Staff paper

Accounting Standards Advisory Forum meeting

Date	**July 2025**
Project	**Provisions—Targeted Improvements**
Topic	**Exposure Draft feedback—Overview**
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Accounting Standards Advisory Forum, July 2025, Agenda Paper 1

This paper was prepared for discussion at the International Accounting Standards Board's (IASB's) June 2025 meeting as Agenda Paper 22. The agenda papers referred to in this paper are the other agenda papers for the IASB's June 2025 meeting.

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 this meeting, the IASB will discuss feedback on the Exposure Draft proposals. We are not asking the IASB to make decisions at this meeting. However, comments from IASB members will help us develop recommendations for the direction of this project.

Contents of this paper

3. The paper includes:

   (a) an overview of the Exposure Draft proposals (paragraphs 5–6);

   (b) a description of the sources of feedback—the stakeholders submitting comment letters and stakeholders we met during the comment period (paragraphs 7–8);

   (c) an overview of the key messages in the feedback (paragraphs 9–21);

   (d) appendices containing:

      (i) more detailed information about the sources of feedback—demographic information about the stakeholders submitting comment letters and those with whom we held meetings (Appendix A); and

      (ii) an explanation of the terms we have used in quantifying the number of stakeholders expressing a view (Appendix B).

4. Paragraphs 22–23 explain how we plan to organise the discussion at the meeting.

Exposure Draft Proposals

5. 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. The Exposure Draft proposes to require entities to use a rate that reflects the time value of money—represented by a risk-free rate—and excludes non-performance risk (the risk that the entity will not settle its obligation).

6. The proposed amendments to the present obligation criterion include:

   (a) updating the definition of a liability in IAS 37 and the wording of the present obligation recognition criterion to align them with the definition of a liability in the *Conceptual Framework for Financial Reporting*.

   (b) amending the requirements that support the present obligation recognition criterion, including:

      (i) removing the term 'obligating event' and instead identifying three conditions (obligation, transfer and past-event conditions) within the present obligation criterion; and

      (ii) redefining the past-event condition;

   (c) withdrawing IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* and replacing it with an illustrative example in the *Guidance on implementing IAS 37*;

   (d) withdrawing IFRIC 21 *Levies*, whose requirements are not consistent with the past-event condition proposed in the Exposure Draft, replacing it with illustrative examples in the *Guidance on implementing IAS 37*; and

   (e) expanding and amending other aspects of the *Guidance on implementing IAS 37*:

      (i) adding examples to illustrate fact patterns that have been the subjects of IFRS Interpretations Committee agenda decisions;

      (ii) updating the analysis in existing illustrative examples to align that analysis with the proposed present obligation criterion; and

      (iii) updating and expanding the decision tree that illustrates decisions required in applying the proposed recognition criteria.

Sources of feedback

7. Stakeholders have provided feedback on the Exposure Draft proposals both during meetings we held during the comment period and in comment letters. We held 36 meetings and received 104 comment letters. Appendix A to this paper provides further information on the demographics of the stakeholders providing feedback.

8. The feedback summarised in the papers for this meeting covers both:

   (a) feedback contained in comment letters, and

   (b) feedback we received in meetings with stakeholders who did not go on to submit a comment letter.

   In the papers for this meeting, we use the term 'respondent' to refer to any stakeholder who commented on an Exposure Draft proposal, whether via a comment letter or in a meeting.

Feedback

9. The feedback is summarised in six papers that support this paper:

Agenda ref	Topic
22A	Present obligation criterion—overall
22B	Present obligation criterion—past-event condition
22C	Present obligation criterion—other requirements
22D	Costs to include
22E	Discount rates
22F	Other matters

Key messages in the feedback

Present obligation criterion (Agenda Papers 22A–22C)

10. Many respondents—from all stakeholder groups and regions—express outright or broad agreement with the proposed amendments to the present obligation criterion, including the withdrawal of IFRIC 6 and IFRIC 21, and with the expanded decision tree and new illustrative examples.

11. However, many of the respondents who express broad agreement overall go on to disagree with, and suggest changes to, specific aspects of the proposed requirements—most frequently aspects of the obligation and past-event conditions.

12. Some respondents express such major concerns about aspects of the proposed amendments to the present obligation criterion that we have classified these respondents as disagreeing with these amendments as a whole. They are primarily European—banks and their representative bodies, standard setters and accountancy bodies. They also include some of the global accounting firms responding.

13. These respondents' disagreement stems at least in part from their concerns about the proposed past-event condition as it would apply to levies with terms like those of European bank levies and business property taxes. Respondents express concerns about the difficulty of applying the past-event condition to such levies and about the possible outcome—the full amount of an annual levy being recognised at a point in time *before* the year of operation for which the levy is being charged.

14. These concerns lead some respondents to suggest:

    (a) specifying simpler application requirements for levies; or

    (b) excluding levies from the scope of IAS 37 and either leaving IFRIC 21 in place or developing a separate Standard for levies (and other non-reciprocal transactions).

15. Some respondents ask the IASB to do more work on the proposed amendments and revise them as necessary to ensure the final requirements have no unintended consequences and are operational in all jurisdictions.

Costs to include (Agenda Paper 22D)

16. Most respondents agree with the proposed requirements specifying the costs to include in the measure of a provision.

17. However, some respondents question the scope of the proposed requirements. The IASB developed the requirements in the context of provisions for onerous sales contracts and other obligations that an entity settles by *providing goods or services* to a counterparty. The IASB did not discuss the possible implications of the requirements for obligations that an entity settles by *paying cash* to a counterparty (for example, litigation claims), but that might require the entity to procure goods or services (for example, legal services) on its own behalf in settling the obligation. Respondents ask whether, and if so how, the proposed requirements would apply to such 'ancillary' costs.

Discount rates (Agenda Paper 22E)

18. Many respondents comment on the proposal to require entities to measure provisions using a discount rate that reflects the time value of money—represented by a risk-free rate—and excludes non-performance risk.

19. Most of these respondents agree with this proposal. These respondents include all the users of financial statements and regulators commenting, almost all the accounting firms, national standard-setters and accountancy bodies commenting, and almost all of the preparers of financial statements commenting—other than those from Canadian oil and gas companies.

20. The Canadian oil and gas companies and the Canadian Accounting Standards Board express a concern that, if Canadian entities are required to measure provisions using a risk-free discount rate, they might face a competitive disadvantage when raising capital in the US market. The disadvantage would stem from measuring asset decommissioning obligations using a lower discount rate than that used by peers applying US Generally Accepted Accounting Principles (US GAAP). Under US GAAP, an entity measures asset decommissioning obligations using a credit-adjusted discount rate.

21. The Canadian respondents suggest that there is no need to require all entities to use risk-free discount rates—the desired improvements in comparability and transparency could be achieved by requiring entities to disclose more information about the discount rates they have used.

Organisation of meeting discussion

22. At the end of each of Agenda Papers 22A–22F, there is a question inviting comments and questions from IASB members on the matters reported in that paper. We plan to ask for these comments and questions in four groups during the meeting:

Group	Agenda papers	Discussion topics
1	22 22A, 22B, 22C	General matters and sources of feedback Present obligation criterion
2	22D	Costs to include
3	22E	Discount rates
4	22F	Other matters

23. We plan to ask for comments and questions on the first four papers together because there is substantial overlap in the subject matter covered in these papers.

Appendix A—Sources of feedback

A1. This appendix provides information about the demographics of stakeholders providing feedback in comment letters and meetings.

Comment letters

A2. We received 100 comment letters on the Exposure Draft by the comment letter deadline, and four letters after the deadline. All the comment letters are available on the IFRS Foundation website.

A3. We received the late letters in time to include their comments in our summaries of the feedback (Agenda Papers 22A–22F). So, we have included the late letters in the demographic statistics set out below.

Table 1: Comment letters grouped by geographical region

Region	Number	Percentage
Europe	45	43%
Asia-Oceania	21	20%
North America	13	12%
Central and South America	7	7%
Africa	6	6%
Global	12	12%
Total	**104**	**100%**

Table 2: Comment letters grouped by stakeholder type

Stakeholder type	Number	Percentage
Standard setters	27	26%
Preparers of financial statements - banks and banking representative bodies - oil and gas companies - others Total	 11 10 13 34	 33%
Accountancy bodies	16	15%
Accounting firms	11	10%
Securities regulators	3	3%
Users of financial statements	6	6%
Academics	2	2%
Individuals	5	5%
Total	**104**	**100%**

Meetings

A4. During the comment period, members of the IASB and the IASB's technical staff attended 36 meetings with stakeholders across various geographical regions and stakeholder groups.

Table 3: Meetings grouped by geographical region

Region	Number	Percentage
Europe	18	50%
Asia-Oceania	3	8%
North America	2	6%
Central and South America	1	3%
Africa	2	6%
Global	10	27%
Total	**36**	**100%**

Table 4: Meetings grouped by stakeholder type

Stakeholder type	Number	Percentage
Standard setters	11	30%
Accountancy bodies	1	3%
Accounting firms	5	14%
Preparers of financial statements	11	30%
Securities regulators	2	6%
Users of financial statements	2	6%
Individuals	1	3%
Others	3	8%
Total	**36**	**100%**

Appendix B—Terminology used to quantify 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
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority

B2. Where we report a view expressed mainly by stakeholders from one or more particular regions, or of one or more particular types, we identify the type(s) or region(s). Where we have not identified a type or region, it is because we received similar feedback from stakeholders of several types and regions, or could not identify a pattern in the responses.