

---

## IASB<sup>®</sup> meeting

Date	<b>December 2025</b>
Project	<b>Provisions—Targeted Improvements</b>
Topic	<b>Cover paper</b>
Contacts	Joan Brown ( <a href="mailto:jbrown@ifrs.org">jbrown@ifrs.org</a> ) Stefano Tampubolon ( <a href="mailto:stampubolon@ifrs.org">stampubolon@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

---

## Purpose of meeting

1. The International Accounting Standards Board (IASB) published [Exposure Draft Provisions—Targeted Improvements](#) (Exposure Draft) in November 2024, with a comment deadline of 12 March 2025. The Exposure Draft proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
2. At its September 2025 meeting, the IASB redeliberated some aspects of the proposed amendments in the light of the feedback it received on the Exposure Draft. At this meeting, the IASB will be asked to redeliberate some other aspects of the proposed amendments.

---

## Contents of this paper

3. This paper contains:
- (a) a reminder of:
    - (i) key aspects of the Exposure Draft proposals (paragraphs 4–5); and
    - (ii) aspects the IASB has already redeliberated and the tentative decisions it has reached (paragraph 6 and Appendix A);
  - (b) an introduction to the papers for discussion at this meeting (paragraphs 7–13) and an explanation of the terms we have used in these papers in quantifying the number of stakeholders expressing a view (Appendix B); and
  - (c) a summary of planned next steps (paragraphs 14–15).

## Exposure Draft Proposals

4. The Exposure Draft proposes targeted improvements to three aspects of IAS 37:
- (a) one of the criteria for recognising a provision—the requirement for the entity to have a present obligation as a result of a past event (the present obligation criterion); and
  - (b) two aspects of the requirements for measuring a provision—those relating to:
    - (i) the costs an entity includes in estimating the future expenditure required to settle an obligation; and
    - (ii) the rate an entity uses to discount that future expenditure to its present value.
5. The proposed amendments to the present obligation criterion include identifying three conditions within the present obligation criterion—‘obligation’, ‘transfer’ and ‘past-event’ conditions.

## Tentative decisions to date

6. At its meeting in September 2025, the IASB redeliberated the proposals relating to the rate an entity uses to discount future expenditure to its present value. The IASB's tentative decisions at that meeting are set out in Appendix A to this paper.

## Matters for discussion at this meeting

7. At this meeting, we will ask the IASB to redeliberate three other aspects of the Exposure Draft proposals.

### ***Agenda Paper 22A Recognition—Legal obligations***

8. Agenda Papers 22A asks for decisions on aspects of the proposals relating to the obligation condition within the present obligation criterion—aspects relating to *legal* obligations.
9. The staff recommend:
  - (a) revising the criteria proposed in the Exposure Draft for identifying a legal obligation; and
  - (b) making no other changes to the Exposure Draft proposals.

### ***Agenda Paper 22B Recognition—Constructive obligations***

10. Agenda Papers 22B asks for decisions on other aspects of the proposals relating to the obligation condition—aspects relating to *constructive* obligations.
11. The staff recommend making no changes to the Exposure Draft proposals.

**Agenda Paper 22C Measurement—Costs to include**

12. Agenda Paper 22C discusses feedback on the proposals relating to the costs an entity includes in measuring a provision.
13. The staff recommend:
  - (a) retaining the requirement proposed in the Exposure Draft;
  - (b) restricting the scope of the requirement to obligations to transfer goods or services, and clarifying that the requirement applies to the measurement of those goods or services; and
  - (c) adding no application guidance or illustrative examples on the types of costs to include.

**Next steps**

14. At future IASB meetings, the IASB will be asked to redeliberate the remaining aspects of the Exposure Draft proposals, including the second and third conditions within the proposed present obligation criterion—the transfer and past-event conditions.
15. The staff papers for the redeliberation of the past-event condition will include recommendations on requirements for levies. These recommendations will build on suggestions discussed by the IASB at its October 2025 meeting—as set out in [Agenda Paper 22 Levies—Ideas for Application Requirements](#) and [Agenda Paper 22A Levies—Illustrative Examples](#) for that meeting.
16. We expect that a decision on the project direction can be made once the IASB has reached tentative decisions on requirements for levies.

## Appendix A—Tentative decisions to date

A1. This appendix sets out the tentative decisions the IASB has reached to date in its redeliberations on this project, as reported in the [IASB Update](#).

Topic	Meeting date	Tentative decisions
<b>Measurement—discount rates</b>		
<a href="#">Discount rates—Required rates</a>	<a href="#">September 2025</a>	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>a. to retain the proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk;</li> <li>b. to add no application guidance to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> on how an entity determines an appropriate risk-free discount rate;</li> <li>c. to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and</li> <li>d. to add no requirements on the use of real or nominal discount rates in measuring a provision.</li> </ul> <p>All 12 IASB members agreed with these decisions.</p>

Topic	Meeting date	Tentative decisions
<a href="#">Discount rates--Interaction with IFRS 3 Business Combinations</a>	<a href="#">September 2025</a>	<p>The IASB tentatively decided to add to IFRS 3 an exception to its initial measurement principle that:</p> <ul style="list-style-type: none"> <li>a. applies to provisions (other than contingent liabilities) within the scope of IAS 37; and</li> <li>b. requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values.</li> </ul> <p>All 12 IASB members agreed with this decision.</p>
<a href="#">Discount rates--Disclosure</a>	<a href="#">September 2025</a>	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>a. to retain the proposal to require an entity applying IAS 37 to disclose: <ul style="list-style-type: none"> <li>i. the discount rate(s) used in measuring a provision; and</li> <li>ii. the approach used to determine the rate(s);</li> </ul> </li> <li>b. to add no further disclosure requirements to IAS 37; and</li> <li>c. to retain the proposals: <ul style="list-style-type: none"> <li>i. to require subsidiaries applying IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i> to disclose the discount rate(s) used in measuring a provision; but</li> <li>ii. not to require them to disclose the approach used to determine the rate(s).</li> </ul> </li> </ul> <p>All 12 IASB members agreed with these decisions.</p>

## Appendix B—Terminology used in quantifying stakeholder feedback

B1. In the papers for this meeting, we use:

- (a) the term ‘respondent’ for any stakeholder who commented on an Exposure Draft proposal, whether via a comment letter or in a meeting; and
- (b) standard IASB terminology to quantify the number of stakeholders within an identified population:

Term	Meaning
<b>Almost all</b>	All except a very small minority
<b>Most</b>	A large majority, with more than a few exceptions
<b>Many</b>	A small majority or large minority
<b>Some</b>	A small minority, but more than a few
<b>A few</b>	A very small minority