

# International Accounting Standards

From 1973 till 2000 Issued 41 standards

Issuance by



# IFRS

## International Financial Reporting Standards



From **2000** till **now** **18** standards

Issuance by



## Chapter (1)

# Regulatory frame work, sustainability & Ethics





## The IFRS Foundation

The IFRS Foundation (formally called the International Accounting Standards Committee Foundation or IASCF) is a not for profit, private sector body that oversees the IASB.



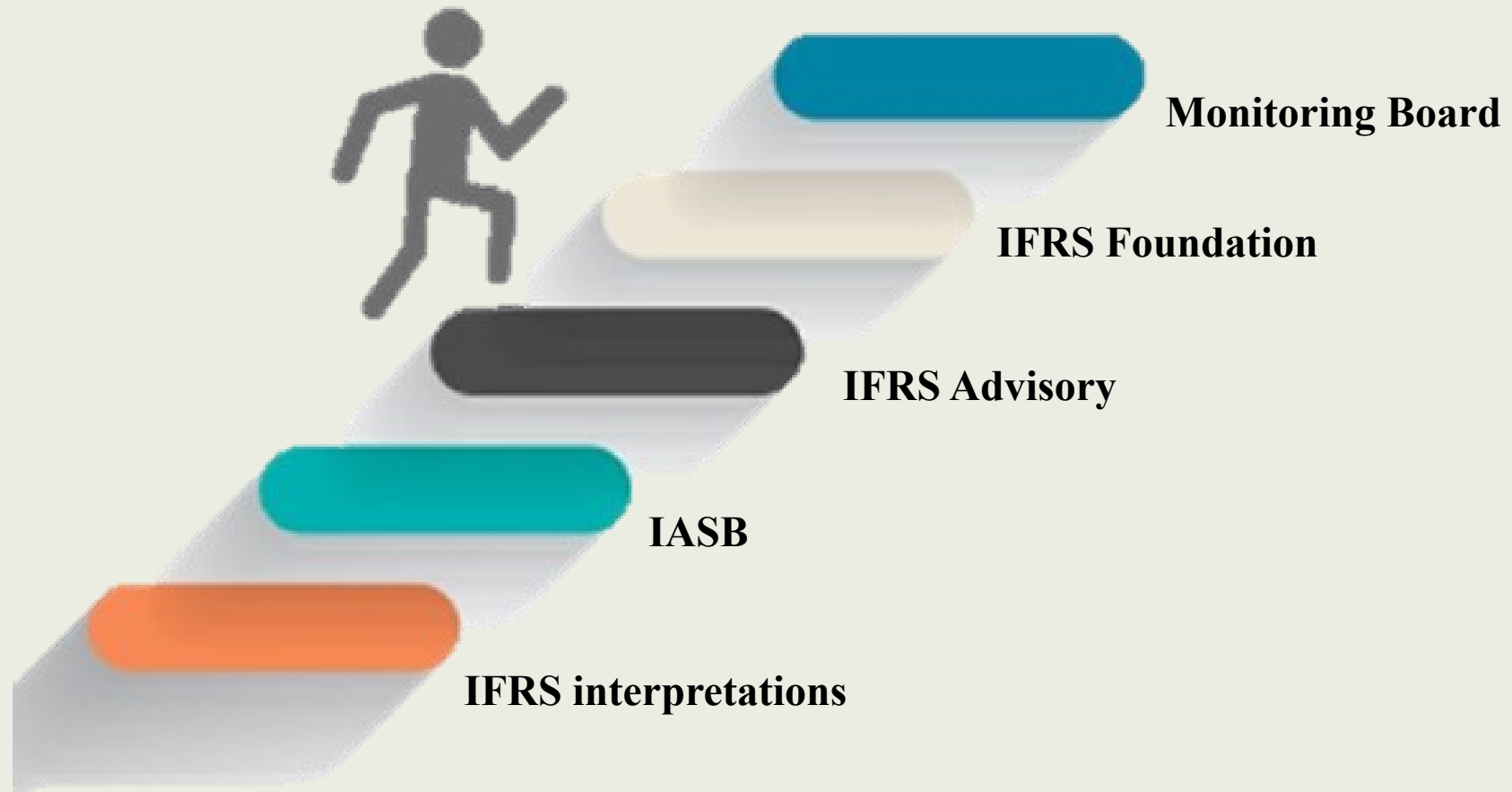
### The objectives of the IFRS Foundation are to:



- (A) Develop a single set of high quality, understandable, enforceable and globally accepted IFRS Standards through its standard-setting body, the IASB
- (B) Promote the use and vigorous application of those standards.
- (C) Take account of the needs of a range of sizes and types of entities in diverse economic settings (entities operating in emerging economies and small and medium-sized entities (SMEs))
- (D) Promote and facilitate adoption of IFRS Standards through the convergence of national accounting standards and IFRS Standards.

## Structure of the IFRS Foundation

The structure is as follows.





**Oversees IASB managerially and financial**

**Develop and approved the standards and issue Exposure draft and discussion papers**

**Backgrounds to give advice to the Board is consulted by the IASB on prioritisation of its work and setting work plan.**

**It is consulted by the IASB on all major projects and its meetings are open to the public.**

**It advises the IASB on prioritization of its work.**

**The interpretation committee provides timely guidance on the application and interpretation of IFRS standards backgrounds to give advice to the Board and, at times.**



## Developing IFRS Standards







\*International Sustainability Standards Board (ISSB)\*

is an organization focused on **developing** and **delivering** a comprehensive global benchmark for sustainability-related disclosures in financial reporting. The ISSB operates under the broader umbrella of the International Financial Reporting Standards (IFRS) Foundation.



## \*Purpose of ISSB\*

01

Standardization



Develop a unified and globally accepted set of sustainability standards.

Foster more transparent, reliable, and comparable sustainability-related disclosures.



Transparency

02

03

Trust



Enhance trust in financial markets by providing clear, consistent information about sustainability practices.

Aid investors with critical non-financial information that impacts long-term investment decisions.



Investment  
Decision-making

04



## **\*Role of ISSB\***

**1**

**Framework  
Development**



Create frameworks that guide companies on how to report their impact on the environment, society, and governance (ESG).

Collaborate with various stakeholders including investors, regulators, and companies, to ensure the standards meet wide acceptance.



**Stakeholder  
Engagement**

**2**

**3**

**Integration with  
Financial Reporting**



Aim to integrate sustainability reporting with general financial reporting, reinforcing the idea that ESG performance is directly tied to financial health and operational performance.



## **\*Sustainability Disclosure\***

**Sustainability disclosure involves a company communicating its efforts and impacts in several areas:**

- **Environmental Impact:** Information on carbon emissions, waste management, resource use, and biodiversity impacts.
- **Economic Impact:** Disclosures on a company's economic contributions, including job creation, tax payments, and economic value generated.
- **Social Impact:** Reporting on labor practices, community engagement, employee welfare, and diversity.
- **Governance:** Information on corporate governance practices, board structure, shareholder rights, and ethical behavior.

In summary, the ISSB plays a crucial role in enhancing how companies communicate their sustainability practices, impacts, and governance, helping align business activities with broader sustainable development goals.

- **Businesses face increasing pressure to operate sustainably and disclose their sustainability efforts.**
  - **The International Sustainability Standards Board (ISSB) was formed in 2021 by the IFRS Foundation to address this.**
- **The ISSB aims to develop global sustainability disclosure standards to meet investor information needs.**
  - **It also seeks to enable companies to provide comprehensive sustainability information to global capital markets.**
- **Additionally, the ISSB aims to facilitate compatibility with jurisdiction-specific disclosures and broader stakeholder groups.**
  - **The ISSB issued its first two standards in June 2023, effective from January 1, 2024, with earlier adoption allowed.**
- **These standards focus on disclosing sustainability-related financial information to provide useful insights into an entity's sustainability risks and opportunities.**





## \*Core Content\*

**Disclosure of risks** and **opportunities** is required under four headings  
governance strategy, risk management and metrics and targets

### \*Governance\*

**Purpose** → To help users understand governance processes and procedures used by the entity to monitor and manage sustainability-related risks and opportunities.

**Objectives** → Show the governance framework and responsibilities at the governance level. Indicate how management is responsible for sustainability within these frameworks.

### \*Strategy\*

**Purpose** → To enable users to understand the entity's strategy for managing sustainability-related risks and opportunities.

**Objectives** → Provide insights into sustainability-related risks and opportunities that could affect the entity's prospects. Detail the effects of these risks on the entity's strategy and long-term planning.





## **\*Risk Management\***

**Purpose** → To enable users to understand the risk management processes used by the entity to identify, assess, prioritize, and monitor sustainability-related risks.

**Objectives** → Describe the processes to manage and mitigate risks. Indicate how risks are integrated into the entity's overall risk management framework.



## **\*Metrics and Targets\***

**Purpose** → To enable users to see the entity's progress towards sustainability-related targets and assess performance.

**Objectives** → Provide metrics that reflect the entity's performance in relation to sustainability-related risks and opportunities. Show progress against set targets, whether self-imposed or mandated by regulatory bodies.

# IFRS S2: Climate-Related **Disclosures**:

## → **Objectives** & **Scope** ←



### **\*Governance Responsibility\***

Identify who is responsible for sustainability at a governance level.



### **\*Risk Assessment\***

Show how the effects of climate-related risks and opportunities are assessed.



### **\*Governance Processes\***

Illustrate the controls and procedures in place for sustainability oversight.



### **\*Sustainable Strategy\***

Explain sustainability-related risks and opportunities that could reasonably impact the entity's long-term prospects.





## Impacts:

- ✓ **Definition:** The effects that an entity (like a company or organization) has on its stakeholders (like employees, customers, and communities), society, the economy, and the natural environment.
- ✓ **Examples:** Worker rights, human rights, waste generation, greenhouse gas emissions, water usage.



## Dependencies:

**Definition:** The reliance that an entity has on its stakeholders, society, the economy, and the natural environment due to the resources it uses and the relationships it has.

- ✓ **Examples:** Worker health, diversity, climate risks, resource availability, consumer expectations, regulatory risks.

## Climate-Related Risks and Opportunities:



### 1. **\*Resource Dependency\*:**

Changes in availability or quality of resources like water can lead to climate-related risks.



### 2. **\*Consumer Preferences\*:**

Unexpected shifts to carbon-neutral alternatives could pose risks due to greenhouse gas emissions.



## Types of Climate-Related Risks



### 1. \* **Transition Risks** \*:

Risks due to the shift towards a lower-carbon economy.



### 2. \* **Physical Risks** \*:

- \* **Acute Physical Risks** \*: Triggered by specific weather events like storms, floods, and droughts.
- \* **Chronic Physical Risks** \*: Stem from long-term climate shifts, leading to issues like sea level rise and biodiversity loss.

## Core Content of IFRS S2:



Follows similar areas to IFRS S1: governance, strategy, risk management, and metrics & targets, with added climate-specific disclosures.

### 1. **\*Strategy\***:

- Requires additional climate-specific disclosures.
- Must detail the entity's climate-related transition plan, targets, actions, and resources for moving to a lower-carbon economy.
- Should address how the entity plans to achieve climate-related targets and improve climate resilience.





## 2. \*Metrics and Targets\*:

- Entities must disclose relevant climate-related metrics and targets they aim to meet.

❖ IFRS S2 provides a framework to manage and disclose climate-related risks and opportunities, incorporating comprehensive requirements to help entities navigate the transition towards a sustainable, lower-carbon future.

- Disclosures under IFRS S2 target important stakeholders like **investors**, **lenders**, and **creditors**, helping them **evaluate** a company's prospects for informed capital allocation. **Climate-related risks** and **opportunities** are crucial in these assessments, influencing strategic decision-making.

For **disclosures** to be **useful**, they must adhere to several key principles. They should be:



**1 Relevant**

Accurately representing the underlying issues without distortion.

**2 Faithful**

Accurately representing the underlying issues without distortion.

**3 Predictive and/or Confirmatory**

Assisting in forecasting future prospects or confirming past evaluations.

**4 Material**

Including all necessary information that could impact stakeholders' decisions.

**5 Complete**

Covering all relevant aspects without omissions.

**6 Neutral and Unbiased**

Presenting information impartially without any slant toward a particular outcome.



# Ethical and professional principles

Principle ← The fundamental principles are → Threat

PPiCO

SSAfi

§ Professional competence - المعرفة المهنية

§ Self-interest - المنفعة الشخصية

§ Professional behavior - السلوك الاخلاقي

§ Self- review

§ Integrity - النزاهة

§ Advocacy - التقاضي

§ Confidentiality - السرية

§ Familiarity - العلاقات

§ Objectivity - الموضوعية

§ Intimidation - التهديد

## Ethical and professional principles

The fundamental principles are:

Principle - **PPICO**

Threat - **SSAFI**

§ <b>P</b> rofessional competence - المعرفة المهنية	§ <b>S</b> elf-interest - المنفعة الشخصية
§ <b>P</b> rofessional behavior - السلوك الاخلاقي	§ <b>S</b> elf- review
§ <b>I</b> ntegrity - النزاهة	§ <b>A</b> dvocacy - التقاضي
§ <b>C</b> onfidentiality - السرية	§ <b>F</b> amiliarity - العلاقات
§ <b>O</b> bjectivity - الموضوعية	§ <b>I</b> ntimidation - التهديد

Ethics In every exam up to 5 marks in question 2.

- You are in danger of breaching the fundamental ethical principle of...
- Ethics in every exam in question from dec-2021 in Number 2 from 2 to 5 marks

