IFRS Accounting

# Staff paper

Agenda reference: 22C

**IASB® meeting**

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| Date | **September 2025** |
| Project | **Provisions—Targeted Improvements** |
| Topic | **Discount rates—disclosure** |
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## Purpose of the session

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 June 2025 meeting, the IASB discussed feedback on the Exposure Draft proposals. Agenda Paper 22E for that meeting summarised feedback on proposals relating to the rate an entity uses to discount future expenditure to its present value.

3. At their July 2025 meeting, members of the Accounting Standards Advisory Forum (ASAF) provided their views on how the IASB should move forward in the light of that feedback.

4. At this meeting, we will ask the IASB to redeliberate the discount rate proposals in the light of the feedback in comment letters and from ASAF members.

5. This paper asks for decisions on the proposals to add to IAS 37 and IFRS 19 *Subsidiaries without Public Accountability: Disclosures* requirements to disclose information about the discount rates used in measuring a provision.

## Summary of staff recommendations

6. We recommend that the IASB:
   - (a) retain the Exposure Draft proposal to require an entity applying IAS 37 to disclose:
     - (i) the discount rate(s) used in measuring a provision; and
     - (ii) the approach used to determine the rate(s).
   - (b) add no further disclosure requirements to IAS 37.
   - (c) retain the Exposure Draft proposals:
     - (i) to require subsidiaries applying IFRS 19 to disclose the discount rate(s) used in measuring a provision; but
     - (ii) not to require them to disclose the approach used to determine the rate(s).

## Structure of the paper

7. The paper discusses:
   - (a) disclosure requirements proposed for IAS 37 (paragraphs 8–17);
   - (b) further disclosure requirements suggested by respondents (paragraphs 18–21); and
   - (c) disclosure requirements proposed for IFRS 19 (paragraphs 22–34).

## Disclosure requirements proposed for IAS 37

### *Exposure Draft proposals*

8. The Exposure Draft proposes to require an entity applying IAS 37 to disclose:

   (a) the discount rate (or rates) used in measuring a provision; and

   (b) the approach used to determine that rate (or those rates).

9. The Basis for Conclusions on the Exposure Draft explains the IASB’s reasons for these proposals:

> BC84 Investors giving feedback on the discount rate requirements in IAS 37 said comparability is impaired not only by diversity in the rates used, but also by a lack of information about those rates. Investors noted that other IFRS Accounting Standards that require entities to measure an asset or a liability using present value cash flow techniques—for example, IAS 19 and IAS 36 *Impairment of Assets*—also require entities to disclose the discount rates they have used. IAS 37 is, therefore, unusual in not requiring entities to disclose discount rates used.
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> BC85 The proposal to require an entity to disclose the approach it used to determine its discount rates follows from the proposal not to add application guidance to IAS 37 on how to determine an appropriate risk-free rate. The proposal acknowledges that entities could use various approaches and that information about the approach used would enhance comparability. The proposed requirement is consistent with a requirement in IFRS 17 *Insurance Contracts* to disclose the approach used to determine the discount rates used in measuring insurance contract liabilities.

### *Summary of feedback*

*Agreement with the proposed disclosure requirements*

10. Many respondents to the Exposure Draft agreed with the proposed disclosure requirements, which they said would:

   (a) *improve comparability and transparency of the rates used.* Respondents noted that entities will use different rates, even if they all aim to use a risk-free discount rate. A user group (in North America) said the proposed disclosure requirements are particularly important given the difference between the rates required by IAS 37 and those used by entities applying US GAAP.

   (b) *provide useful information to users of financial statements.* A national standard-setter (in Asia-Oceania) said the required information would enhance users' understanding of the impact of the discount rate (and the methods used to determine it) on the measure of a provision. Two users said the required information would help investors 'make informed decisions in investment analysis, risk assessment, portfolio management, stewardship and engagement.' An accountancy body (in Europe) described the required information as 'important information for users that is currently missing'.

*Disagreement with the proposed disclosure requirements*

11. A few preparer groups (in North America, Europe and Asia) disagreed with the proposal to require entities to disclose the rate(s) used to discount a provision:

   (a) they all questioned whether a statement of the rates used (as opposed to the approach used to determine those rates) would be useful information—especially for entities that operate in multiple jurisdictions and, therefore, could be using 'multiple different discount rates that do not materially impact the financial statements'.

(b) a preparer group in Asia-Oceania noted that some other IFRS Accounting Standards—such as IFRS 16—do not require the disclosure of discount rates used.

12. One of these preparer groups said it thought that the existing requirements in paragraph 125 of IAS 1 *Presentation of Financial Statements* are sufficient. That paragraph, which has become paragraph 31A of IAS 8 *Basis of Preparation of Financial Statements*, requires an entity to:

> …disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. …

13. A few respondents—preparers and national standard-setters—disagreed with the proposal to require entities to disclose the approach used to determine the discount rate(s):

(a) a few respondents (national standard setters and preparer groups in Europe and Asia-Oceania) said such a disclosure is unnecessary—disclosure of the rate used is sufficient to allow users of financial statements to compare rates used. Additionally, the national standard-setter in Asia-Oceania noted that the IASB acknowledges in paragraph BC81(a) of the Basis for Conclusions on the Exposure Draft that 'practice to determine an appropriate risk-free discount rate is already well established…'.

(b) a preparer group (in Asia-Oceania) questioned whether the benefits of disclosing the proposed information would outweigh the costs because measurement of provisions is 'highly individual.'

(c) a national standard-setter (in Europe) expressed concern that entities will use boilerplate language, thereby not providing useful information. That respondent suggested requiring the information only in cases where the discount rate used reflects risks concerning the amount or timing of the expenditure required to settle the obligation.

14. At their July 2025 ASAF meeting, ASAF members provided no further comments on the proposed disclosure requirements for IAS 37.

### *Staff analysis*

15. In response to the suggestion that the rates an entity has used to discount a provision might not be material information, and that the existing requirement in paragraph 125 of IAS 1 (reproduced in paragraph 12 of this paper) is sufficient, we note that:

    (a) the information about the discount rates used could be material for long-term provisions, such as asset decommissioning and environmental rehabilitation provisions, even if assumptions made in determining the rates do not have a significant risk of resulting in a material adjustment to the carrying amount of the provisions within the next financial year.

    (b) if information about the discount rates used is not material, an entity would not need it. Paragraph 19 of IFRS 18 *Presentation and Disclosure in Financial Statements* states that:

    > … An entity need not provide a specific presentation or disclosure required by IFRS Accounting Standards if the information resulting from that presentation or disclosure is not material. This is the case even if IFRS Accounting Standards contain a list of specific requirements or describe them as minimum requirements.

16. In response to the other reasons respondents gave for disagreeing with the proposed disclosure requirements (see paragraphs 11–13 of this paper), we note that:

    (a) overall, the feedback suggests that stakeholders think the information provided will be useful—enhancing the comparability of measures of provisions—and that the benefits of disclosing it would outweigh the costs. There is widespread support for the proposed disclosure requirements—including from all users of financial statements—commenting on them. Only a few preparers and national standard-setters questioned the usefulness of the information.

(b) although IFRS 16 does not require an entity to disclose the rates used to discount a lease liability, other IFRS Accounting Standards—such as IAS 19 *Employee Benefits* and IAS 36 *Impairment of Assets*—require an entity to disclose the rates used to discount assets and liabilities measured by discounting estimates of uncertain future cash flows. As noted in paragraph BC84 of the Basis for Conclusions on the Exposure Draft (reproduced in paragraph 9 of this paper), IAS 37 is unusual in not requiring this information.

(c) requirements in IFRS 18 seek to prevent entities from obscuring material information, including by using boilerplate language. For example, paragraph B3 of IFRS 18 states that material information may be obscured if the language used to disclose the information is vague or unclear.

### *Staff recommendations and question for the IASB*

17. Based on our analysis in paragraphs 15–16, we recommend that the IASB retain the Exposure Draft proposal to require an entity applying IAS 37 to disclose:

(a) the discount rate(s) used in measuring a provision; and

(b) the approach used to determine the rate(s).

| Disclosure requirements proposed for IAS 37 |
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| Do you agree with our recommendation in paragraph 17? |

## Further disclosure requirements suggested by respondents

### *Summary of feedback*

18. A few respondents to the Exposure Draft suggested adding further disclosure requirements:

    (a) a national standard-setter (in Europe) suggested requiring more detailed information about the components of the discount rate used—namely the *base* rate and any adjustments made.

    (b) an accountancy body (in Europe) and a user of financial statements (in North America) suggested requiring an explanation of the assumptions used in determining the discount rate.

    (c) a national standard-setter (in Asia-Oceania) suggested requiring a narrative information about how a change in the discount rate between reporting dates has affected the measure of a provision.

    (d) a national standard-setter and an accountancy body (both in Europe) suggested requiring a sensitivity analysis explaining how the amount of a provision would be affected by changes in the discount rate used, if the effect of discounting is significant. A national standard-setter (in Asia-Oceania) suggested also highlighting both the best-case and worst-case scenarios.

### *Staff analysis*

19. We note that the IASB received similar requests for further disclosure requirements from stakeholders when it developed the proposals in the Exposure Draft. At its meeting in April 2024, the IASB decided not to propose further disclosure requirements The staff paper for the meeting noted that:

(a) this project to amend IAS 37 is limited in its scope. Its objectives are to make three targeted improvements, none of which relate to reviewing disclosure requirements.

(b) while a strong case can be made for closing an obvious gap in the disclosure requirements in IAS 37, it is beyond the scope of this project to propose disclosure requirements for IAS 37 that are not required by other IFRS Accounting Standards.

20. Only a few respondents to the Exposure Draft requested additional disclosure requirements, suggesting most are content with the balance the IASB has struck.

### *Staff recommendations and question for the IASB*

21. Based on our analysis in paragraphs 19–20, we recommend that the IASB add no further disclosure requirements to IAS 37.

| Disclosure requirements for IAS 37 |
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| 1. Do you agree with our recommendation in paragraph 21? |

## Disclosure requirement for IFRS 19

### *Exposure Draft proposals*

22. The Exposure Draft proposes to add to IFRS 19 one, but not both, of the disclosure requirements it proposes to add to IAS 37. It proposes:

    (a) to require subsidiaries applying IFRS 19 to disclose the discount rate(s) used in measuring a provision; but

    (b) not to require them to disclose the approach used to determine that rate(s).

### *Summary of feedback*

*Agreement with the proposed disclosure requirement*

23. Fewer than half of the respondents to the Exposure Draft commented on the disclosure requirement proposed for IFRS 19. Most of these respondents agreed with the proposed requirement, often without explaining their reasons or providing any additional comments. At the July 2025 ASAF meeting, the Asian-Oceanian Standard-Setters Group (AOSSG) representative reiterated the AOSSG's support for the proposed requirements.

24. Of the respondents who explained their reasons:

    (a) a few respondents said the IASB's approach in developing the proposal reflects the six broad principles that guided the IASB in developing IFRS 19, as set out in paragraph BC33 of the Basis for Conclusions on that Standard. These respondents included national standard-setters (in Europe and South America), an accountancy body (in Asia-Oceania), a preparer (in South America) and an accounting firm. The national standard-setter in Europe said the approach 'strikes the right balance between ensuring transparency and reducing the administrative burden' for subsidiaries eligible to apply IFRS 19 (eligible subsidiaries).

(b) a few respondents said the proposal, though simplified, would provide useful information to users of eligible subsidiaries' financial statements. These respondents included two national standard-setter (in Asia-Oceania and Europe), two accounting firms (one based in Africa). The national standard-setter (in Europe) said the discount rate is 'the most critical' information for users in analysing an eligible subsidiary's provisions.

(c) an accounting firm said disclosing the discount rate used would not be 'overly onerous'. A national standard-setter and an accountancy body (both in Asia-Oceania) said the benefits to users would outweigh the costs of providing the information.

25. While agreeing with the proposed disclosure requirement, a regional standard-setter (in Europe) noted that the Exposure Draft does not explain how the IASB has applied the six broad principles underpinning IFRS 19 in arriving at its conclusions. The respondent suggested the IASB explain how it did so.

*Disagreement with aspects of the proposal*

26. A preparer group (in Asia-Oceania) disagreed that entities applying IFRS 19 should be required to disclose the rate(s) they have used to discount provisions. This group also disagreed that entities applying the disclosure requirements in IAS 37 in full should be required to disclose this information (see paragraph 11 of this paper).

27. A few respondents disagreed that entities applying IFRS 19 should *not* be required to disclose the approach they have used to determine the discount rate(s) for provisions. These respondents included a national standard-setter (in Asia-Oceania) and four accountancy bodies (three in Africa and one in Europe). They said this information is relevant to the users of eligible subsidiaries' financial statements. One of the accountancy bodies in Africa said:

> Understanding the methodology behind the discount rate is essential for users to evaluate its appropriateness and reliability. Including both the discount rate and the methodology would offer a more comprehensive view, fostering comparability across entities and jurisdictions. This additional disclosure is especially vital for subsidiaries without public accountability, as users of their financial statements often depend on clear and transparent reporting to assess financial performance.
>
> *CL6 Pan African Federation of Accountants*

28. In the light of their disagreement with the omission of a requirement to disclose the approach used to determine discount rates, the respondents suggested:

    (a) requiring an entity applying IFRS 19:

        (i) to disclose a 'basic explanation' of the approach used to determine the discount rates; or

        (ii) to disclose the approach used unless its parent already does so in the consolidated financial statements; or

    (b) encouraging an entity applying IFRS 19 to disclose the information if it has material amounts of provisions.

29. An accountancy body (in Europe) said that, although it did not object to requiring entities applying IFRS 19 to disclose discount rates for provisions, it would like the IASB to consider 'equivalence exemptions', whereby information would not be required if there is sufficient information included within the parent's publicly available IFRS consolidated financial statements. However, at the July 2025 ASAF meeting, the AOSSG representative said that if the IASB decides to consider equivalence exemptions for IFRS 19, it should only consider them as part of a broader review of IFRS 19, rather than within the scope of the Provisions project.

### *Staff analysis*

30. As explained in paragraph 23–25 of this paper, most respondents who commented on the disclosure requirement proposed for IFRS 19 agreed with it. In particular, no users of financial statements expressed disagreement with the proposed requirement.

31. Regarding a respondent's suggestion that the IASB explain how it has applied the six broad principles underpinning IFRS 19, we note that the IASB's consideration of these principles is documented in the staff paper prepared for the meeting in which the IASB decided on the Exposure Draft proposals for IFRS 19 (see paragraphs 16–19 of Agenda Paper 22A for the June 2024 IASB meeting)., The widespread support for the proposals--including respondents' agreement that the IASB has appropriately applied the principles—indicates that the analysis in that paper remains valid.

32. Regarding requests for a requirement to disclose the approach used to determine the discount rates we note that, a subsidiary applying IFRS 19 would be required to disclose that information if the information is necessary to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance' (paragraph 6 of IFRS 19).

33. Regarding requests for equivalence exemptions, we note that such exemptions are not a feature of IFRS 19. If the IASB wished to consider whether to add equivalence exemptions to IFRS 19, it would do so as part of a review of the requirements of IFRS 19, rather than as part of this project to make targeted improvements to IAS 37.

### *Staff recommendations and question for the IASB*

34. Based on our analysis in paragraphs 30–33 of this paper, we recommend that the IASB retain the Exposure Draft proposals:

    (a) to require subsidiaries applying IFRS 19 to disclose the discount rate(s) used in measuring a provision; but

    (b) not to require them to disclose the approach used to determine the rate(s).

| IFRS 19 disclosure requirement |
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| 2. Do you agree with our recommendation in paragraph 34? |