too indirect or diffuse to model reliably;
- (ii) the data required for quantification is incomplete, non-standardised, or not yet available at reasonable cost; or
- (iii) the forward-looking nature of the matter involves scenario or policy dependencies that render a single-point estimate uninformative.

In all such cases, TTE provides the six qualitative disclosure elements. These disclosures are presented in the table below. The absence of quantification in these instances does not imply immateriality each of the items below meets TTE's financial materiality threshold in terms of strategic and financial significance; the limitation is one of measurement, not relevance.



Biodiversity restoration & ecosystem services financial value

Nature risk / opportunity Operations · 16 estates Medium–Long

Upside + downside

No standardised PES valuation methodology in Sri Lanka. Voluntary carbon market prices highly volatile (LKR 1,500 – 5,000/tCO₂e). TNFD LEAP methodology adopted for identification but not yet at quantification stage. Shadow pricing not applied given market immaturity.

→ Develop TNFD V2.0 aligned biodiversity credit valuation by FY 2026/27. Engage PES pilot valuers. Note 13.2.7.



EUDR & CSDDD regulatory compliance cost

Regulatory transition risk Downstream export Medium

Upward cost

EUDR scope for tea not yet confirmed. CSDDD implementing regulations not finalised. Compliance cost per tonne depends on EU regulatory decisions not yet made. A single-point estimate would misrepresent the regulatory timeline.

→ Annual monitoring via ESE regulatory register. EU Commission EUDR scope decision expected 2025–26. Note 9.3.



CBAM regulatory cost (if tea included in future scope)

Regulatory transition risk Downstream EU export (~4%) Long

Upward cost

CBAM does not currently apply to tea. EU expansion post-2030 uncertain. Quantification compounds three unknowns: assumed carbon price (LKR 1,500 – 5,000/tCO₂e), scope extension, EU export share.

→ Annual CBAM monitoring. GHG intensity per kg of made tea maintained as CBAM readiness KPI. BAC briefed annually.



Certification loss probability & reputational recovery cost

Regulatory / reputational risk Operations + Downstream

Short–Medium (event-driven) Revenue downside

Certification failure is a binary event; probability cannot be reliably estimated from historical data. RA premium Rs. 185/kg High-Grown and Rs. 166/kg Low-Grown at risk. Probability-weighted estimate would create false precision where none exists.

→ Annual RA and ISO surveillance audit results reported to ESEG Committee as primary control metric. Note 7.3.



Soil organic carbon financial value and premium pricing linkage

Nature opportunity Operations — estate soil management Medium–Long Upward opportunity

No mature Soil organic carbon SOC credit market in Sri Lanka. Direct SOC–price link not yet established.

→ Monitor VCM for SOC credit methodology. Engage TNFD biodiversity-finance pathway. Annual SOC improvement % reported.

4.5 Disclosure of High-Uncertainty Estimates

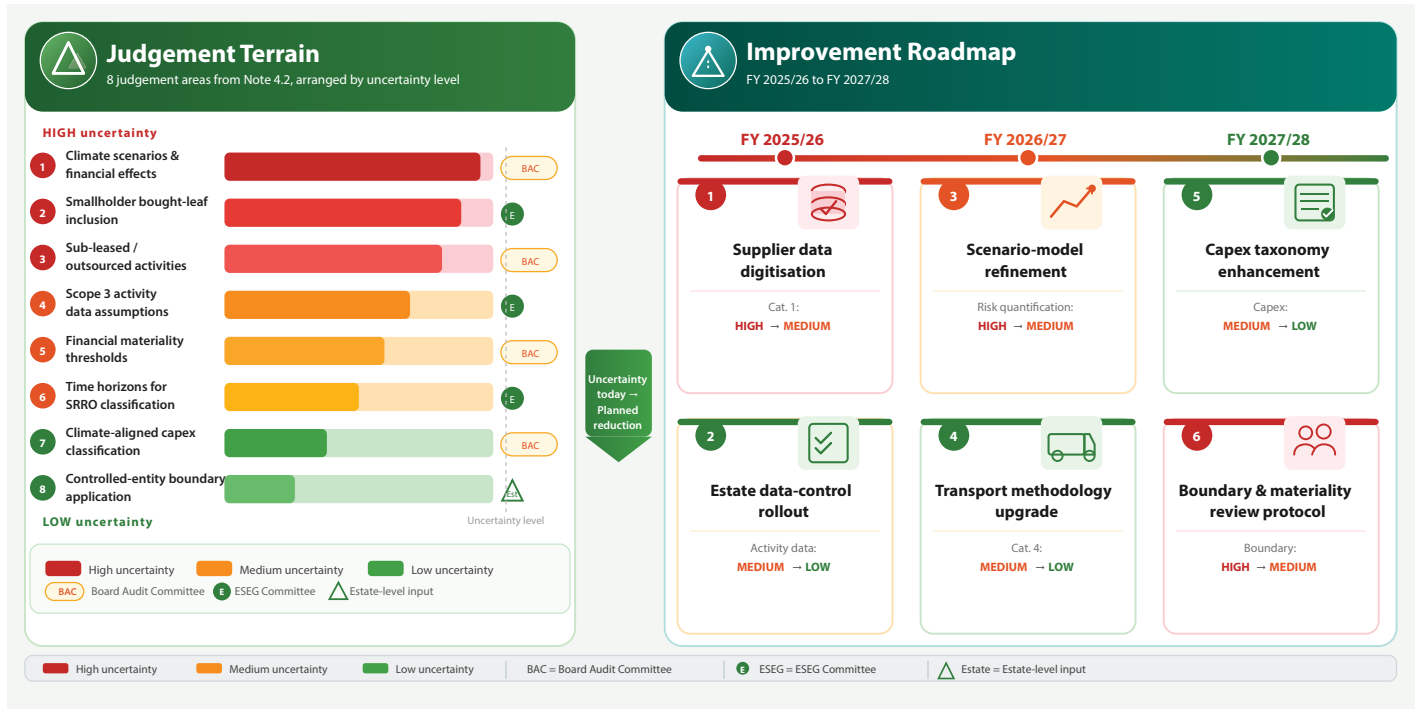
The following estimates are included in these disclosures and carry sufficiently high measurement uncertainty. Each estimate is presented with the base-case assumption, the plausible high and low variants, and the financial direction of each variant. These sensitivities are not forecasts; they are indicators of the range within which actual outcomes could plausibly fall if underlying assumptions differ from the base case.

ESTIMATE AND BASE-CASE ASSUMPTION	LOW VARIANT	HIGH VARIANT	DIRECTION
Acute physical climate risk OPEX Base: FY 2024/25 actual emergency OPEX experience level. Rainfall and landslide frequency assumed consistent with recent 3-year average. Mid-range scenario: IPCC AR6 SSP2-4.5.	Benign weather year: OPEX –15–25%; crop yield +5%. High-Grown net positive revenue effect.	Severe SSP5-8.5 tail event: OPEX +50–100% from base; crop loss 15–20% in affected Upcountry estates	↑ Cost ↓
Chronic yield decline High-Grown revenue Base: Yield –3%/decade at elevations >1,600 m from FY 2025/26 baseline. Scenario aligned to IPCC AR6 SSP2-4.5 central projection.	SSP1-2.6: –1.5%/decade; cumulative –Rs. 15–30 Mn revenue by 2035 (partially mitigated by replanting programme).	SSP5-8.5: –3%/decade; cumulative –Rs. 80–120 Mn revenue by 2035 (unadapted scenario).	↑ Revenue ↓
Scope 3 Cat. 1 smallholder GHG emissions Base: Spend-based method supplier payments × DEFRA 2025 agricultural sector emission factor.	Activity-based (low intensity): Cat. 1 total 30–40% lower than spend-based proxy if smallholder fertiliser use is below sector average.	Activity-based (high intensity): Cat. 1 total 40–60% higher than spend-based proxy if above-average agrochemical practices.	↔ GHG only
CBAM shadow estimate (directional only) Base: Shadow only — Scope 1+2 GHG intensity/kg × EU export volume × EUR 50/tCO ₂ e shadow price. <i>* CBAM does not currently apply to tea.</i>	If CBAM not extended to tea: nil financial impact; EU exports continue on current competitive terms.	If CBAM extended: directional cost on EU-destined exports. Partially offset by TTE's low GHG intensity.	↑ Long-term

SLFRS Sustainability Related Financial Disclosures

4.6 Planned Improvements to Estimation Methods and Data Quality

This sub-section is introduced for FY 2025/26, reflecting TTE's continued commitment to strengthen the maturity, reliability and decision-usefulness of its sustainability-related financial disclosures. We have defined a structured data-improvement roadmap to support the next phase of our reporting journey and improve the quality of estimates used across key disclosures.



4.7 Forward-Looking Statements and Limitations

This report includes forward-looking statements on TTE's sustainability priorities, climate resilience, operational improvements, and long-term value creation. These statements reflect current expectations and management assumptions and should not be treated as guaranteed outcomes. Forward-looking areas include:'

- ▶ Climate action, emissions reduction, and renewable energy initiatives
- ▶ Regenerative agriculture, biodiversity, and ecosystem restoration
- ▶ ESG investments, digital monitoring, and operational efficiency
- ▶ Employee welfare, community development, and responsible supply chains
- ▶ Alignment with SLFRS S1/S2, TNFD, SASB, and other sustainability frameworks

Actual outcomes may differ due to climate variability, regulatory changes, market conditions, certification requirements, cost movements, and other factors beyond the Company's control. TTE will review and update relevant disclosures where required by law, reporting standards, or material business developments.

NOTE 5 - Materiality Assessment

5.1 Materiality Framework and Purpose

The purpose of TTE's materiality assessment is to identify, from the full universe of possible sustainability-related risks and opportunities (SRROs), those items that could reasonably be expected to affect TTE's cash flows, cost of capital or access to finance over the short (1 year), medium (2-3 years) or long term (beyond 3years). TTE applies a single, financially-anchored materiality lens for SLFRS S1 and S2 purposes distinct from but complementary to the double-materiality assessment (DMA) in the broader Integrated Annual Report.

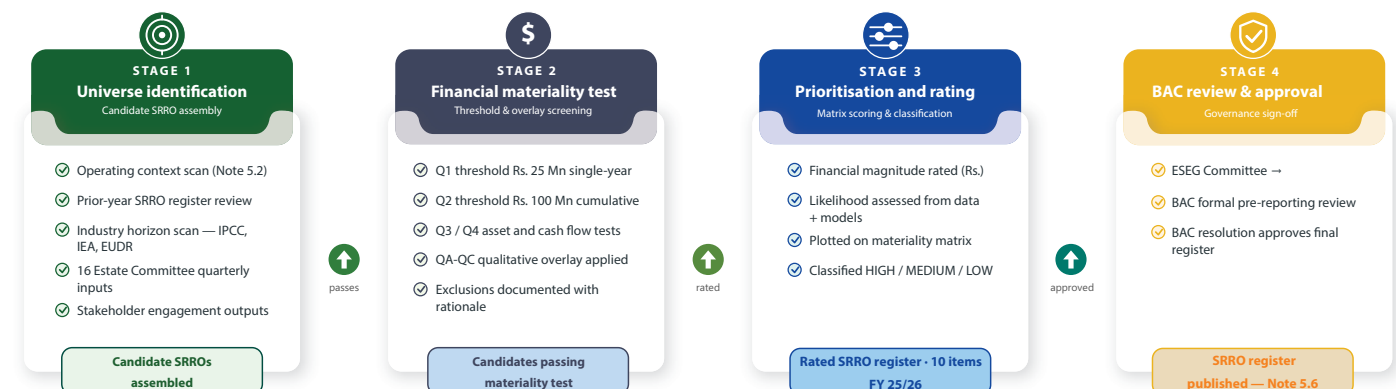
5.2 Understanding the Operating Context

The operating context scan is the first analytical step in TTE's materiality cycle. It identifies the external and internal factors that determine which SRROs are plausible and financially relevant for a vertically integrated plantation company of TTE's specific profile.



5.3 Four-Stage Materiality Assessment Process

TTE's materiality assessment follows a formal four-stage process applied annually within the ESEG Committee, with outcomes reviewed and approved by the BAC before disclosure. The process is described and illustrated below.



5.4 Financial Materiality Threshold

TTE applies a combined quantitative and qualitative financial materiality threshold. The quantitative criteria establish a minimum financial-impact test; the qualitative criteria capture items of strategic or systemic significance that may not cross the quantitative threshold in any single year but are nonetheless financially material in a broader sense. A candidate CRRO/SRRO is included in these SLFRS disclosures if it satisfies one or more of the following criteria.

Criterion	Definition and basis
Quantitative Criteria	
Q1 — Single-year OPEX, revenue or CapEx impact	A sustainability-related risk or opportunity that could cause, or has caused, an impact on Group revenue, OPEX or capital expenditure exceeding the threshold amount in any single reporting year. Includes both realised and reasonably foreseeable impacts.

SLFRS Sustainability Related Financial Disclosures

Criterion	Definition and basis
Q2 — Cumulative impact across time horizons	A sustainability-related risk or opportunity whose cumulative financial impact across the short, medium and long-term time horizons is expected to exceed the threshold, even if no single-year impact exceeds Q1. Time horizons per Basis of Preparation Section 1.4: Short = 1 year; Medium = 2–3 years; Long = beyond 3 years.
Q3 — Carrying value adjustment	A sustainability risk that could cause a material adjustment to the carrying value of a Group asset or liability in future financial statements. Cross-referenced to LKAS 36 impairment and LKAS 41 bearer biological assets.
Q4 — Operating cash flow variability	A sustainability factor that introduces variability (upward or downward) in Group operating cash flows exceeding the threshold, affecting TTE's debt service capacity or investor return expectations.
Qualitative Criteria	
QA — Reputational and certification risk	Risk of losing a material certification (Rainforest Alliance, ISO 22000:2018) that directly affects TTE's ability to command certified-tea premiums. The premium is clearly material even if certification loss has not occurred.
QB — Regulatory and compliance risk	Risk arising from evolving regulations (EUDR, CBAM, wage legislation) where the financial effect is not yet quantifiable but the strategic exposure is clear and the regulatory trajectory is directionally certain.
QC — Systemic and irreversibility risk	Risks where the consequence of non-action is systemic or irreversible (biodiversity degradation, soil carbon depletion, estate community health) such that the long-term financial risk significantly exceeds what current modelling can capture.

5.5 Stakeholder Input and Sources of Information

TTE adopts a broad-based and inclusive approach to identifying sustainability-related risks and opportunities. Our materiality process draws on multiple sources of insight, combining operational intelligence, stakeholder perspectives, industry developments, regulatory expectations and estate-level inputs. This enables us to identify matters that are most relevant to our plantations, our people and the wider ecosystem, while strengthening the quality, balance and decision-usefulness of our sustainability-related financial disclosures.



5.6 Materiality Outcomes — FY 2025/26

The following table presents the 5 material Sustainability-Related Risks and Opportunities (SRROs) identified for FY 2025/26 through the four-stage materiality assessment process described in Note 5.3. Each SRRO is mapped to the relevant disclosure pillar and cross-referenced to the Note in which the full disclosure is provided.

CRRO/SRRO Full Register — Risk / Opportunity Rating					
ID	SRRO DESCRIPTION	TYPE	HORIZON	FY 25/26	FY 24/25
CRR-1	Climate-related Transition Risk (low-emission compliance and decarbonization costs)	Transition risk · Q1 + QB	Short–Long	MED-HIGH	MED-HIGH
CRR-2	Acute physical climate risk — extreme rainfall, floods, landslides disrupting operations and crop yields	Physical risk · Q1 + Q2	Short–Long	HIGH	HIGH
CRR-3	Chronic physical climate risk — temperature rise and rainfall shift reducing Upcountry yields per hectare	Physical risk · Q2 + QC	Med–Long	HIGH	HIGH
SRR-1	Labour scarcity, wage escalation and workforce continuity	Social risk · Q1	Short–Med	HIGH	HIGH
SRO-1	Nature-based Opportunity (Biodiversity Restoration and Ecosystem Resilience)	Market opp. · Q1	Short–Med	MED-HIGH	MED-HIGH



6.1 Governance Oversight Structure

TIER 1 - BOARD

- Board of Directors** — 9 members as at 31 March 2026
Min. 6 meetings/yr · Sustainability agenda at every meeting · 1 dedicated strategy session/yr
 - ✓ Approve and review corporate sustainability and climate strategy; set risk appetite and ESG policies
 - ✓ Review and endorse SLFRS S1 & S2 disclosure section; monitor SBTi Net Zero 2050 progress
 - ✓ Champion stakeholder engagement and disclosure; approve major ESG capital allocation decisions
- Board Audit Committee (BAC)** — Primary SLFRS S1 & S2 oversight
Quarterly + ad hoc · BAC Chair briefs full Board after each meeting
 - ✓ Oversee SLFRS S1 & S2 disclosure processes; review and approve materiality determination and SRRO register
 - ✓ Review and resolve issues between management and auditors seek information on SRROs affecting financial position
- Nomination & Governance Committee (N&G)**
Min. twice/yr · Skills assessment before materiality cycle starts
 - ✓ Annual Board sustainability skills and competency assessment against SRRO profile
 - ✓ Skills gap identification and Board succession planning for sustainability competencies
 - ✓ Outcome shared with BAC for SLFRS S1 §27 disclosure requirements

TIER 2 - EXECUTIVE

- ESEG Steering Committee** — Chaired by Director/CEO · TOR revised FY 2025/26
4 formal meetings/yr + working-group sessions · Director Finance (Advisor) · GM Sustainability (Secretary)
 - ✓ Translate Board ESG strategy into operational programmes
 - ✓ Maintain GHG inventory and certification programmes
 - ✓ Maintain SRRO register; coordinate ESG data systems and controls
 - ✓ Recommend metrics and targets to BAC
 - ✓ Prepare SLFRS S1 & S2 draft disclosures (Notes 7–13)
 - ✓ Oversight of 16 estate committee sustainability data flows

TIER 3 - ESTATE

- 16 Estate-Level Sustainability Steering Committees** — Formally constituted FY 2025/26 with documented TOR
Monthly meetings · Quarterly reports to ESEG Secretariat · Each chaired by Estate GM · Escalation: Estate GM → Regional GM → Director Plantations → ESEG → BAC
 - ✓ Implement GAP and ESG policies at estate level
 - ✓ Validate and witness primary GHG activity data monthly
 - ✓ Track estate-specific sustainability KPIs vs targets
 - ✓ Maintain RA and ISO certification compliance

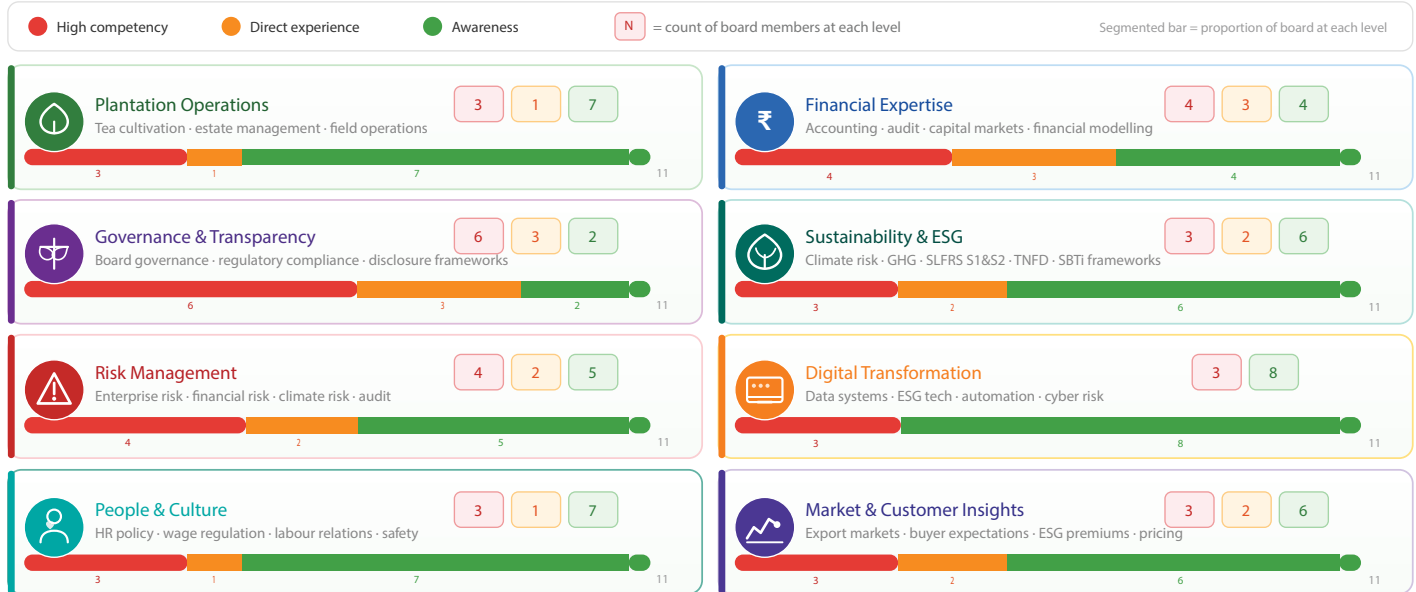
ESCALATION PATHWAY

Estate GM → Regional GM → Director Plantations → ESEG → BAC

SLFRS Sustainability Related Financial Disclosures

6.2 Board Skills and Competencies for Sustainability Oversight

The Nominations and Governance Committee (N&G) Committee's annual skills assessment reviews Board and management competencies against the CRRO/SRRO profile established in Note 5.6 and the skills required for SLFRS S1 & S2.



6.3 Board Audit Committee — Oversight Responsibilities, Frequency and Accountability

The Board Audit Committee (BAC) is TTE's primary Board-level sustainability governance body for sustainability matters. Its sustainability mandate is defined in full in the BAC Terms of Reference (TOR). The following table documents each sustainability-specific BAC responsibility with the governing BAC TOR clause, the frequency of exercise, and the evidence produced.

BAC sustainability responsibility	Frequency of exercise
Approve materiality assessment and material CRRO/SRRO	Annual
Approve sustainability assurance engagement	Annual
Review of climate risk scenarios	Annual + Quarterly monitoring
Monitor climate and social KPI performance	Quarterly

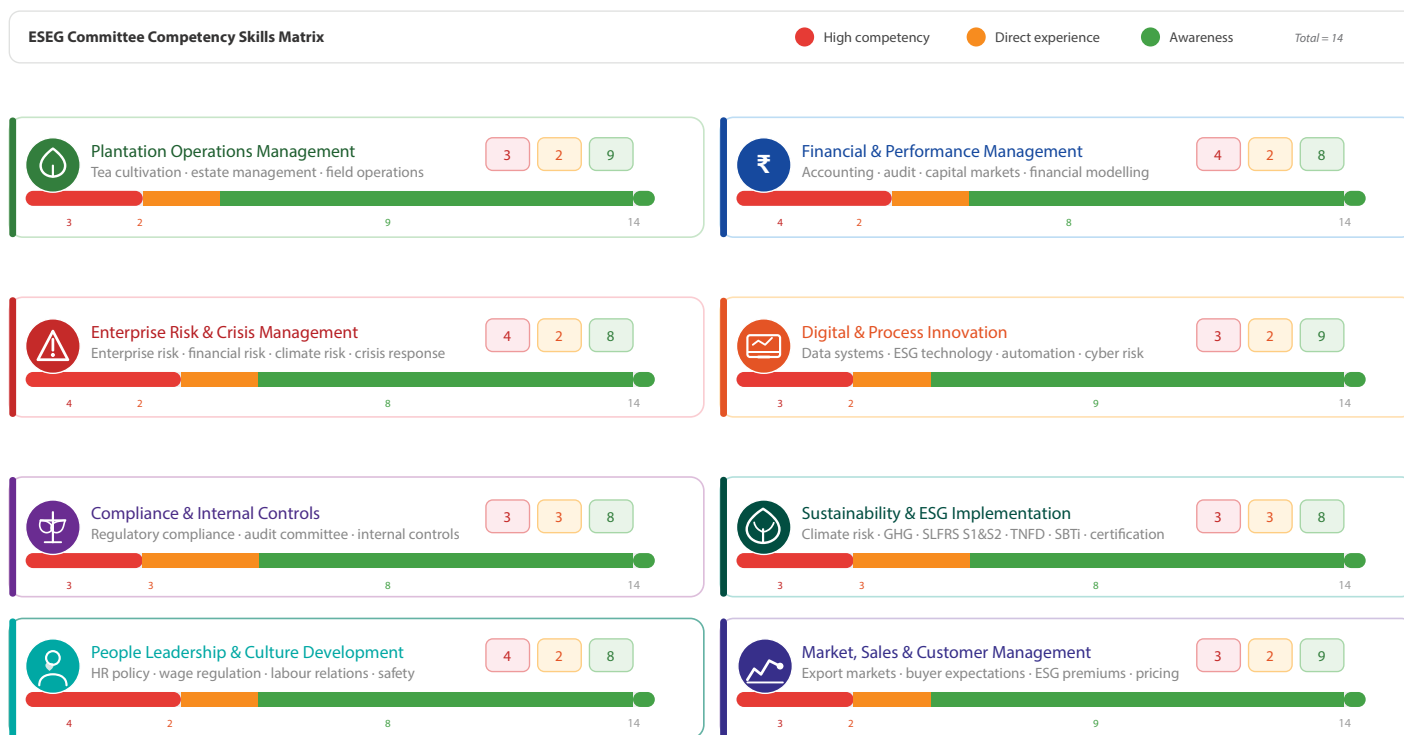
6.4 Management's Role — ESEG Steering Committee

The ESEG Steering Committee is TTE's cross-functional management-level sustainability committee responsible for implementing the Board-approved sustainability strategy and overseeing sustainability-related risks and opportunities (SRROs), climate-related risks and opportunities (CRROs), and SLFRS S1 & S2 disclosures. The Committee operates under the oversight of the Board Audit Committee (BAC) and meets at least quarterly.

Key Area	Responsibility
Strategy & Policy	Implement sustainability strategy, policies and action plans
Risk Management	Maintain SRRO/CRRO risk register and oversee climate scenario analysis
Reporting & Disclosure	Oversee SLFRS S1 & S2, GRI and sustainability reporting processes
Targets & Performance	Monitor ESG KPIs, GHG emissions and climate targets
Stakeholder Engagement	Coordinate sustainability-related stakeholder engagement and communication
Governance & Controls	Review sustainability data quality, controls, assurance readiness and compliance
Reporting to BAC	Provide quarterly updates and escalate material sustainability matters

ESEG Committee Skill Matrix — FY 2025/26

The following skill matrix documents the competencies available within the ESEG Committee against the eight skill domains required for effective SLFRS S1 & S2 governance.



FY 2025/26 · Total board = 14 directors · Bar segment width proportional to number of directors at each competency level

6.5 Estate-Level Sustainability Governance — 16 Estate Committees

The 16 Estate-Level Sustainability Steering Committees constitute the primary data-collection and first-line The 16 Estate Sustainability Steering Committees (ESSCs) form the operational level of TTEL's sustainability governance structure. The committees are responsible for implementing corporate sustainability policies at estate level, collecting and validating sustainability data, monitoring estate KPIs, managing certification compliance, and escalating material environmental, climate, social, and operational incidents to the ESEG Steering Committee. The ESSCs operate under formally approved Terms of Reference and support TTEL's SLFRS S1 & S2 reporting process.

6.6 Policy Framework

Talawakelle Tea Estates PLC maintains a Board-approved policy framework that supports the governance, management, and disclosure of sustainability-related risks and opportunities in accordance with SLFRS S1 and SLFRS S2. The framework is anchored by the ESG Sustainability Policy and supported by policies governing risk management and internal controls, corporate governance, business conduct and ethics, anti-bribery and corruption, whistleblowing, and corporate disclosures. Together, these policies provide clear guidance for decision-making, accountability, stakeholder transparency, and the integration of sustainability considerations into business strategy and operations. All policies are subject to periodic review and Board approval.



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NOTE 7 Sustainability-Related Risks and Opportunities (SRROs)

This Note presents the five (5) financially material Sustainability-Related Risks and Opportunities (SRROs) identified through materiality assessment process (Note 5). These are the only SRROs that meet TTE's quantitative financial materiality threshold of Rs. 50 Mn or 1% of annual revenue or satisfy the qualitative criteria in Note 5.4. All other sustainability topics assessed as below this threshold are disclosed in the broader Integrated Report under the double-materiality framework but are excluded from these SLFRS S1/S2 disclosures to preserve decision-usefulness for primary users. The five material SRROs are presented in Sections 7.1–7.3 below. Financial exposure estimates carry the measurement uncertainties described in Note 4.3. Strategic responses are in Notes 8–9; financial effects in Note 10; scenario analysis in Note 11; risk governance in Note 12; metrics and targets in Note 13.

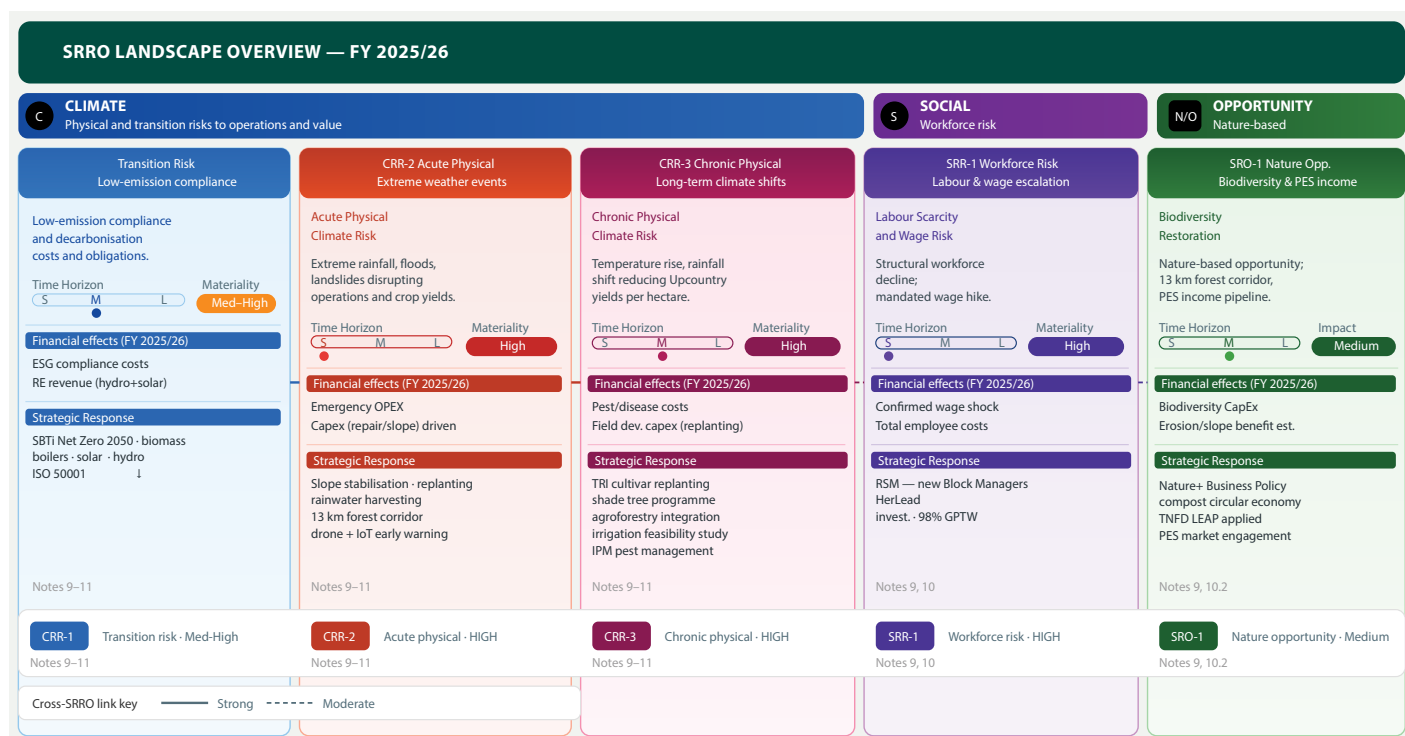
SRRO Register — FY 2025/26 5 Financially Material CRRO/SRROs

Materiality threshold applied: Rs. 50 Mn / 1% of annual revenue (Note 5.4)

ID	SRRO Name	Category	Time Horizon	Financial Materiality
CRR-1	Climate-related Transition Risk	Climate · Transition	Short–Long	Medium-High Note Ref. 7.1, 9–13
CRR-2	Acute Physical Climate Risk	Climate · Physical	Short–Long	High Note Ref. 7.1, 9–13
CRR-3	Chronic Physical Climate Risk	Climate · Physical	Medium–Long	High Note Ref. 7.1, 9–13
SRR-1	Labour Scarcity & Wage Escalation	Social · Workforce	Short–Medium	High Note Ref. 7.2, 9–13
SRO-1	Nature-based Opportunity — Biodiversity & Ecosystem Resilience	Nature · Opportunity	Medium–Long	Medium-High Note Ref. 7.3, 9–13

7.1 Sustainability and Climate-Related Risks and Opportunities (CRR-1, CRR-2, CRR-3)

Three SRROs relate to climate-related physical and transition risks (CRR-1, CRR-2, CRR-3) and are disclosed in accordance with SLFRS S2. One SRRO relates to a social workforce risk (SRR-1) arising from structural labour market dynamics and government-mandated wage escalation, which represents TTE's single highest-impact SRRO by confirmed financial magnitude in FY 2025/26 (Rs. 187.4 Mn). One SRRO is a nature-based opportunity (SRO-1) arising from TTE's large-scale biodiversity restoration programme, which creates long-term estate productivity benefits and a Payment for Ecosystem Services (PES) income pipeline. The SRRO landscape for FY 2025/26, with estimated financial exposures over three years, is summarised in the diagram below.



7.2 Estimated Financial Exposure Across the Five Material SRROs

The chart above summarises TTE's estimated financial exposure across all five material SRROs, covering current year effects (FY 2025/26 with FY 2024/25 comparative), next year anticipated effects (FY 2026/27), and forward-looking effects across the short, medium and long term as defined in Note 1.4. Exposures are classified as either quantified (measured using management estimates and historical data) or directional-only (assessed qualitatively where measurement uncertainty is too high for useful quantification - Note 4.4). All estimates are management's best estimates before the effect of management responses, subject to the uncertainties in Notes 4.3 and 4.5.

SRR-1 Labour Scarcity and Wage Escalation and CRR-2 Acute Physical Climate Risk are the largest quantified risk exposures; CRR-1 Climate Transition Risk carries the smallest net cost due to renewable energy revenue offsetting compliance costs; and SRO-1 Nature-based Opportunity is the only positive-direction SRRO. Full financial effects by SRRO across the three financial statements, with current year, next year and anticipated figures, are in Note 10. Scenario-based ranges are in Note 11.

FINANCIAL EXPOSURE SUMMARY — 5 MATERIAL SRROs

			CURRENT YEAR - P&L EFFECT		NEXT YEAR	ANTICIPATED EFFECTS - NOTE 1.4 HORIZONS			
Pillar	ID	SRRO Name	FY 2025/26 confirmed	FY 2024/25 comparative	FY 2026/27 range	Short term below 1 yr	Medium term 1-3 yrs	Long term beyond 3 yrs	Nature
A - Statement of Financial Performance — P&L Impact & Financial Exposure Bars									
E Env.	CRR-1	Climate Transition Risk ESG compliance, decarbonisation costs and RE revenue offset Med-High	↓ 98.9 RE Rev offset Rs. 106 Mn	↑ 108 FY24/25	↓ 100-135	↓ 100-110	↓ 120-160	↓ 135-185	RISK
E Env.	CRR-2	Acute Physical Climate Risk Extreme weather disrupting operations, crop yields and infrastructure High	↓ 41.9 Infra impairment + hydro loss	↓ 23 FY24/25	↓ 45-60	↓ 45-60	↓ 45-75	↓ 49-90	RISK
E Env.	CRR-3	Chronic Physical Climate Risk Temperature rise reducing Upcountry yields; pest/disease cost escalation High	↓ 119.8 IAS 41 asset risk - LG yield -12.8%	↓ 23 FY24/25	↓ 87-131	↓ 87-131	↓ 77-202	↓ 87-241	RISK
S Soc.	SRR-1	Labour Scarcity & Wage Escalation Sep 2024 wage hike Rs. 270 Mn; workforce continuity and productivity risk High	↓ 187.4 EBITDA pressure - incremental CBA uplift	↓ 270 FY24/25	↓ 231-273	↓ 231-273	↓ 231-273	↓ 284-386	RISK
N/O Nat.Opp	SRO-1	Nature-based Opportunity Biodiversity restoration, PES income pipeline and ecosystem co-benefits Positive	↑ 162.4 Timber + solar + eco-tourism + diversification	↑ 38 FY24/25	↑ 151-171	↑ 151-171	↑ 151-178	↑ 161-202	OPP
PILLAR KEY			EXPOSURE KEY			RISK LEVEL KEY			
E Environmental S Social N/O Nature Opp.			Quantified measured Directional only (Note 4.4)			High Med-High Low / Positive			

NET FINANCIAL EXPOSURE — 5 MATERIAL SRROs - CURRENT YEAR FY 2025/26 WITH FY 2024/25 COMPARATIVE & ANTICIPATED RANGE

FY 2025/26 COMBINED NET P&L ↓ 285.6 Rs. Mn - 3.6% of revenue Gross risk Rs. 448 Mn less SRO-1 Rs. 162.4 Mn	FY 2024/25 COMPARATIVE (RESTATEd) ↑ 21.1 Rs. Mn net benefit Biodiversity income exceeded aggregate risk costs	NEXT YEAR FY 2026/27 RANGE ↓ 616-808 Rs. Mn (scenario range) CBA wage round primary driver - Note 11	LONG-TERM COMBINED NET ↓ 879-1,317 Rs. Mn (all scenarios) SSP1-2.6 low to SSP2-4.5 high - Note 11
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NOTE 8 Business Model and Value Chain

8.1 Business Model Overview

TTE operates a vertically integrated, estate-based plantation business model across 16 estates and 15 factories in Sri Lanka's Upcountry and Low-Country agro-climatic zones. The business transforms six capitals natural, human, social, manufactured, intellectual, and financial into certified, premium-grade tea and allied products (cinnamon, rubber, renewable energy, tea-tourism), generating value for shareholders, workforce communities, and ecosystem stakeholders.

The structure of TTE's value chain covering upstream input sourcing, estate cultivation and manufacturing, and downstream auction and export channels is described in Note 2. This Note focuses on how that business model gives rise to, and is affected by, the material SRROs identified in Note 7, and on the outputs, outcomes, and capital trade-offs that result.

8.2 How the Business Model Links to Material CRRO/SRROs

TTE's three operational stages each carry distinct SRRO exposures. The table below maps each stage to its primary material SRRO, the nature of the financial linkage, and the cross-reference for detailed assessment.

Stage	Primary SRROs	Financial Linkage	Detail
Cultivation	CRR-2 · CRR-3 · SRR-1	Yield loss, emergency CapEx, wage escalation compressing margins	Note 7
Manufacturing	CRR-2 · CRR-1	Factory disruption, energy cost exposure, transition compliance costs	Note 7
Commercialisation	CRR-1 · SRO-1	Certification premium maintenance, ESG buyer access, nature-finance upside	Note 7
Support / Governance	SRR-1 · SRO-1	Workforce retention investment, biodiversity CapEx enabling auction premiums	Notes 6, 9

The most financially concentrated SRRO intersections are CRR-2 × Cultivation (acute flood/landslide disruption to green-leaf harvest and infrastructure, estimated annual exposure Rs. 41.9 Mn) and SRR-1 × all stages (mandated wage escalation confirmed at Rs. 187.4 Mn for FY 2025/26). These linkages are the basis for the strategic priorities described in Note 9.

8.3 Outputs and Outcomes

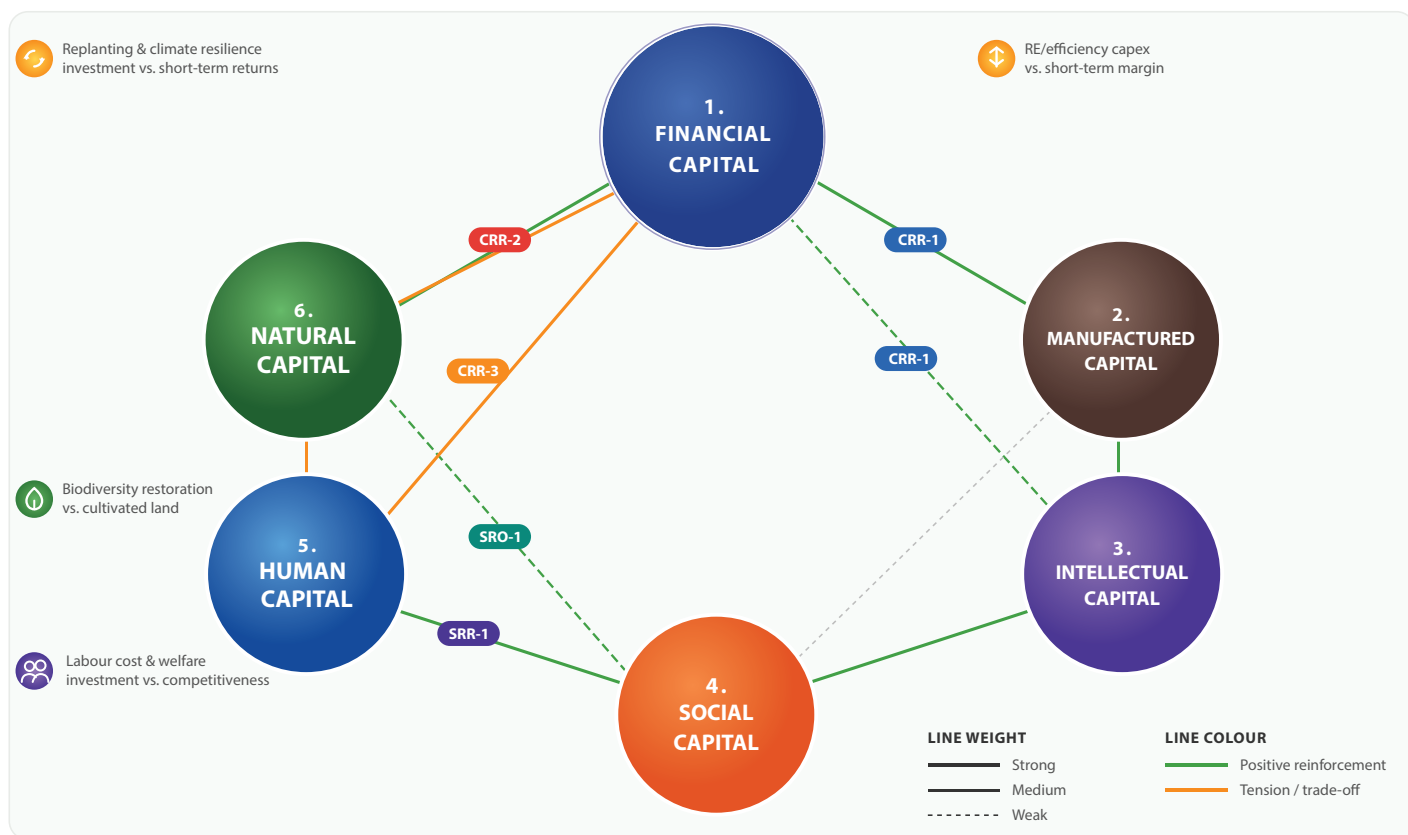
TTE's business model produces financial outputs (revenue, profit, cash flows), social outputs (employment, community welfare, supplier payments), environmental outputs (GHG emissions, water use, biodiversity impact), and regenerative outcomes (soil health improvement, forest restoration, carbon sequestration).

Output Category	FY 2024/25	FY 2025/26
Financial	Revenue ~Rs. 7,806 Mn, PAT Rs. 1,234.8 Mn, RE revenue Rs. 84 Mn, Tax Rs. 543 Mn, Dividends paid, ROCE 19.14%	Revenue Rs. 7,851 Mn, PAT Rs. 926 Mn, RE revenue Rs. 80 Mn, Tax Rs. 426 Mn, Dividends paid Rs. 374.7 Mn, ROCE 13.29%
Tea production	Made tea 5,519 MT, GSA Rs. 1,403.74/kg, Premium Rs. +178.57/kg over national, 1 RPC 7th year, 6 top 10 Garden Marks	Made tea 5,687 MT, GSA Rs. 1,338.07/kg, Premium Rs. 170.36/kg over national, 1 RPC 8 year
Social / workforce	5,247 employees, Rs. 3,712 Mn wages, Rs. 119 Mn community investment, Rs. 944.96 Mn smallholder payments	4,849 employees, Rs. 1,236.8 Mn wages, Rs. 120.8 Mn community investment, Rs. 602.3 Mn smallholder payments
Environmental	Scope 1+2: 27% cumulative reduction vs FY 2022/23, 30,848 GJ RE, 441,571 trees	Scope 1+2: 6.73% cumulative reduction vs BY 2022/23, Sc.1+2 tCO ₂ e: 10,127, Scope 3: 14,822 tCO ₂ e, FLAG: 8,299 tCO ₂ e, 28,314 GJ RE

Regenerative outcomes soil organic carbon improvement, forest corridor restoration, and carbon sequestration are not yet monetised but are tracked as leading indicators of long-term natural capital resilience. Progress is reported in Note 13.

8.4 Capital Trade-offs and Interdependencies

TTE's integrated business model creates interdependencies among the six capitals that give rise to inherent trade-offs. These trade-offs are a normal feature of long-horizon, estate-based plantation management and are explicitly considered in TTE's strategic decision-making (Note 9) and capital allocation framework (Note 6.6).



8.5 Concentrations of CRROs/SRROs across the Business Model and Value Chain

TE's five material CRROs/SRROs are not uniformly distributed across its business model or value chain. Concentration analysis across four dimensions geographic zone, business model stage, asset type, and value chain position reveals that own-operations cultivation carries the highest overall SRRO density, Upcountry estates (>1,600 m) bear the primary concentration of physical climate risk, and human capital is the single most financially exposed asset class in the near term. These concentrations directly inform capital allocation priorities and strategic responses described in Note 9.

Concentrations of CRROs/SRROs across the business model and value chain

Upstream → Own-operations [Cultivation · Manufacturing · Commercialisation] → Downstream

High concentration Med-high Medium Low / incidental

	Own-operations				
	Upstream · Smallholders & inputs	Cultivation · 16 estates · field ops	Manufacturing · 15 factories · processing	Commercialisation · Auctions & export	Downstream · Buyers & markets
CRR-1 Transition risk	Medium Both zones biomass input supply chain	Low	High Both zones boiler fuel energy systems	High Both zones EUDR/CBAM export access	Low Buyer ESG compliance EU buyer ESG
CRR-2 Acute physical	Low	High Both zones Upcountry primary flood/slide risk	High Both zones factory access asset risk	Low	Low Indirect via EU buyer ESG
CRR-3 Chronic physical	—	High Upcountry yield decline buyer profile	Medium Both zones throughput water pressure	Low	Low
SRR-1 Labour & wages	Medium Low-Country labour contracts	High Both zones labour complaints	High Both zones	Med-High Both zones office & field export staff	Low
SRO-1 Biodiversity opportunity	Low	Medium Both zones 13 km corridor SOC restoration	Low	High Both zones RA premium PES income	High Both zones RA certs ESG buyer req.

Primary geographic concentration: Upcountry estates >1,800 m elevation. Dashed border = Own-operations boundary (operational control, Note 7).

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NOTE 9 Strategy and Decision-Making

TTE's response to its five financially material SRROs is embedded in the ReGen Agenda 2030 a regenerative business framework that aligns capital investment, workforce management, and environmental stewardship with long-term value creation. Strategy is not treated as a separate sustainability programme but as the primary mechanism through which each material SRRO is managed. This Note presents the strategic framework (9.1), the SBTi Commitment plan (9.2), SRRO effects on capital allocation (9.3), and the current, anticipated and forward strategy effects.

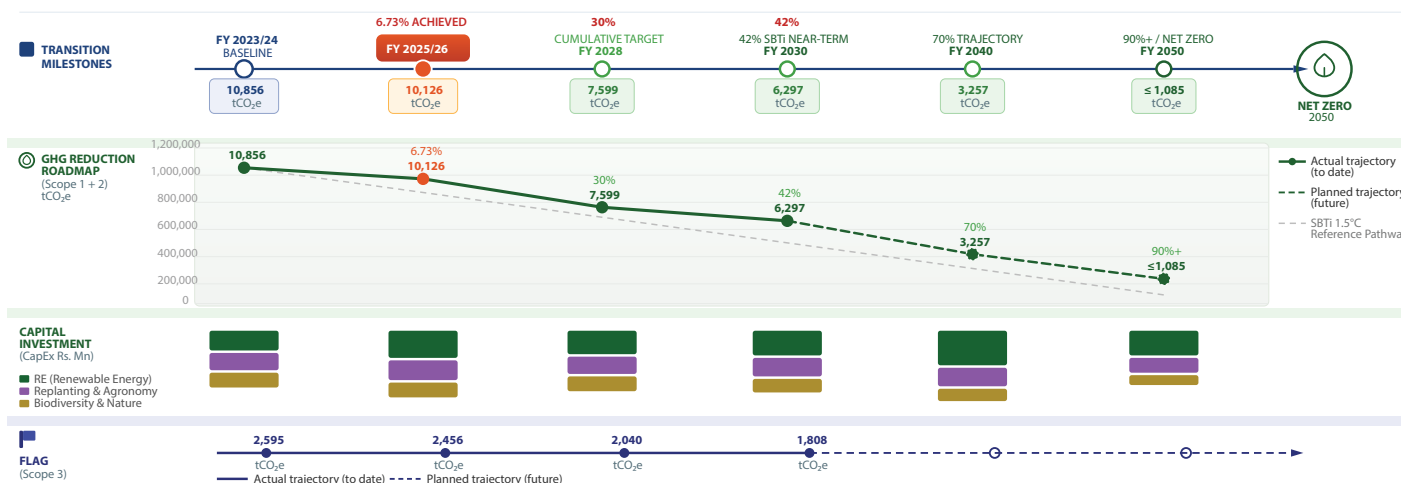
9.1 Strategic Framework — ReGen Agenda 2030

The ReGen Agenda 2030 is structured around five Strategic Imperatives (SIs). Each SI is directly mapped to one or more material SRROs. The table below shows each SI, its primary SRRO linkage, the key initiatives in progress, and the FY 2025/26 performance placeholder. Together, these five SIs address every dimension of TTE's material SRRO exposure — from acute weather events and chronic yield risk, through to wage escalation, decarbonisation, and nature-based opportunity. Capital allocation decisions supporting each SI are detailed in Note 9.3 below.

Strategic Imperative	SRRO	Key Initiatives - FY 2025/26 Progress
SI-1 Winning with the Customer Market Intelligence Leadership	CRR-1	Maintain RA and ISO 22000:2018 certifications · Kiruwanaganga first full year · AI colour-sorters · ESG specialty buyer channel · EUDR traceability readiness
SI-2 Operational Excellence Integrated Precision Operations	CRR-1 CRR-2 CRR-3	All 15 factories on biomass; 6.73% cumulative Scope 1+2 reduction achieved · SBTi re-verified · ISO 50001 expansion · Slope stabilisation at high-risk estates · Fertilizer reduction 4.7% YoY
SI-3 Nurturing Our People Empowered Human Capital Leadership	SRR-1	RSM: 334 Block Managers; Deniyaya 100% RSM; scaling to all estates · HerLead women in leadership · GPTW 98% satisfaction · Rs. 120.8 Mn community investment (housing, healthcare, schools)
SI-4 Environmental Stewardship Nature & Climate Positive Regenerative Leadership	CRR-2 CRR-3 SRO-1	SBTi Net Zero 2050 trajectory · 65.7 ha climate-resilient reforestation · 13 km biodiversity corridor (50,000+ trees) · SOC target 10.5% by 2030 · Rainwater harvesting · TNFD LEAP alignment · IPM pesticide reduction
SI-5 Business Diversification Focused Value Stream Expansion	CRR-2 CRR-1	RE revenue Rs. 80 Mn FY 25/26; solar expansion · Cinnamon 16 MT; Rubber 46 MT · Tea tourism: Somerset TeaTel, Spice Country, glamping · Radella Green Tea specialty channel

9.2 Climate Transition Commitment

TTE's climate ambition is guided by its SBTi-validated Net Zero 2050 commitment, making it the world's first plantation company to secure SBTi validation covering Scope 1, Scope 2 and land-sector Scope 3 emissions. The commitment provides the strategic direction for emissions reduction, renewable energy expansion, regenerative agriculture, and long-term climate resilience initiatives across the business. Implementation actions and investment priorities continue to be refined through the Company's climate governance processes.



The financial effects of CRR-1 (transition costs and RE revenue) at each milestone are quantified in Note 10.2. Business resilience under SSP1-2.6

(Scenario A), SSP2-4.5 (Scenario B), and SSP3-7.0 (Scenario C) scenarios is tested in Note 11. All capital expenditure estimates are subject to BAC approval and the measurement uncertainties described in Note 4.3.

9.3 CRRO/SRRO Effects on Capital Allocation and Financial Planning

Each of the five material SRROs has directly shaped TTE's capital expenditure programme, operating cost planning, and revenue strategy for FY 2025/26. The following table documents how each SRRO category has influenced financial planning.

Planning Dimension	SRRO	How SRRO Has Shaped the Plan FY 2024/25 Actuals → FY 2025/26
Climate CapEx — RE and energy efficiency	CRR-1	Biomass, solar, hydro and ISO 50001 funded through BAC ESG-screened CapEx, directly tracking the SBTi milestone programme. RE revenue Rs. 80 Mn in FY 2025/26 substantially offsets the Rs. 98.9 Mn ESG compliance and transition cost line. → FY 25/26:
Climate CapEx — replanting and biodiversity	CRR-3 SRO-1	65.7 ha climate-resilient reforestation and the 13 km biodiversity forest corridor are treated as long-cycle productive capital investment in both the balance sheet and capital plan. Field development CapEx Rs. 306Mn.
Climate CapEx — factory and infrastructure	CRR-2	Kiruwanaganga factory (Rs. 714 Mn) enters its first full operating year in FY 2025/26, delivering quality uplift that supports premium revenue. Slope stabilisation and drainage investment at Deniyaya and high-risk Upcountry estates reduces emergency OPEX exposure.
OPEX — wage escalation; RSM offset	SRR-1	September 2024 and January 2026 government-mandated total 29.6% wage increase added Rs. 354 Mn and is embedded in the FY 2025/26 base OPEX plan. RSM productivity improvement is modelled as a partial medium-term.
Revenue — certified-tea premium and RE	CRR-1 (positive)	Premium of Rs. +170.36/kg over national GSA is treated as a structural revenue assumption, contingent on maintaining RA and ISO certifications. RE income is a growing revenue line as solar capacity expands.

9.4 Current, Anticipated and Forward Strategy Effects

The strategy effects described below flow directly into the financial effects disclosed in Note 10, the scenario resilience assessment in Note 11, the risk management process in Note 12, and the metrics and targets in Note 13.

CRR-1 Climate Transition Risk Current effect: SBTi trajectory embedded in annual CapEx; RE revenue Rs. 80 Mn offsetting transition costs; ISO 50001 expanding to additional estates. Anticipated effect: Continued RE expansion grows income; SBTi credentials increasingly differentiate TTE in global ESG-credentialed specialty tea markets	Integration: Fully Integrated Forward strategy: Short: maintain ≥27% cumulative reduction. Medium: reach 42% by FY 2030; RE revenue Rs. 130–160 Mn range. Long: Net Zero 2050 — 90% Scope 1+2 reduction.
CRR-2 Acute Physical Climate Risk Current effect: Emergency OPEX provisions in annual budget; slope stabilisation, drainage and proposed IoT early-warning systems active across Deniyaya and Upcountry high-risk estates with collaboration with Disaster Management Centre DMC. Anticipated effect: Increasing event frequency requires escalating capital resilience investment; could elevate credit risk premium if unmanaged.	Integration: Fully Integrated Forward strategy: Short: maintain estate emergency protocols. Medium: proactive drainage CapEx programme. Long: Full estate infrastructure climate-hardening plan
CRR-3 Chronic Physical Climate Risk Current effect: 65.7 ha climate-resilient reforestation; shade tree programme; agroforestry integration at Holyrood, Logie and Somerset estates. Anticipated effect: Long-horizon elevation-zone portfolio rebalancing may be required for 2035+ under RCP 8.5. LKAS 41 bearer plant monitoring enhanced.	Integration: Partially Integrated Forward strategy: Long-horizon elevation-zone rebalancing strategy to be developed in FY 2026/27 strategic cycle, informed by Note 11.3 scenario outputs.
SRR-1 Labour Scarcity and Wage Escalation Current effect: RSM rollout (334 Block Managers; Deniyaya 100%); HerLead; GPTW 98%; Rs. 120.8 Mn community investment. Rs. 354 Mn wage shock absorbed in base operating costs. Anticipated effect: Full RSM across all 16 estates converts fixed wage to variable-performance model, materially reducing net SRR-1 exposure over the medium term.	Integration: Fully Integrated Forward strategy: Short: RSM to majority of estates. Medium: all 16 estates by FY 2028; wage cost per unit declined. Long: entrepreneurial workforce model sustaining the generational workforce transition..
SRO-1 Nature-based Opportunity Current effect: 13 km forest corridor (50,000+ trees); Nature Positive Business Policy active; TNFD LEAP identification applied; SOC improving toward 10.5% target by 2030. Anticipated effect: PES income stream as voluntary carbon and biodiversity markets develop; RA certification advantage strengthening as buyer biodiversity standards increase.	Integration: Partially Integrated Forward strategy: PES monetisation strategy and TNFD LEAP quantification phase under development. PES income contingent on Sri Lanka carbon/ biodiversity market maturity (Note 4.4).

SLFRS Sustainability Related Financial Disclosures

NOTE 10 Financial Position, Performance and Cash Flows

This Note quantifies the financial effects of TTE's five BAC-approved material SRROs on the Group's Statement of Cash Flow, Statement of Financial Position, and Statement of Financial Performance for the year ended 31 March 2026. Format and structure are consistent with FY 2024/25 to ensure year-on-year comparability and assurance continuity. FY 2024/25 comparative data is provided for all quantified items. Where quantification is not reasonably practicable, the six-element qualitative disclosure applies (Note 4.4). Supplementary financial performance metrics and balance-sheet monitoring are provided in Note 10.2 and 10.3.

10.1 CRRO/SRRO Financial Impact Matrix

The matrix below maps each material SRRO to its financial effect across three financial statements, following the same structure as the FY 2024/25 disclosure. Forward financial effects (Short / Medium / Long term) are drawn from the forward scenario ranges developed in Note 11.

CRRO / SRRO Risk Driver	FY 2025/26 Rs. Mn	FY 2024/25 Rs. Mn	YoY %	FS Note Reference	Key Drivers & Quantification Methodology	Short Term (1 yr)	Medium Term (2–3 yrs)	Long Term Rs. (beyond 3 yrs)
Statement of Cash Flows								
CRR-2 Acute Physical Risk	▼ 27.1	▼ 362.0	(92.5%)	CF — Note B	Replanting + factory repair & construction; transport disruption from landslide/flood events	▼ 3 – 3 Mn	▼ 3 – 4 Mn	▼ 3 – 4 Mn
CRR-3 Chronic Physical Risk	▼ 122.6	▼ 271.0	(54.8%)	CF — Note A	Climate-attributed field development (40% of Note A); replanting linked to soil stress & dry spells	▼ 290 – 300 Mn	▼ 290 – 360 Mn	▼ 280 – 360 Mn
CRR-1 Transition Risk	▼ 43.1	▼ 52.0	(17.1%)	Notes 33.3, 15	Solar capex (55% transition-attributed) + HPM organic tea subsidiary investment	▼ 50 – 66 Mn	▼ 66 – 99 Mn	▼ 124 – 182 Mn
SRR-1 Labour & Wage Risk	▼ 210.4	▼ 270.0	(22.1%)	B-4.1	Estate housing, worker access roads, health & social services — Workforce Continuity	▼ 200 – 250 Mn	▼ 250 – 311 Mn	▼ 250 – 341 Mn
SRO-1 Biodiversity Opportunity	▲ 79.2	▲ 22.0	259.9%	CF — Note 13-C	Timber sale proceeds — growing inflow as commercial forestry matures	▲ 72 – 78 Mn	▲ 72 – 85 Mn	▲ 82 – 100 Mn
Statement of Financial Position								
CRR-2 Acute Physical Risk	▼ 20.5	Minor	-	Notes 14B.1	BBA derecognition: field dev write-off (Rs.20.3Mn) + Indola WO (Rs.0.2Mn) net of new provision (Rs.5.1Mn)	▼ 9.6 – 14.4 Mn	—	—
CRR-3 Chronic Physical Risk	Subtle	Subtle	-	Note 17	Produce on bearer bio assets — Level 2 FV decline; gradual erosion of bearer plant carrying value	▼ 16 – 24 Mn	—	—
CRR-1 Transition Risk	▲ 43.1	▲ 41.7	3%	Notes 14A, 15	ESG assets capitalised: Solar capex (55%) + HPM investment; no transition liabilities posted	N/A	N/A	N/A
SRR-1 Labour & Wage Risk	▼ 26.4	▼ 179.0	(85%)	Notes 23, 26	RBO increase Rs.55.5Mn	▲ 62 – 96 Mn	—	—
SRO-1 Biodiversity Opportunity	▲ 0.8	▲ 22.8	(96%)	Note 14C	Consumable bio assets (timber) — YoY carrying value change	▲ 68.0 – 68.0 Mn	—	—
Statement of Financial Performance (P&L)								
CRR-2 Acute Physical Risk	▼ 41.9	▼ 23.0	82.1%	Notes 6.1, 14B.1	Acute hydro revenue loss Rs.17.9Mn + emergency OPEX Rs.12.1Mn + field dev WO Rs.20.3Mn + provisions Rs.5.4Mn	▼ 45 – 60 Mn	▼ 45 – 75 Mn	▼ 49 – 90 Mn
CRR-3 Chronic Physical Risk	▼ 119.8	▼ 23.0	420.8%	Notes 17.1, 6.2	Counterfactual crop yield loss Rs.102.9Mn + Bio FV adverse swing Rs.7.5Mn + chronic hydro Rs.12.0Mn	▼ 87 – 131 Mn	▼ 77 – 202 Mn	▼ 87 – 241 Mn
CRR-1 Transition Risk	▼ 98.9	▼ 108.0	(8.5%)	Notes 25, 9	Directly confirmed Rs.15.4Mn (assurance, certs, depreciation) + ESG supply chain premium Rs.83.4Mn	▼ 100 – 110 Mn	▼ 120 – 160 Mn	▼ 135 – 185 Mn
SRR-1 Labour & Wage Risk	▼ 187.4	▼ 270.0	(30.6%)	Notes 9, 23, 26	Net YoY statutory wage escalation Rs.349.5Mn (+29.6%) DOMINANT DRIVER (net wage method isolates volume)	▼ 231 – 273 Mn	▼ 231 – 273 Mn	▼ 284 – 386 Mn
SRO-1 Biodiversity Opportunity	▲ 162.4	▲ 38.0	327.4%	Note 7	Timber Rs.63.2Mn + Solar Rs.20.5Mn + Eco-tourism Rs.42.2Mn + Diversification Rs.15.8Mn + Lease Rs.14.9Mn + Grant Rs.6.0Mn	▲ 151 – 171 Mn	▲ 151 – 178 Mn	▲ 161 – 202 Mn

▲ = positive / income / inflow / asset addition / liability increase. ▼ = negative / cost / outflow / asset decline.

10.2 Significant Risk of Material Adjustment to Carrying Amounts

The following balances involve significant climate-related estimation uncertainty and may require material adjustment within the next reporting period. Estimated ranges are derived from the anticipated scenario model using SSP1-2.6 (Low) to SSP2-4.5 (High) climate pathways. Carrying amounts are presented as at 31 March 2026.

Asset / Liability	Carrying Amount 31 Mar 2026 Rs.'000	Climate-Linked Assumption at Risk	Sensitivity / Adjustment Risk (FY26/27)	FS Note
Bearer Biological Assets — Mature Tea Plantations	Rs. 1,631,616	Tea yield decline may shorten useful life and increase annual depreciation charge.	If mature fields reduce useful life by 2 years, additional depreciation may arise. Estimated adjustment risk: Rs. 16.3–24.5 Mn.	Note 14B; Note 3.7.7.1; Note 9 (Bearer BA Dep. Rs.101.9Mn)
Consumable Biological Assets — Managed Timber	Rs. 679,515	Timber fair value may be affected by market price, discount rate, disease, fire and climate stress.	Changes in timber price, discount rate or climate damage may reduce fair value. Estimated downside risk: Rs. 68 Mn.	Note 14C; Note 14.C.2 (sensitivity table)
Retirement Benefit Obligations	Rs. 1,237,844	Future salary increases (CBA uplift) and discount rate movements may raise employee benefit liabilities significantly.	Higher wage growth or actuarial discount rate changes may increase RBO. Estimated adjustment risk: Rs. 936–1,561 Mn.	Note 23; Note 4.3
Mini Hydro Power Assets	Rs. 202,291	Lower annual rainfall may reduce generation, weaken revenue, and trigger LKAS 36 recoverable amount assessment.	Continued decline in hydro revenue may require impairment review. Estimated carrying value at risk: Rs. 9.6–14.4 Mn.	Note 6.2 (Hydro segment); Note 3.12 (LKAS 36)

10.3 Combined-Effects Aggregate

This table presents the combined financial effect of TTE's key climate- and sustainability-related risks and opportunities on the Statement of Financial Performance. It aggregates the estimated FY 2025/26 and FY 2024/25 impacts arising from acute and chronic physical risks, transition risks, labour and social risks, and biodiversity-related opportunities, showing the overall net financial exposure after considering both adverse impacts and related financial benefits. FY 2024/25 comparatives have been restated using a consistent methodology. The FY 2025/26 net result reflected a positive impact of Rs. 21.1 Mn, mainly driven by biodiversity-related opportunities offsetting the estimated aggregate risk impacts.

Effect Category	FY 2025/26 Rs. Mn	FY 2024/25 Rs. Mn	YoY Change Rs. '000	% of FY26 Revenue	Source / Quantification Basis
CRR-2 Acute Physical P&L charge	(41.9)	(23.0)	18,888	(0.5%)	WP-10-CRR2. Acute hydro Rs.17.9Mn + OPEX Rs.3.4Mn + write-offs Rs.15.4Mn + provision Rs.5.1Mn
CRR-3 Chronic Physical P&L charge	(119.8)	(23.0)	96,786	(1.5%)	WP-10-CRR3. Counterfactual crop loss 19(a) Rs.102.9Mn + Bio FV Rs.4.9Mn + chronic hydro Rs.12.0Mn
CRR-1 Transition Risk P&L charge	(98.9)	(108.0)	(9,132)	(1.3%)	WP-10-CRR1. Direct Rs.15.4Mn (confirmed) + ESG supply chain premium Rs.83.4Mn (estimated \$19a)
SRR-1 Labour & Wage P&L charge	(187.4)	(270.0)	(82,587)	(2.4%)	WP-10-SRR1. Net YoY statutory wage escalation (net wage method). Statutory CBA uplift +29.6%
SRO-1 Biodiversity P&L income	162.4	38.0	124,403	2.1%	WP-10-SRO1. Timber Rs.63.2Mn + Solar Rs.20.5Mn + Eco-tourism Rs.42.2Mn + Diversification + Lease + Grants
GROSS RISK COST (before biodiversity offset)	(448.0)	(424.0)	(23,955)	(5.7%)	All four climate/social risk SRROs combined before biodiversity offset
Less: Biodiversity Opportunity Income (SRO-1)	162.4	38.0	124	327.4%	SRO-1 biodiversity income offset — all Note 7 streams
COMBINED NET P&L 21(c) Rs. (285.6) Mn = 3.6% of FY26 Group Revenue Rs.7,851 Mn	(285.6)	(386.0)	100,448	(3.6%)	Mandatory combined disclosure. FY25: Rs. +10.0Mn net benefit (biodiversity income exceeded risk costs).

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10.4 Anticipated Financial Effects

10.4.1 Basis

Anticipated effects use three-time horizons: Short-term; Medium-term; Long-term. Two scenario bounds SSP1-2.6 (Scenario A - low) and SSP2-4.5 (Scenario B - TTE base case). The SSP3-7.0 stress scenario (Scenario C) (Scenario C, updated per BAC approval Note 11) adds further medium and long-term downside. Ranges are not projections; they reflect genuine uncertainty and will be refined as the data gap items are resolved.

10.4.2 Anticipated Capital Allocation Changes

Capital Item	FY26 Rs. Mn	Short-term Rs. Mn	Medium-term	Long-term
Field Dev — replanting + cinnamon (CRR-3)	306	290-300	290-360	280-360
PPE Climate Resilience (CRR-2)	3.4	3.2-3.4	3.2-3.7	2-4
Solar Expansion — Transition (CRR-1)	36	49.5-66	66-99	124-182
Worker Housing & Social (SRR-1)	210	200-250	250-310	250-341
Timber Proceeds — Inflow (SRO-1)	79	72-78	72-85	82-100
RBO Liability Growth (SRR-1)	9.7	11-21	21-32	33-59

NOTE 11 Business Resilience

Business resilience is the Company's capacity to sustain long-term value creation while adapting to material sustainability-related risks and opportunities across a range of plausible futures. This Note presents TTE's climate scenario analysis across three IPCC-aligned pathways (11.1–11.3), the scenario financial outcomes and quantified impacts (11.4), the annual resilience assessment scored against actual FY 2025/26 data (11.5), and the going-concern confirmation (11.6). The five material risks and opportunities assessed are:

CRR-1 transition risk; CRR-2 acute physical risk; CRR-3 chronic physical risk; SRR-1 labour and wage risk; and SRO-1 nature-based opportunity. Scenario assumptions are reviewed annually. All financial ranges carry the measurement uncertainties described in Note 4.3 and are not financial projections.

11.1 Scope and Boundaries of the Assessment

The assessment covers all 16 estates and 15 factories across three agro-climatic zones Upcountry (>1,200 m), Low-Country (<50 m) and transitional mid-elevations together with TTE's two mini-hydropower subsidiaries (Radella and Somerset) and the Group's solar generation portfolio. The full scope aligns with the operational control boundary described in Note 3.

Scope Dimension	Coverage	Data Source / Limitation
Physical climate risks	Acute: extreme rainfall, flooding, landslides, drought crop yield and infrastructure. Chronic: temperature rise, rainfall shifts upcountry yield per hectare. FY26 events: 7 minor landslides, 6 floods, 9 road washouts.	Estate meteorological station records; Dept. of Meteorology SL; MIROC5/CCSM4 tea suitability models; IPCC AR6 WGI regional atlas; Sri Lanka NDC 3.0 (submitted 22 September 2025).
Transition risks	EUDR, CBAM, SBTi compliance; buyer ESG expectations; energy transition; carbon pricing all estates and value chain.	NDC 3.0 energy sector targets; EU CBAM published schedule; IEA STEPS; ISO 14064-1:2018 GHG inventory; DEFRA 2025 emission factors.
Nature-related opportunity	Biodiversity forest corridor (18 km cumulative, 65.5 ha under restoration) PES income, carbon sequestration, biodiversity credit potential; SOC improvement.	RA geospatial risk assessment; NDC 3.0 forestry targets (32% forest cover, 7M TROFs); TNFD LEAP identification phase applied.
Time horizons	Short: 1 years Medium: 2–3 years Long: >3 years.	Defined in Note 1 Basis of Preparation. Consistent with prior year. All forward-looking financial estimates presented as ranges or scenarios, not point forecasts.
Scenario	Three scenarios selected, developed and updated by the ESEG Steering Committee.	ESEG Steering Committee meeting minute

11.2 Climate Scenario Framework and Selection Rationale

TTE selected three climate scenarios to bracket the range of plausible futures relevant to its plantation operations, renewable energy assets, and labour-intensive cost structure. The Company applies a quantitative-plus-qualitative approach, commensurate with its high exposure to physical and transition climate risks and the analytical capabilities built over three consecutive reporting cycles. Each scenario differs materially in its assumptions about policy coordination, technology transition speed, and physical climate severity.

Scenario A Net Zero (SSP1-2.6) | Paris-aligned | ~1.5°C warming by 2100

Strong global policy coordination with early and sustained climate action. Carbon pricing is effective and broad; ESG regulations (EUDR, CBAM) are implemented comprehensively and early. Sri Lanka benefits from green finance flows and technical support. Tea cultivation in Upcountry Sri Lanka is supported by stable, managed rainfall and temperature conditions. Premium ESG-credentialed tea is highly valued by global buyers. Carbon and biodiversity markets are well-developed and liquid by 2030–2035, activating PES income. The IEA Net Zero 2050 scenario is the primary reference pathway, supplemented by IPCC AR6 SSP1-2.6 regional projections. This is TTE's aspirational scenario and tests the upside of the Company's regenerative strategy.

Scenario B NDC Pathway / Current Policy Trajectory (SSP2-4.5) | ~2–2.5°C warming | TTE CENTRAL CASE

National commitments (NDCs) are implemented with moderate effort, but global coordination is incomplete. Sri Lanka pursues its NDC 3.0 targets (submitted 22 September 2025) with partial success. Physical climate risks intensify gradually - drought frequency and rainfall variability increase in the Upcountry by mid-century. Carbon markets exist but are fragmented. ESG regulations (EUDR) are implemented but with extended transition periods. This is TTE's base-case planning scenario, most closely aligned with current observed trajectories and anchored to Sri Lanka's NDC 3.0 physical climate projections (near-term +0.7°C; mid-century +1.5°C). These temperature figures are drawn from NDC 3.0 Table 3.1 (September 2025), which represents the most current nationally authoritative Sri Lanka-specific physical climate projections available; NDC 3.0 uses SSP5-8.5 as the reference modelling scenario for its national physical vulnerability

Scenario C High Emissions / Divergence Path (SSP3-7.0) | >3°C warming | Stress Test

Minimal global policy coordination; carbon pricing absent or ineffective; physical climate risks escalate significantly. Sri Lanka faces severe weather intensification, prolonged droughts, and extreme flooding by 2040. High-elevation Upcountry tea cultivation faces material yield decline without adaptation. Export markets diverge; some premium buyers retreat on ESG grounds as certification credibility erodes. Carbon and biodiversity markets fail to develop. TTE's strategy in this scenario relies entirely on adaptation investment, crop diversification, and domestic market resilience. The stress test reveals the Company's vulnerability limits.

11.3 Scenario Inputs and Calibration — FY 2025/26 Updates

The following table presents the key inputs and assumptions for each scenario. Scenario B parameters are calibrated to actual FY 2025/26 outturn. Where the actual FY26 data is shown as a calibration anchor (←), this confirms that the current trajectory is consistent with Scenario B projections.

Parameter	Scenario A — Net Zero	Scenario B — NDC Pathway (Central)	Scenario C — High Emissions
Reference pathway	SSP1-2.6 / Paris-aligned	SSP2-4.5 / Sri Lanka NDC 3.0 (policy pathway; physical inputs from NDC 3.0)	SSP3-7.0 / IEA STEPS-aligned
Global warming by 2050	+1.0°C (Paris 1.5°C goal)	Near-term +0.7°C; mid +1.5°C ← FY26 actual: +0.3°C YoY upcountry (source: NDC 3.0)	+2.4°C mid-century; >3°C by 2100
SL temperature (NDC 3.0)	Near-term +0.5°C; mid +0.8°C	Near-term +0.7°C; mid +1.5°C ← FY26 actual: +0.3°C YoY upcountry	Near-term +0.7°C; mid +1.5°C → +2.4°C (2060–2079)
Rainfall variability	SW monsoon +8–12%. NE stable.	SW +12–18% ← FY26 actual: SW +10.3%, NE +26.1%	Extreme variability. SW +20–25%. Flash floods double.
FY26 hydro generation	Radella 3,378 vs 5yr avg 3,799 MWh (–11.1%)	Same actual — calibration anchor	Same actual — Sc.C projects further deterioration
Tea suitability 2050 (MIROC5)	Optimal –5%; HG resilient	Optimal –10.5%; LG severely affected ← FY26 LG –17.4% vs FY25; climate attr 40%	Optimal –18 to –22%; LG viability at risk
Transition environment	CBAM 2030, SBTi required, carbon pricing 2028	CBAM phased 2026–2032; NDC 3.0 moderate ← FY26 CBAM exposure 7%	CBAM delayed; conditional NDC targets missed
Labour	Wage stabilised; RS model scales 50%	Wages rising — FY26 actual: Rs.1,750/day (+29.6%); shortage 6.5%	Wages decouple; shortage 20–30%; social licence at risk
PES / Biodiversity market	Strong — Rs.20+ Mn/yr PES by 2030	Growing — FY26 actual Rs.4.1 Mn (+17% YoY)	Weak — Rs.3–5 Mn/yr; no external validation

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11.4 Scenario Financial Outcomes — Physical, Transition and Social Risks

The following table presents the quantified financial outcomes across all three scenarios and all five material CRRs and SRROs. Scenario B (NDC Pathway) values represent the base case and are grounded in FY 2025/26 actual financial data. Scenario A and Scenario C apply attribution multipliers to actual data consistent with the respective climate pathways. All values are in Rs. Mn. Brackets indicate costs or losses; unbracketed values in the SRO1 row indicate income.

CRRO/SRRO	Scenario	Short-Term P&L Rs. Mn	Med-Term P&L Rs. Mn	Long-Term P&L Rs. Mn	SFP Rs. Mn	Cash Flow Rs. Mn	Resilience Score
CRR2 Acute	A	(45.7)	(22.9)	(13.7)	(21)	(27)	Moderate
	B	(41.9)	(60.4)	(75.5)	(21)	(27)	Moderate
	C	(70.1)	(140.3)	(210.4)	(26)	(27)	Low
CRR3 Chronic	A	(177.2)	44.3	177.2	-	(123)	Moderate-Strong
	B	(119.8)	(248.4)	(310.5)	-	(123)	Moderate-Strong
	C	(253.1)	(354.3)	(455.6)	-	(123)	Low
CRR1 Transition	A	(108.1)	162.2	270.3	(43)	(36)	Strong
	B	(98.9)	(135.7)	(160.3)	(43)	(36)	Strong
	C	(91.6)	(45.8)	(36.7)	0	0	Low
SRR1 Labour	A	(216.8)	(173.5)	(130.1)	(27)	(210)	Moderate
	B	(187.4)	(318.0)	(231.3)	(27)	(210)	Moderate
	C	(433.7)	(650.6)	(564.8)	(33)	(231)	Low
SRO1 Biodiversity	A	158.3	205.8	284.9	(79)	-	Strong
	B	162.4	136.1	177.5	(79)	-	Strong
	C	88.2	79.4	70.6	(79)	-	Moderate
COMBINED NET P&L IMPACT		(389.6)	(285.6)	(758.0)	(138)	-	Sc.B: 3.6% of revenue

Labour wage escalation (SRR1) is the dominant financial risk across all scenarios at Rs.187.4 Mn in FY 2025/26, escalating to Rs.433.7 Mn under Scenario C, and is largely independent of climate trajectory. Physical risks compound progressively even under the central case (Scenario B), combined physical and chronic exposure exceeds Rs.370 Mn long-term. Under Scenario A, transition costs reverse to income in the medium term as carbon revenue and ESG premiums accumulate, confirming TTE's regenerative strategy is well-positioned for an orderly transition. Biodiversity income (Rs.162.4 Mn) provides a meaningful near-term offset but deteriorates sharply under Scenario C as ESG markets fail to develop. The Scenario B combined net exposure of Rs.285.6 Mn (3.6% of revenue) is within management capacity; the Scenario C long-term stress exposure of Rs.1,196.6 Mn defines the Company's vulnerability boundary and informs the adaptation priorities in Note 9.

Financial Effects Disclosure — Scenario B (Central Case) by Statement

CRRO / SRRO	Short-Term P&L Rs. Mn	Med-Term P&L Rs. Mn	Long-Term P&L Rs. Mn	Direction	Key Drivers
CRR2 — Acute Physical Risk	(41.9)	(60.4)	(75.5)	Rs. Mn (↑ risk)	Ditwah Cyclone OPEX Rs.3.4 Mn (P&L) + Hydro capex Rs.23.6 Mn (capitalised). FD write-off Rs.15.1 Mn. Provision Rs.5.4 Mn. Acute hydro loss Rs.17.9 Mn.
CRR3 — Chronic Physical Risk	(119.8)	(248.4)	(310.5)	Rs. Mn (↑ risk)	§19(a) crop loss Rs.102.9 Mn (LG –17.4% vs FY25; 40% climate attr). Bio FV adverse Rs.4.9 Mn (Note 17.1). Chronic hydro Rs.12.0 Mn.
CRR1 — Transition Risk	(98.9)	(135.7)	(160.3)	Rs. Mn (↑ cost)	Direct confirmed: Rs.15.4 Mn (assurance, certs, depreciation, organic cert). ESG supply chain premium Rs.83.4 Mn.
SRR1 — Labour & Wage Risk	(187.4)	(318.0)	(231.3)	Rs. Mn (↑ cost)	Wage +29.6% (Rs.1,350→Rs.1,750). Net additional labour cost. RS model 32% coverage partially mitigates.
SRO1 — Biodiversity Opportunity	162.4	136.1	177.5	Rs. Mn (income)	Timber Rs.63.2 Mn, solar Rs.15.8 Mn, eco-tourism Rs.42.2 Mn, diversification Rs.20.5 Mn, land lease Rs.14.9 Mn, grants Rs.6.0 Mn. Positive offset.
NET COMBINED EFFECT (Scenario B)	(285.6)	(626.4)	(600.1)	3.6% of revenue	After biodiversity income offset. Gross risk: Rs.447.9 Mn (5.7% of revenue).

11.5 Business Resilience Assessment — FY 2025/26

TTE's climate resilience is assessed annually across five dimensions, each evaluated against a structured scoring methodology. FY 2025/26 scores are determined from actual estate-level data and the computed financial impacts in 11.4. Scores are presented on a five-point scale (1 = Low, 3 = Moderate, 5 = Strong) and compared to the prior year to identify improving, deteriorating, or stable dimensions.

Resilience Dimension	FY 2025/26	FY 2024/25	Change	Key Evidence — FY 2025/26
Physical Risk — Acute	MODERATE	MODERATE	No change	Acute P&L Rs.41.9 Mn (0.5% of revenue). Ditwah Cyclone OPEX Rs.3.4 Mn. FD written-off Rs.15.1 Mn. Ditwah Hydro capex Rs.23.6 Mn (capitalised). Provision Rs.5.4 Mn. Acute hydro Rs.17.9 Mn.
Physical Risk — Chronic	MODERATE	STRONG	↓ Downgrade	LG production –17.4% vs FY25 (265,195 kg decline). Climate attr 40% = Rs.102.9 Mn crop loss. Bio FV adverse Rs.4.9 Mn. Replanting 21 ha.
Transition Risk	STRONG	STRONG	No change	Scope 1 –9.2% YoY to 8,473.88 tCO ₂ e. RE share 88.2%. SBTi validated. RA all estates pass. CBAM 7% exposure mapped. N2O: 44.4%→38.76% (chemical leasing).
Labour & Wage Risk	MODERATE	MODERATE	No change	Wage +29.6% (Rs.1,350→Rs.1,750). Net wage escalation Rs.187.4 Mn (net wage method). Workforce continuity Rs.210.4 Mn CF. Shortage 6.5%.
Biodiversity Opportunity	STRONG	STRONG	No change	PES Rs.4.1 Mn (+17%). Restoration 65.5 ha (+3.5 ha). 18 km+ corridors. RA certified. Timber income Rs.63.2 Mn (+142%). NDC 3.0 forestry policy tailwind.
Overall Resilience — Average Score 3.4 / 5.0		MODERATE-STRONG Consistent with FY 2024/25 overall position. One dimension downgraded (Chronic Physical Risk).		

11.5.1 Implications for Strategy and Business Model

Under Scenario A (Net Zero), the implications are predominantly positive for TTE. The Company's renewable hydro and solar generation assets gain value as grid emission factors improve; the certified-sustainable tea segment grows as low-carbon supply chains attract premium pricing in EU markets; and the Company's existing investments in shade-tree cover and clonal replanting align with science-based agriculture pathways. Required response: accelerate the cultivar transition programme to capture the full medium-term opportunity.

Under Scenario B (NDC Pathway central case), physical risks generate moderate annual P&L drag (Rs.41.9 Mn acute + Rs.119.8 Mn chronic = Rs.161.7 Mn combined), partially offset by biodiversity income (Rs.162.4 Mn). The wage shock (Rs.354 Mn) is the dominant near-term financial pressure, with the revenue-share model providing a partial structural offset as coverage expands. Required responses: expand RS model coverage (currently 32%); maintain replanting pace at minimum 29 ha annually; progress slope bunding to 80% coverage.

Under Scenario C (High Emissions), the implications are predominantly negative. LG yield decline of 18–22% would render a significant portion of the Low-Country estate portfolio economically marginal without crop conversion. A structural labour shortage of 20–30% would erode the social licence to operate. The absence of carbon markets eliminates the PES income pipeline. Required response: initiate an LG estate diversification and conversion plan by FY 2027/28; accelerate slope protection and drainage investment; build domestic-market resilience as a hedge against ESG export market retreat.

11.5.2 Significant Areas of Uncertainty Considered in the Resilience Assessment

Four material uncertainties affect the resilience assessment; each is noted with its directional impact and monitoring approach.

- (i) Physical climate parameters at sub-national resolution. The IPCC AR6 and NDC 3.0 projections used in Scenarios B and C are regional-scale outputs that do not resolve estate-level micro-climate variation above 1,200 m. If Upcountry warming exceeds the NDC 3.0 near-term projection of +0.7°C, CRR-3 chronic yield risk could materialise faster than modelled. TTE's 16 estate meteorological stations provide annual calibration; deviations ≥0.2°C from Scenario B trajectory trigger an out-of-cycle ESEG review.
- (ii) Jurisdictional carbon-policy timing and pass-through mechanism. Sri Lanka's NDC 3.0 (September 2025) sets conditional targets dependent on international climate finance. The pace of domestic carbon pricing, CBAM extension to tea, and renewable tariff reform is uncertain. Early implementation (Scenario A) strengthens the certified-tea premium; delay or absence (Scenario C) eliminates the PES income pipeline. Monitored half-yearly via TTE's regulatory intelligence cycle.

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(iii) Smallholder supplier adaptation capability.

Bought-leaf smallholders (Kiruwanaganga and Deniyaya catchments) sit outside TTE's operational-control boundary but are a material upstream climate-exposure pathway. If smallholder crop loss exceeds 25% in a severe climate year, bought-leaf volumes could fall below factory minimum viable throughput. Monitored via the annual Rainforest Alliance supplier assessment corrective action plans reviewed quarterly by the ESEG Committee.

(iv) Labour market structural dynamics and CBA outcome uncertainty. SRR-1 wage escalation is the dominant near-term financial risk and is uncertain across all scenarios. The January 2027 CBA review outcome and the pace of RSM rollout are key variables. Full RSM coverage by FY 2028 would materially reduce medium-term SRR-1 exposure; if CBA escalation outpaces RSM rollout, the combined net P&L impact under Scenario B could exceed the 5.7% gross-risk figure. Monitored quarterly via the ESEG dashboard (RSM coverage, CBA status, workforce KPIs).

11.5.3 Capacity to Adjust or Adapt to Climate Change

Three capacity dimensions assessed as at 31 March 2026.

(1) Availability and flexibility of existing financial resources. Revenue Rs. 7,851 Mn, PAT Rs. 926 Mn, ROCE 13.29% (FY 2024/25: Rs. 7,806 Mn; Rs. 1,234.8 Mn; 19.14%). RE revenue Rs. 80 Mn provides a climate-linked income buffer. Total BAC-approved climate and ESG capex was Rs. 681 Mn (PPE Rs. 375 Mn + Field Development Rs. 306 Mn), funded from internal capital with Hayleys PLC group liquidity as backstop. No covenant constraints apply to the adaptation programme. Estate insurance is maintained across all 16 estates; terms reviewed annually. Detailed liquidity and debt position is disclosed in the Financial Statements (Page 284).

(2) Ability to redeploy, repurpose, upgrade or decommission existing assets. Tea fields can be inter-planted with cinnamon (16 MT, FY 2025/26), rubber (46 MT), or shade-tree species on a 5–10 year timeline, as demonstrated at Holyrood, Logie, and Somerset. All 15 factories run on biomass and are upgradeable. Mini-hydro assets (Rs. 202 Mn carrying value) are resilient under Scenarios A and B but face generation risk under Scenario C drought (sensitivity Rs. 9.6–14.4 Mn — Note 10.2). Solar assets gain value under Scenario A. BBA useful-life reviews performed at 31 March 2026 (Note 14B; Rs. 1,631.6 Mn); a two-year shortening under Scenario B/C adds Rs. 16.3–24.5 Mn annual depreciation (Note 10.2). The 65.7 ha reforestation and 13 km biodiversity corridor are not impaired under any scenario.

(3) Effect of current and planned investments in climate mitigation, adaptation and opportunities. FY 2025/26 climate capital deployment totalled Rs. 681 Mn: PPE Rs. 375 Mn (slope stabilisation, drainage, factory upgrade) and Field Development Rs. 306 Mn (replanting, reforestation, cinnamon). The BAC-approved FY 2026/27–FY 2028/29 forward programme includes field development Rs. 280–360 Mn/year, PPE climate resilience works Rs. 350–410 Mn/year, and solar expansion targeting RE revenue of Rs. 130–160 Mn by FY 2030 (Notes 9.3, 10.4.2). This programme is expected to maintain the SBTi Net Zero trajectory and recover 3–5 percentage points of chronic yield resilience through cultivar transition. Capital deployment is disclosed as a cross-industry metric in Note 13.2.5.

Going-concern confirmation

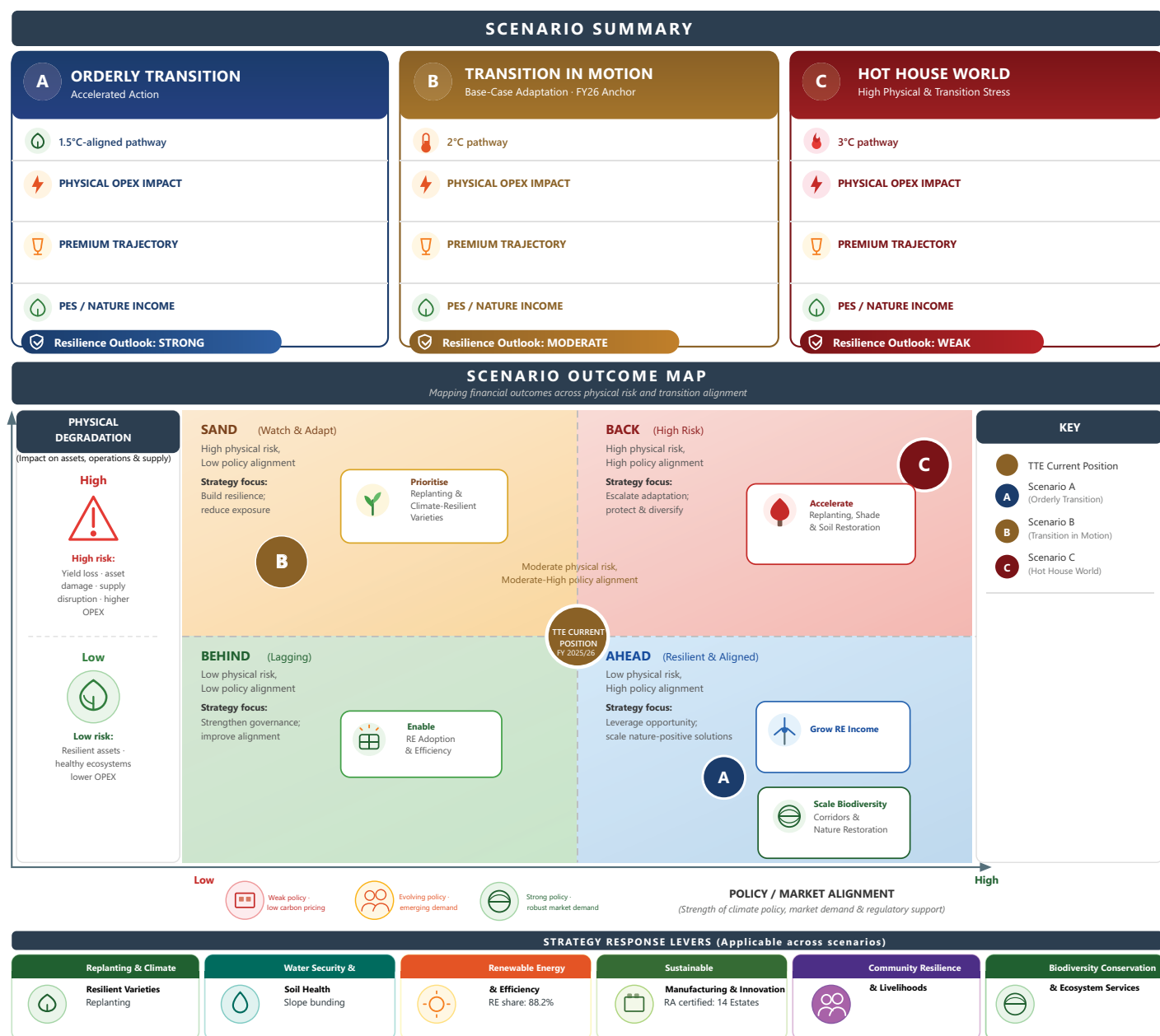
TTE has assessed going concern incorporating the scenario outputs above. Under Scenario B (central case), the combined net P&L exposure of Rs. 285.6 Mn (3.6% of revenue) is within the Group's management capacity, supported by cash generation and the BAC-approved capital programme. Under Scenario C (stress test), long-term exposure of Rs. 758 Mn (9.7% of revenue) would require strategic adaptation but does not create a going-concern risk within a 12-month horizon.

11.6 Scenario Analysis Governance, Reporting Period and Going-Concern Confirmation

The scenario analysis was first applied in FY 2023/24, refreshed in FY 2024/25, and calibrated to FY 2025/26 actuals in the current period. The full scenario framework is refreshed on a three-year strategic planning cycle (next refresh: FY 2026/27); the resilience assessment is updated annually.

Governance approval

The three-scenario framework and FY 2025/26 resilience assessment were reviewed. The ESEG Steering Committee prepares and maintains the analysis; BAC provides Board-level oversight (Note 6.3).



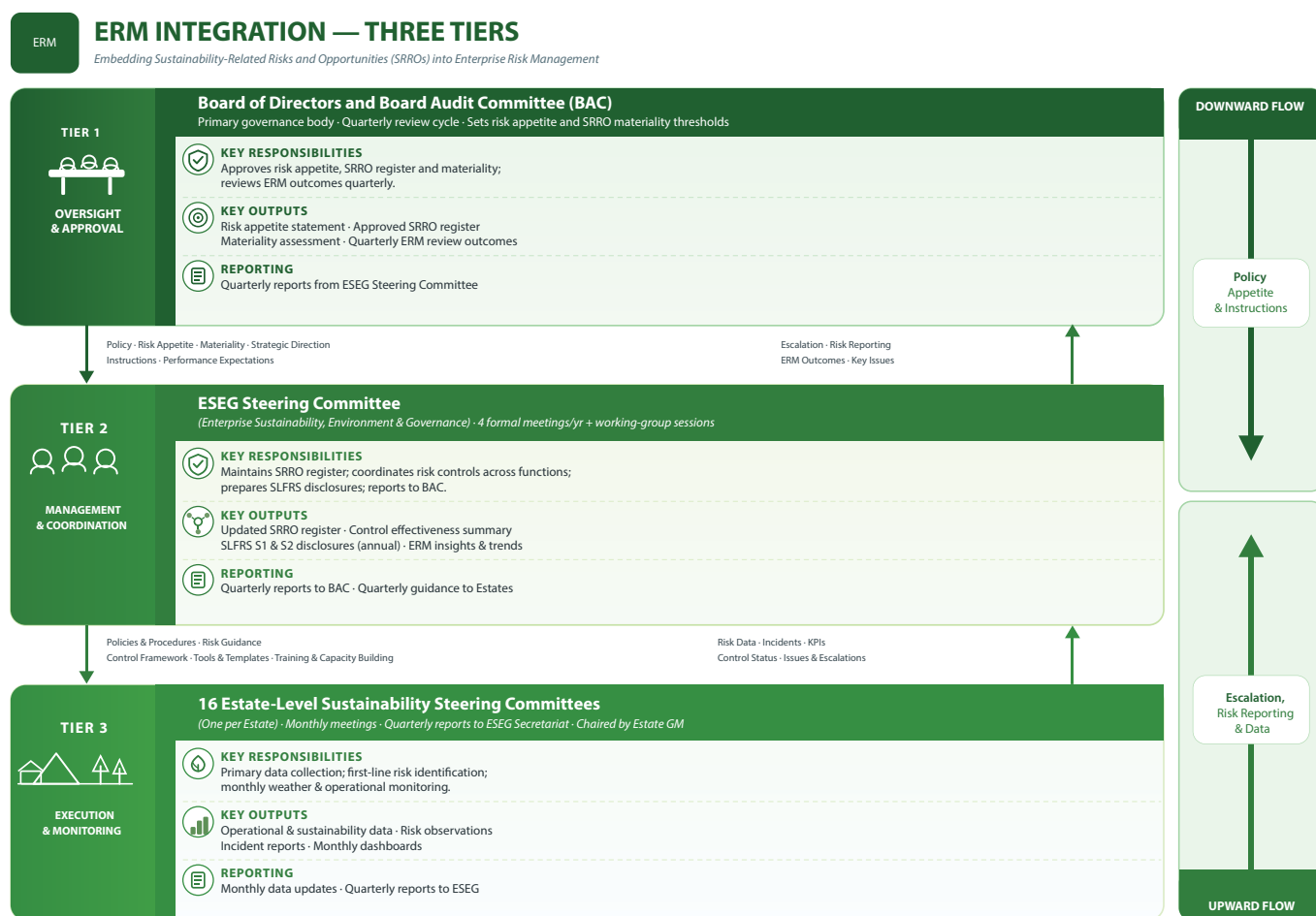
NOTE 12 Risk Management

TTE applies an enterprise-wide risk management (ERM) framework in which the five financially material SRROs (Note 7) are fully integrated — not managed as a sustainability silo but embedded in the same governance structures, reporting cadences and escalation protocols as all enterprise risks. This Note describes: the three-tier governance ownership model (12.1); risk identification sources and assessment criteria (12.2); the SRRO prioritisation register (12.3); mitigation and control mechanisms (12.4); and the monitoring, reporting and continuous improvement cycle (12.5).

12.1 ERM Framework — Three-Tier Governance and Risk Ownership

Risk ownership is assigned across three governance tiers, each with defined responsibilities, escalation protocols and ERM output obligations. The full governance structure including Board and BAC Terms of Reference and ESEG Committee mandate is described in Note 6 and in the Corporate Governance Report of the Integrated Report (Corporate Governance Report Page 234).

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The ERM cycle runs continuously through the three tiers: Estate Committees identify → ESEG Committee assesses and prioritises → BAC approves and monitors → ESEG reports and improves. Full ERM process narrative is in the Risk Management section of the Integrated Report (Risk Report Page 218).

12.2 Risk Identification Sources and Assessment Criteria

Risk identification draws from five sources reviewed on defined cycles: climate and weather data (monthly), sustainability audit findings (quarterly/annual), estate operational reports (monthly), market and regulatory intelligence (half-yearly), and scenario analysis outputs (annual). Any source detecting a potential financial impact of Rs. 10 Mn or more triggers an out-of-cycle SRRO assessment.

Each identified risk is assessed against five criteria using both quantitative evidence and structured qualitative judgement, as set out below. Supporting evidence is held in the ESEG Committee's BAC-approved risk register.



STEP 1 • IDENTIFY

Climate data Mo · estates

Sustainability audits

Qtr / yr

Estate operations

Mo · ESEG

Market & regulatory

Half-yr

Scenario analysis Yr · IPCC

Any source > **Rs. 10 Mn** → out-of-cycle SRRO assessment

STEP 2 • ASSESS (FIVE CRITERIA)

Likelihood	High ≥60%	· Med-H 40–60%	· Med 20–40%	· Low <20%
Magnitude	High >Rs.100Mn	· Med-H 50–100	· Med 25–50	· Low <25
Time horizon	Short 1 yr	· Medium 2–3yr	· Long >3yr	
Speed of onset	Immediate <3mo	· Rapid 3–12mo	· Gradual >1yr	
Controllability	High direct levers	· Med partial	· Low price-taker	

12.3 SRRO Prioritisation Register

The SRRO register below records the outcome of the five-criteria assessment for each of TTE's five financially material SRROs, their overall priority, and the primary strategic response. The register is BAC-approved (Note 7.4); the full assessment evidence is held in the ESEG Committee's risk register maintained by ESEG committee. For additional SRRO risk narrative, see the Risk and Opportunity section (Page 218).

SRRO	Likelihood	Magnitude	Horizon	Speed of onset	Controllability	Residual risk	Priority & Strategic Response
CRR-1	MEDIUM	MEDIUM-HIGH (net of RE offset)	Short-Long	Gradual	HIGH	LOW-MEDIUM	PRIORITY 2 — Decarbonisation investment. All factories on biomass; solar/hydro expansion; ISO 50001; SBTi trajectory on track (6.73% cumulative). Note 9.2 SI-5.
CRR-2	HIGH	HIGH	Short-Medium	Immediate	MEDIUM	MEDIUM	PRIORITY 1 — Immediate resilience investment. Slope stabilisation; drainage; early-warning; crop diversification. Note 9.1 SI-4.
CRR-3	MEDIUM-HIGH	HIGH	Med-Long	Gradual	MEDIUM	MEDIUM	PRIORITY 1 — Long-cycle adaptation. TRI cultivar replanting (62 ha FY24/25); shade trees; agroforestry; elevation-zone rebalancing in development. Note 9.1 SI-4.
SRR-1	HIGH	HIGH Rs. 270 Mn confirmed	Short-Medium	Rapid	LOW	MEDIUM-HIGH	PRIORITY 1 — HIGHEST FINANCIAL IMPACT. RSM (Deniyaya 100%; scaling all estates); HerLead; GPTW 98%; Rs. 120.8 Mn community invest. Note 9.1 SI-3.
SRO-1	MEDIUM	MEDIUM	Med-Long	Gradual	HIGH	MEDIUM (PES market risk)	PRIORITY 2 — Nature-positive investment. 13 km forest corridor; TNFD LEAP; PES pilot programme; biodiversity credit engagement. Note 9.1 SI-4.

12.4 Monitoring, Reporting and Continuous Improvement

TTE's sustainability and climate risk processes are fully embedded within the Company's Enterprise Risk and Opportunity Management (EROM) Framework, which governs all business, financial and operational risks across the enterprise. The full EROM Framework is described in the Risk and Opportunity section (Page 218).

All five material SRROs are assessed using the same five-criteria methodology, reviewed at the quarterly BAC cadence and governed through the Three Lines of Defence described in Note 12.2. Climate scenario outputs (Note 11) feed directly into the SRRO register each year, updating likelihood and controllability ratings and ensuring scenario analysis informs enterprise risk prioritisation. Board-approved risk appetite thresholds, including the acute disruption OPEX cap of Rs.80 Mn per year and the SBTi pathway commitment, apply uniformly across all risk categories and govern CapEx allocation described in Note 9.

SLFRS Sustainability Related Financial Disclosures

Changes vs FY 2024/25

Three process changes were made this year; the five-criteria methodology, materiality thresholds and SRRO register scope are unchanged.

Change	From	To	Effect on climate risk
Estate Committees formalised	No formal integration SLFRS related for estate-level governance	16 committees with Board-approved ToR; monthly ESEG reporting	Weather, slope and yield anomalies escalated within 48 hours
Three-scenario climate analysis adopted	Informal estate weather logs only	Annual SSP scenario analysis integrated into EROM cycle	CRR-2 and CRR-3 carry scenario-conditional exposure ranges, not point estimates

Monitoring and escalation

The following monitoring and escalation framework outlines the governance structure established to oversee sustainability-related risks, performance indicators, and strategic response actions across operational and board levels. It defines the reporting frequency, key outputs, and escalation triggers to ensure timely review, accountability, and decision-making on material sustainability matters.

Level	Owner · Frequency	Output	Escalation trigger
Estate committees Estate Managers 16 estate-level teams	Monthly	Weather logs · slope movement yield deviation · flood incidents	KRI breach → ESEG within 48 hrs
ESEG dashboard	Quarterly	GHG trajectory · RA audit status scenario trigger signals · KRI deviations	SRRO change →
BAC review Board Audit Committee Director Finance (Secretary)	Quarterly	Integrated SRRO register financial planning implications scenario stress-test summary	Rating change → Board

12.5 Forward-Looking Risk Considerations

TTE continuously reviews emerging sustainability-related risks and regulatory trends that may affect future business continuity, financial performance, and long-term value creation. These forward-looking considerations are informed through scenario analysis, market and regulatory intelligence, climate data, and global ESG policy developments. Key anticipated risk shifts include climate regulation such as CBAM, increased rainfall volatility, biodiversity-linked financing and PES opportunities, deforestation-free supply chain requirements, and labour demographic challenges. TTE’s preparedness includes regulatory monitoring, digital traceability systems, updated physical risk mapping, restoration-zone mapping, Rainforest Alliance compliance, verified agroforestry boundaries, social retention investments, and youth engagement initiatives.

Note 13 Metrics and targets

This Note presents TTE's quantitative sustainability metrics and performance targets across eight sub-categories.

13.1 Metric Selection Basis

TTE selects metrics based on four criteria:

- (i) direct relevance to one or more of the five material SRROs in Note 7;
- (ii) alignment with SLFRS S1/S2 climate disclosure requirements (cross-industry and industry-specific metrics);
- (iii) consistency with the SASB Agricultural Products standard (FB-AG) for sector-specific comparability; and
- (iv) data availability and collection system quality sufficient.

Where data collection systems are still maturing, metrics are disclosed with appropriate uncertainty indicators per Note 4. All metrics are prepared using the Company's established data management, validation, and quality assurance processes and are presented on a two-year comparative basis (FY 2024/25 and FY 2025/26).

Pillar	Metric	Connected SRRO	Measurement Scope	Time Horizon
Environmental	GHG emissions (tCO ₂ e)	CRR-1 · CRR-2 · CRR-3	Scopes 1–3 total	Short–Long
	Acute OPEX (Rs. Mn)	CRR-2	Estate disaster spend	Short–Medium
	Yield loss (Rs. Mn)	CRR-3	Estate revenue loss	Medium–Long
	Restored area (ha)	SRO-1	Restoration plots	Medium–Long
Social	Living-wage gap (%)	SRR-1	Estate workforce	Short–Medium
	Absenteeism rate (%)	SRR-1	Total workdays	Short

Each metric below is mapped to its connected SRRO (Note 7), measurement scope and time horizon (Note 1.4), with financial impacts in Note 10, scenario projections in Note 11, and performance targets in Note 13.3.

13.2 Cross-Industry Metrics

13.2.1 Cross-Industry Metrics — Greenhouse Gas (GHG) Emissions

TTE measures and discloses GHG emissions in alignment with the GHG Protocol, ISO 14064-1:2018 and SLFRS S2. Disclosures cover all consolidated operations under the operational control boundary, including Scope 1, Scope 2 (location-based) and relevant Scope 3 categories. Reporting period: 1 April 2025 to 31 March 2026. Full GHG inventory at page 194.

Summary of GHG Emissions (absolute gross measurement basis)

Scope	FY 2025/26 (tCO ₂ e)	FY 2024/25 (tCO ₂ e)	Interim Target (2030)	Target (2050)
Scope 1	8,473.91	9,335.75	↓42%	↓90%
Scope 2 (location-based)	1,652.39	1,702.12	↓42%	↓90%
Scope 3	14,821.84	15,254.06	↓42%	↓90%
Total	24,949.00	26,291.92	N/A	N/A

GHG Scope 1 and 2 Emissions

Description	Scope 1 tCO ₂ e	Scope 2 tCO ₂ e (Note 2)	Total tCO ₂ e
Consolidated accounting group	8,473.91	1,652.39	10,126.28
Other investee — associates / JVs (Note 1)	Not applicable	Not applicable	Not applicable
Total (Operational control approach)	8,473.91	1,652.39	10,126.30

Note 1: The Company does not have investments in associates and joint ventures.

Note 2: Scope 2 emissions are measured on the location-based method. No contractual instruments for electricity purchase.

GHG Scope 3 Emissions — Value Chain by Category

#	Scope 3 Category	FY 2025/26 (tCO ₂ e)	FY 2024/25 (tCO ₂ e)	Rationale / methodology
1	Purchased goods and services	6,721.94	6,813.80	Fertiliser, packaging, agrochemicals. DEFRA 2026 spend-based
2	Capital goods	234.96	415.89	Kiruwanaganga factory drove FY24/25 increase. Spend-based
3	Fuel and energy-related activities	478.03	569.63	Upstream electricity/fuel processing. SLSEA EF. Follows Sc.2 boundary
4	Upstream transport and distribution	564.32	480.26	Material. DEFRA 2025 road freight ~180 km avg. Note 3.3
5	Waste generated in operations	6.29	2.00	Tea waste, packaging. DEFRA 2025
6, 7	Business travel + employee commuting	84.39	86.71	Small categories. DEFRA 2025; ICAO. Survey-based commuting ±50%
9	Downstream transport and distribution	978.76	989.50	Factory to Colombo Auction. DEFRA 2025. Note 3.3
10, 12	Processing of sold products + end-of-life	5629.03	5,716.12	Customer blending; packaging disposal. High uncertainty — Note 4.4
13	Downstream leased assets	124.11	179.55	Sub-leased hectareage. Local research-based factor
Total		14,821.84	15,254.06	

SLFRS Sustainability Related Financial Disclosures

13.2.2 GHG Measurement Methodology and Emission Factors

TTE measures and reports GHG emissions in accordance with the GHG Protocol and ISO 14064-1, applying recognised emission factors from IPCC, DEFRA and SLSEA. The methodology covers Scope 1 emissions from biomass combustion and fertiliser use, Scope 2 from purchased grid electricity, and material Scope 3 categories. Emission factors and activity data are reviewed annually to improve accuracy and consistency. IPCC AR6 GWP100 values applied throughout.

Key Assumptions and Sources used for GHG Measurement

Scope	Emission Category	Activity	Data Source	Emission Factor (EF) Source	GWP Values
Scope 1	Stationary combustion	Diesel, Petrol, firewood, LPG	Fuel invoices, estate-level use logs	2006 IPCC AR5 V2_2_Ch2_Stationary_Combustion; SLSEA/DEFRA	IPCC (AR6) 2021
Scope 1	Mobile combustion	Fuel used in estate vehicles & Company own vehicles and Manager fuels	Fuel bills, monthly estate summaries	2006 IPCC AR5 V2_3_Ch3_Mobile_Combustion, DEFRA factors	IPCC (AR6) 2021
Scope 1	Fertiliser application	Fertiliser applied (N-based)	Estate-level application records	2006 IPCC AR5 V4_11_Ch11_N2O&CO2	IPCC (AR6) 2021
Scope 2	Purchased electricity	Electricity use (CEB grid)	Monthly CEB bills	SLSEA 2022 EF; location-based only	IPCC (AR5) 2014
Scope 3	Cat.1: Purchased goods and services	Fertiliser, packaging, tea sacks	Purchase orders, ledger entries	DEFRA 2025, GZA Scope 3 Calculator (Expenditure based)	IPCC (AR5) 2014
Scope 3	Cat.2: Capital goods	Emissions from construction and equipment	Asset ledger, CapEx registry	GZA Scope 3 Calculator (Expenditure based)	IPCC (AR5) 2014
Scope 3	Cat.3: Fuel and energy related activities	Upstream energy processing	Fuel and electricity purchase data	DEFRA 2025, SLSEA 2022 EF	IPCC (AR5) 2014
Scope 3	Cat.4: Upstream transport and distribution	Inbound logistics (inputs)	Good receiving records, estimated distance & Financial expenditures	GZA Scope 3 Calculator (Expenditure based)	IPCC (AR5) 2014
Scope 3	Cat.5: Waste generated in operations	Tea waste, packaging waste , E-waste , Plastic & other bio-degradable waste	Estate-level logs	DEFRA 2025	IPCC (AR5) 2014
Scope 3	Cat.6: Business travel	Staff travel (vehicle, air)	Travel logs, ticket records	DEFRA, ICAO Carbon Emissions Calculator (ICEC)	IPCC (AR5) 2014
Scope 3	Cat.7: Employee commuting	Worker and staff commuting	Survey and route assumptions	India Specific Rail Transport Emission Factors for Passenger Travel and Material Transport	IPCC (AR5) 2014
Scope 3	Cat.9: Downstream transport and distribution	Factory to buyer logistics	Waybills, transporter data, Survey for warehouse emission	DEFRA 2025, GZA Scope 3 Calculator (Expenditure based)	IPCC (AR5) 2014
Scope 3	Cat.10: Processing of sold products	Tea blending, packaging by customers	Assumed industry avg.	GZA Scope 3 Calculator (Expenditure based)	IPCC (AR5) 2014
Scope 3	Cat.12: End-of-life treatment of sold products	Disposal of tea bags, packaging	Sales data, industry ratios	DEFRA 2025	IPCC (AR5) 2014
Scope 3	Cat.13: Downstream leased assets	Sub-leased hectareage	Hectareage statement	Local research-based factor	IPCC (AR5) 2014

IPCC AR6 GWP100 values used throughout. IPCC AR5 retained for Scope 3 categories where the GZA calculator tool is built on AR5 factors.

13.2.3 Other Cross-Industry Metrics

TTE discloses additional metrics reflecting its exposure to climate-related physical and transition risks, the Company's capital allocation to climate action, and integration of climate considerations into internal carbon pricing and executive remuneration policies.

Vulnerability of Assets or Business Operations to Climate-related Physical Risks

Metric	FY 2025/26	FY 2024/25	Comment
% of estate land in flood-/landslide-prone zones	8.4%	6.1%	Mapped using geospatial risk overlays
Climate disruption cost (% of OPEX)	5.4%	0.47%	Linked to storm damage, road washouts, yield losses
Rainwater harvesting coverage	Not assessed	Not assessed	Capacity increase planned

Vulnerability of Assets or Business Operations to Climate-related Transition Risks

Metric	FY 2025/26	FY 2024/25	Comment
% of Scope 1 emissions from fossil fuels	9.6%	7.95%	Mainly diesel; mitigation underway via RE expansion
Fertiliser-linked emissions (N ₂ O share of Scope 1)	38.82%	34.68%	High-cost exposure if future regulation applies

Capital Deployment

Category	Amount (Rs. Mn)	Use
Renewable energy infrastructure	35.95	Small hydro, solar PV
Landscape-level adaptation	43.19	Bunding, drains, rainwater systems
Efficiency upgrades	9.87	VFDs, LED lighting, boiler retrofits
Total climate-aligned CapEx	89.01	

Climate-Related Opportunities

Metric	FY 2025/26	FY 2024/25	Target 2030	Comment
Income from renewable energy (solar + hydro)	603,123	717,923	2 Mn	Renewable energy credit income
Renewable energy share	88%	88%	95%	Strategy under CapEx roadmap 2025–2027

Internal Carbon Pricing

TTE has not implemented internal carbon pricing as of FY 2025/26. The Company continues to evaluate the feasibility of introducing a shadow carbon price to support future investment and decarbonisation planning.

Remuneration Linkage

TTE is evaluating the integration of climate-related performance into its remuneration framework. As of FY 2025/26, remuneration is not yet formally linked to specific sustainability-related risks or opportunities (SRROs).

13.2.4 Climate-Related Targets — SBTi and Net Zero Trajectory

TTE's GHG targets form the quantitative backbone of its climate transition commitment. The Scope 1 and 2 reduction target (42% by 2030; 90% by 2050) is tracked through the SBTi-validated Net Zero milestone programme, funded through the ESG CapEx programme. The Scope 3 value-chain target (30% reduction by 2030) is pursued through supplier engagement, Rainforest Alliance certification and smallholder extension. The FLAG land-sector target (30% reduction by 2030) is delivered through TTE's biodiversity corridor and reforestation programme, underpinning TTE's status as the world's first plantation company with SBTi FLAG validation.

Disclosure Category	Metric Name	Metric Type	Metric Definition	Objective of the Target	Unit	Comparative Information			Interim Target (2030)	Target (2050)
						FY 2025/26	FY 2024/25	YoY Change		
Transition Risk — GHG compliance & energy market shifts	Scope 1 & 2 GHG emissions	Core GHG Mitigation Metric	Absolute GHG emissions from fuel and electricity use (tCO ₂ e)	Reduce direct emissions to align with TTE's net-zero pathway	tCO ₂ e	2,469.43	2,444.66	1.01%	42%	90%
Transition Risk — Value chain exposure	Scope 3 GHG emissions	Value Chain Emissions	Emissions from purchased inputs, logistics, and customer lifecycle	Lower upstream/ downstream emissions through supplier engagement	tCO ₂ e	13,049.66	13,177.58	-0.97	42%	72%
Chronic Physical Risk — Land-based degradation	Scope 1 & 3 FLAG emissions	Land Use Emissions (GHG)	Emissions/removals from soils, biomass, and landscape-level change	Enhance land carbon sinks and curb landscape-based emissions	tCO ₂ e	8,299.27	9,434.24	-12.03%	30%	72%

SLFRS Sustainability Related Financial Disclosures

Validation and Alignment:

- ▶ Targets validated by the Science Based Targets initiative (SBTi) for near-term, long-term and NetZero 1.5°C alignment
- ▶ FLAG sector targets follow SBTi FLAG Guidance (land-use sector) and validated by SBTi — world's first plantation company validation
- ▶ Adaptation metrics align with TNFD LEAP Framework
- ▶ Strategy supports Sri Lanka's NDCs under the Paris Agreement

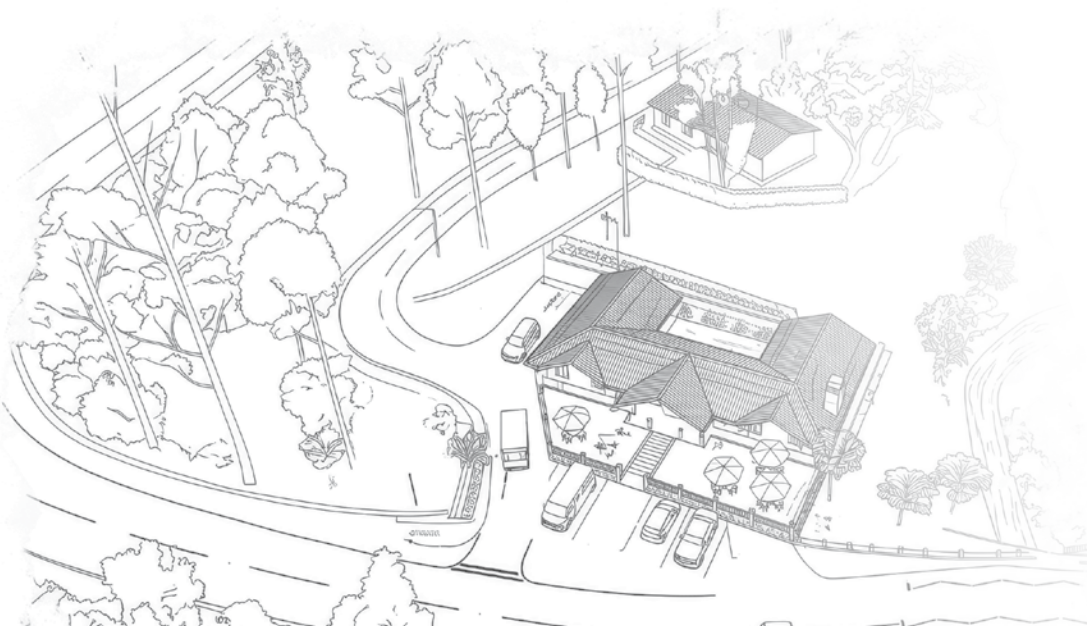
Use of Carbon Credits:

- ▶ TTE does not currently use carbon credits to meet targets
- ▶ Future use will prioritise insetting (e.g., soil carbon, afforestation on TTE lands)
- ▶ Verified standards (Gold Standard, VCS) and transparent disclosure of credit type, volume and application

13.2.6 Social and Workforce Metrics

Tracks social and workforce metrics covering employee composition, retention, satisfaction, wages, revenue share model (RSM) implementation, safety performance and community investment, supporting workforce stability, fair employment and estate-level social resilience.

Disclosure Category	Metric Name	Metric Type	Metric Definition	Objective of the Target	Unit	Comparative Information			Interim Target (2028)	Target (2030)
						FY 2025/26	FY 2024/25	YoY Change %		
Wage Escalation — Cost Pressure Risk	Living Wage (Average daily wage per worker)	Labour Cost Metric	Statutory and negotiated daily wage (Rs) for permanent estate and factory workers	Ensure workers earn a living wage that supports wellbeing and financial security	% of gap closed	88%	21%	319%	80%	100%
Labour Cost Buffering — Wage-Productivity Linkage	Revenue-share wage model coverage	Social Resilience Metric	% of workforce enrolled in the 45% revenue-share incentive wage scheme	Strengthen productivity and resilience by linking compensation to performance	%	20%	28%	-29%	40%	50%
Labour Availability — Absenteeism	Annual absenteeism rate	Workforce Availability Metric	Absenteeism rate among estate and factory workers vs total available workdays	Enhance operational continuity by reducing unplanned workforce absences	%	<10%	<10%	-	<15%	<10%
Retention & Wellbeing	Workforce continuity investment	Enabling Infrastructure Spend	Annual CapEx + OPEX for housing, maternal care, sanitation, schools and childcare	Improve employee retention through strategic investments in wellbeing infrastructure	Rs. Mn/yr	120	103	17%	110	150



13.2.7 Biodiversity and Nature Metrics (TNFD)

Biodiversity and nature metrics aligned with TNFD V2.0, covering tree planting, biodiversity corridors, soil organic carbon, agrochemical use, conservation investment, PES opportunities, water withdrawal and waste recycling.

Disclosure Category	Metric Name	Metric Type	Metric Definition	Objective of the Target	Unit	Comparative Information			Interim Target (2030)	Target (2050)
						FY 2025/26	FY 2024/25	YoY Change %		
Dependencies & Impacts	Area under active ecosystem restoration (ha)	Core Sector Metric (TNFD FA3.1.1)	Total hectares under ecological restoration interventions (forest buffers, slope rehabilitation, agroforestry plots)	Expand natural capital by scaling landscape restoration	Hectares	65.7	62	6%	100	200
Dependencies & Impacts	Water withdrawal intensity (m ³ /tonne made tea)	TNFD Core Metric (WE1)	Total water withdrawn from all sources per tonne of made tea produced	Net positive water impact — reduce withdrawal intensity	%	1.82	1.85	-1.6%	5%	25%
Impacts	Agrochemical use intensity (kg/ha)	Core Sector Metric (TNFD FA2.1)	Reduction of Total agrochemical volume applied per cultivated hectare per year	Reduce chemical dependency to protect soil health and biodiversity	kg/ha	2.35	2.30	2.3%	10%	20%

Progress against targets is tracked in quarterly sustainability performance reviews and reported in ESG dashboards to the Board Audit Committee.

Mid-Cycle Target Adjustments: Targets may be revised for major scenario-driven shifts (Note 11.3), market or regulatory changes, or new data systems enabling more accurate tracking

13.3 Target Setting and Review Mechanism

TTE sets and reviews sustainability-related targets through a structured governance and operational process. Targets are set only where material risks or opportunities have been identified, and where measurable progress can influence financial or strategic decision-making (as disclosed in Notes 7–12).

Target-Setting Principles:

- ▶ **Materiality-driven:** Targets are only established for metrics linked to material SRROs
- ▶ **Science-aligned and externally referenced:** Climate targets aligned with SBTi and TNFD; environmental targets with Rainforest Alliance and ISO 14001
- ▶ **Operationally feasible:** Designed considering the unique constraints and resource conditions across TTE's upcountry and low-country estates
- ▶ **Time-bound and measurable:** All key targets have baseline years, progress tracking indicators, and review cycles

Target Approval and Review Governance

Step	Responsible Body	Review Cycle
Target proposal and baseline setting	Central sustainability team	Annually (pre-budget cycle)
Technical validation and feasibility	Estate superintendents and sustainability team	Annually
Alignment with group and international frameworks	Head of Finance and Head of Sustainability	Annually
Board-level approval and target updates	ESEG Steering Committee to BAC to Main Board	Annually

13.4 Performance Against Targets

This section discloses TTE's performance against its ESG targets for FY 2025/26. It consolidates progress reported across the ESG Target and Progress Table (page 78) and the ESG Consolidated Statement (page 275). Only targets linked to material risks and opportunities identified in Note 7 are included. For each, TTE reports the metric, current year performance, baseline, target year, and progress status. All data has been reviewed internally and verified where required by third-party certification or audit.