Staff paper

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IASB® meeting

Date	**November 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Guidance on implementing IAS 37**
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Purpose of this 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.

2. The Exposure Draft includes:

   (a) proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

   (b) proposed amendments to the *Guidance on implementing IAS 37*.

3. Since September 2025, the IASB has been redeliberating the proposed amendments in the light of feedback from respondents.

4. This paper discusses feedback on the proposed amendments to the *Guidance on implementing IAS 37*. It invites IASB members to comment on that feedback and our intended responses to the feedback.

Contents of this paper

5. This paper analyses feedback on the amendments proposed to:

   (a) the decision tree in Section B of the *Guidance on implementing IAS 37* (paragraphs 7–16 and Appendices A and B); and

   (b) the illustrative examples in Section C of the *Guidance on implementing IAS* 37 (paragraphs 17–46 and Appendix C).

6. A question for the IASB follows paragraph 46.

Decision tree

Exposure Draft proposals

7. Section B of the *Guidance on Implementing IAS 37* sets out a decision tree illustrating the process an entity follows in applying the criteria in IAS 37 for recognising a provision—that is, the 'present obligation', 'probable transfer' and 'reliable measurement' recognition criteria in paragraphs 14(a)–14(c) of IAS 37.

8. The Exposure Draft proposes to expand this decision tree:

   (a) to reflect the changes proposed to the present obligation recognition criterion—splitting the existing single decision (whether an obligating event has occurred) into three decisions (whether 'obligation', 'transfer' and 'past-event' conditions have been met).

   (b) to include the decisions required if unclear facts and circumstances mean it is unclear whether the present obligation criterion is met.

   (c) to show more prominently the consequence of an obligation failing to meet any of obligation, transfer or past-event conditions—ie, that the entity has neither a provision to recognise nor a contingent liability to disclose. Giving

more prominence to this consequence could help overcome a common misunderstanding—ie, that an obligation that exists but has not yet met the past-event condition should be disclosed as a contingent liability.

9. The proposed expanded decision tree—which is reproduced in Appendix A to this paper—has more steps and branches than the existing decision tree. It would not readily fit on a single page within a printed version of IAS 37, so the Exposure Draft proposes to split the tree into three connecting parts (numbered B1, B2 and B3) that span three pages.

Respondents' feedback

10. Many respondents to the Exposure Draft commented on the expanded decision tree. Almost all commented favourably, saying it helped them understand the proposed recognition criteria and/or would be helpful in applying these criteria.

11. A few respondents highlighted aspects of the expanded decision tree they thought would be particularly useful:

    (a) the clarification of the consequence of failing to meet any of the conditions within the present obligation criterion;

    (b) the illustration of the point in the decision process at which an entity should consider the *probability* of a transfer of an economic resource; or

    (c) the splitting of the decision tree into three parts, which respondents thought would help to distinguish the present obligation criterion from the other recognition criteria.

12. A few respondents spotted a logic error in the first part (B1) of the proposed decision tree. The logic error affects the decision to be taken if unclear facts and circumstances mean it is unclear whether one of the conditions within the present obligation criterion is met:

    (a) the decision tree directs the reader to move to the second part (B2) of the tree to decide whether the entity has a provision or a contingent liability. In doing so, it inadvertently directs the reader to bypass an assessment of the *other* conditions within the present obligation criterion.

    (b) the decision tree should instead require the reader to consider these other conditions before moving to part B2, because if *any* of the conditions is definitely not met, the entity has neither a provision nor a contingent liability—the reader should *not* proceed to part B2.

13. In addition, a few respondents suggested refinements to the proposed decision tree to clarify the decisions required. Suggestions included:

    (a) consolidating the three connecting parts into a single tree; and

    (b) for each decision, adding a cross reference to the applicable paragraphs of IAS 37.

Our intended responses

14. We intend to revise part B1 of the proposed decision tree to correct the logic error described in paragraph 12 above. In Appendix B to this paper, we show our suggestion for a way of revising the tree to correct the error.

15. We intend to keep the 3-part structure of the proposed decision tree. We think this structure will be easier to follow than a single larger tree would be.

16. We will consider in drafting other suggestions respondents made for improving the clarity of the proposed decision tree.

Illustrative examples

Introduction

17. Section C of the *Guidance on implementing IAS 37* contains examples illustrating the application of the present obligation recognition criterion. The Exposure Draft proposes to enhance these examples.

18. This section of this paper:

    (a) describes the proposed enhancements (paragraph 19).

    (b) summarises general feedback from respondents on the proposed enhancements (paragraphs 20–21).

    (c) discusses respondents' suggestions for changes to the proposed examples and our intended responses to these suggestions. Suggestions related to:

        (i) the general structure or content of the examples (paragraphs 22–24);

        (ii) specific aspects of individual examples (paragraphs 25–39); and

        (iii) requests for additional examples (paragraphs 40–43).

    (d) notes a request for a more formal due process for withdrawing Agenda Decisions (paragraphs 44–46).

Exposure Draft proposals

19. The enhancements proposed in the Exposure Draft include:

(a) expanding the analysis supporting the conclusions in all of the existing examples. The additional analysis includes a table explaining whether each of the obligation, transfer and past-event conditions is met in that fact pattern, and why or why not.

(b) adding new examples to illustrate the application of the proposed requirements to levies. The new examples would replace existing examples accompanying IFRIC 21 *Levies*, which will be withdrawn when IAS 37 is amended.

(c) adding new examples with fact patterns like those in:

(i) IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*;

(ii) IFRS Interpretations Committee Agenda Decision *Negative Low Emission Vehicle Credits*; and

(iii) IFRS Interpretations Committee Agenda Decision *Climate-related Commitments*.

Adding these three new examples would allow the IASB to withdraw IFRIC 6 and the two Agenda Decisions without losing an analysis of the fact patterns they discuss. Moving that analysis to the *Guidance on implementing IAS 37* would also help consolidate the guidance in one place, making it more accessible.

General feedback from respondents

20. Many respondents said they welcomed the proposed enhancements to the illustrative examples, some saying that the enhancements:

    (a) helped them understand of the proposed new requirements (‘demystifying the mechanics’); or

    (b) would support consistent application.

21. Some respondents referred to aspects of the enhancements they found especially helpful. They referred to:

    (a) the structured table-based layout and the individual analysis of each of the three conditions within the present obligation criterion.

    (b) the consolidation of the agenda decisions.

    (c) the inclusion of examples illustrating climate-related issues. Respondents said:

        (i) these examples are topical and there is considerable stakeholder demand for application guidance in this area; and

        (ii) the climate-related commitments example clearly illustrates the application of the present obligation criterion to such commitment.

    (d) the comprehensiveness of the examples—the wide variety of transactions and concepts they illustrate.

> The revised and additional examples provide practical insights into complex provisions, which are particularly useful for African businesses dealing with regulatory and environmental obligations.
>
> The updated and expanded examples address common areas of confusion, such as threshold-triggered costs, restructuring obligations, and climate-related provisions. African businesses, often operating in dynamic and resource-constrained environments, will benefit from the simplified and structured approach to liability recognition and measurement.
>
> *CL6 Pan African Federation of Accountants*

Respondents' suggestions for changes to the general structure or content of the examples

22. Some respondents suggested changes to the general structure or content of the proposed examples.

23. We intend to accept two of these suggestions:

    (a) first, we intend to add to each example a statement of the purpose of the example and the specific paragraph(s) of IAS 37 it is primarily illustrating, because:

        (i) we agree with one respondent who referred to the examples the IASB issued in *Disclosures about Uncertainties in the Financial Statements*, and said that such a statement had been included in these examples 'to good effect'.

        (ii) the examples we have drafted to illustrate the possible new application requirements for levies (see Agenda Paper 22D *Levies—Indicative Drafting* for this meeting) start with a statement of the purpose of the example and the paragraphs it is illustrating. Several reviewers of these examples have said they found that statement useful.

    (b) secondly, we intend to remove some analysis from examples that fail either the first (obligation) condition or second (transfer) condition within the present obligation criterion. The examples affected are Examples 6 (Legal requirement to fit smoke filters), 7 (Staff retraining), and 11 (Refurbishment costs). In each of these examples, we intend to remove analysis of the remaining condition(s) because we agree with stakeholders who said that:

(i) omitting any analysis of the remaining condition(s) would be more consistent with the decision tree in Section B of the proposed *Guidance on implementing IAS 37*. The decision tree indicates that if a transaction fails one of the conditions within the present obligation criterion, no assessment of the remaining conditions is required—the entity has neither a provision to recognise nor a contingent liability to disclose.

(ii) the analysis of the remaining condition(s) in Examples 6, 7 and 11 could be confusing. If the obligation or transfer condition is not met, the analysis of the remaining condition(s) has to start by identifying an alternative obligation that *would* meet the obligation or transfer condition, for example, one that will arise later in the transaction being illustrated. That alternative obligation may be of a type that is outside the scope of IAS 37—in Examples 6, 7 and 11, the alternative obligation is a trade payable (so within the scope of IFRS 9 *Financial Instruments*). A few respondents to the to the Exposure Draft said referring to such obligations in the *Guidance on implementing IAS 37* seems odd and could imply they are within the scope of IAS 37.

(iii) omitting analysis of the remaining conditions in Examples 6, 7 and 11 would be consistent with the approach taken in Example 15 (Climate-related commitments). In the fact pattern of Example 15, one of the obligations (the obligation to reduce future emissions) fails the transfer condition. The example includes no analysis of whether that obligation would meet the remaining (past-event) condition.

24. We intend to reject four other suggestions for changes to the general structure or content of the examples. In Appendix C to this paper, we explain these four other suggestions and our reasons for rejecting them.

Respondents' suggestions for changes to specific aspects of individual examples

25. Many respondents suggested changes to specific aspects of individual examples.

26. We discuss below the aspects of individual examples that generated the most significant comments, and how we intend to respond to these comments. We will consider other comments when we redraft the examples.

Examples 13A-13C--Various levies

27. The examples attracting most feedback were Examples 13A–13C, which illustrate the application of the proposed requirements to various levies. Many respondents commenting on these examples raised concerns about the conclusions reached. Typically, the respondents' concerns about these conclusions reflected their concerns about an aspect of the proposed requirements the examples were seeking to illustrate.

28. In May 2026, the IASB tentatively decided to revise that aspect of the proposed requirements—replacing it with new application requirements for levies. If the IASB decides to proceed with these new application requirements (as we recommend in Agenda Paper 22A *Levies—Application Requirements* for this meeting) we will replace Examples 13A–13C with new examples that illustrate the new application requirements. We intend to base the new examples on those we have discussed with stakeholders during our targeted consultation on the new application requirements (Examples 1–5 in Agenda Paper 22D).

Examples 6, 7, 11A and 11B—Smoke filters, staff retraining and refurbishment costs

29. Examples 6 ,7, 11A and 11B are existing examples in which the conclusion is that the present obligation criterion is not met. The Exposure Draft proposes that, applying the amended requirements, the conclusions remain the same but some of the reasoning changes.

30. Although agreeing that the conclusions would not change, some respondents questioned aspects of the new reasoning. Many of the questions related to the analysis of the alternative obligations described in paragraph 23(b)(ii) above. These questions will not arise if we remove those aspects of the analysis as described in the introduction to paragraph 23(b). We will consider in drafting comments on remaining aspects of the analysis.

Example 14—Negative low-emission vehicle credits

31. Example 14 reflects the fact pattern of the Agenda Decision *Negative Low Emission Vehicle Credits* and reaches the same conclusion as the IFRS Interpretations Committee reached for that fact pattern. The fact pattern discusses an entity that will:

    (a) receive 'negative credits' for having manufactured vehicles with above-target fuel emissions in the current year; and

    (b) be required to eliminate those negative credits by obtaining and surrendering 'positive credits'.

    Both the Agenda Decision and Example 14 conclude that at the end of the year, the entity has a present obligation to obtain and surrender these positive credits.

32. A few respondents to the Exposure Draft disagreed with this conclusion. However, most of the comments on Example 14 were requests for guidance on how an entity would measure its obligation to obtain and surrender positive credits, given that it expects to generate these credits as a by-product of its future operations (rather than by buying them).

33. When the IFRS Interpretations Committee was developing the Agenda Decision, it too received requests for guidance on how to measure the provision. It decided not to provide guidance, on the basis that measurement questions were beyond the scope of the agenda decision—the original submission asked only whether the entity had an obligation that met the definition of a liability in IAS 37.

34. Similarly, we think that the IASB should add no guidance to Example 14 on measuring the provision described in that example:

    (a) the purpose of all the illustrative examples in Section C of the *Guidance on implementing IAS 37* is to illustrate the application of the present obligation recognition criterion--none of the examples discusses the measurement of any resulting provision; and

    (b) the scope of this project does not include addressing the issues that arise in measuring provisions like this one.

35. Consequently, we intend to add no guidance on measurement to Example 14.

Example 15—Climate-related commitments

36. Example 15 is based on the Agenda Decision *Climate-related Commitments*. It describes a fact pattern in which an entity's public statement of its climate-related commitments:

    (a) is judged to give the entity a constructive obligation to fulfil those commitments; but

    (b) does not result in the recognition of a provision, because the constructive obligation does not yet meet the past-event recognition condition.

37. A few preparers of financial statements raised a concern about a slight difference between the fact pattern in Example 15 and the fact pattern in the Agenda Decision on which it is based:

    (a) in Example 15, the fact pattern states that management has judged that the facts and circumstances of the entity's commitments—including the actions it has taken to affirm them—are such that the entity has a constructive obligation to fulfil them.

(b) in contrast, the Agenda Decision does not reach a conclusion on whether the entity has a constructive obligation to fulfil its commitments—the Agenda Decision instead states that 'management would apply judgement to reach a conclusion at each reporting date considering all relevant facts and circumstances existing at that date'. The Agenda Decision then goes on to explain why, even if the entity has a constructive obligation, no provision is recognised.

38. The preparers commenting on the change to the fact pattern expressed concern that the conclusion in Example 15 could be 'over-interpreted' as an indication that climate-related commitments *always* give rise to constructive obligations.

39. We intend not to change the fact pattern in response to this comment:

(a) we think that the fact pattern is sufficiently well-described to be clear that whether the public statement of a climate-related commitment gives rise to a constructive obligation will depend on the facts and circumstances; and

(b) the purpose of the example is to show that *even if* a constructive obligation is judged to exist, the existence of that obligation is not sufficient to meet the present obligation criterion for recognising a provision. We think that, within the context of an illustrative example (as opposed to an agenda decision), this message is conveyed most clearly and simply by describing a fact pattern in which a constructive obligation is judged to exist.

Respondents' requests for additional examples

40. Some respondents requested additional examples to illustrate specific fact patterns not illustrated by the examples proposed in the Exposure Draft.

41. Some of these requests related to property taxes and other levies and climate-related charges with features other than those illustrated in Examples 13A-C and 14 of the Exposure Draft. We have included examples with some of these features in the examples we have developed to accompany the draft application requirements for levies (Examples 1–5 in Agenda Paper 22D).

42. Other specific requests were ad-hoc requests for illustration of:

    (a) in Example 3 (Offshore oilfield), when to recognise a provision for the additional restoration costs that will arise from future oil extraction;

    (b) in Example 5 (Closure of a division), when to recognise a provision for penalties for terminating supply contracts other than as part of a restructuring;

    (c) in Example 10 (A court case), whether an entity would recognise a provision if it had received a court judgement against it but was appealing that judgement and expected to succeed in its appeal;

    (d) in Example 11 (Repairs and maintenance):

        (i) whether and when an airline would recognise a provision for an obligation to return leased aircraft to the lessor in a specified condition;

        (ii) how a service concession operator would recognise a provision for a resurfacing obligation;

    (e) in Example 14 (Negative low-emission vehicle credits), how the analysis would change if the entity had more time to eliminate its negative credits;

    (f) in Example 15 (Climate-related commitments), an analysis of scenarios that involve multi-year commitments under evolving regulatory pressures; and

    (g) when to recognise provisions for unconditional commitments to make donations (for example, to provide community support) over an extended period or indefinitely.

43. We intend to add no more examples in response to these requests. Each of the requests was made by only one or two respondents and most of the requests reflect questions that arise in applying IAS 37 at present, not new questions that would arise as a result of the proposed amendments.

Comments on the process for withdrawing agenda decisions

44. A standard-setter responding to the Exposure Draft asked the IASB to establish a more formal process for withdrawing agenda decisions and to consider formalising the process in its Due Process Handbook. The standard-setter said that agenda decisions play a crucial role in practice and often have an impact like that of authoritative guidance, so the process for withdrawing them should be 'formal and consistent'.

45. Since inviting comments on the Exposure Draft, the IASB has revised its Due Process Handbook. Among other things, the revised Due Process Handbook now codifies the IASB's process for maintaining agenda decisions when it issues new or amended Standards.

46. Accordingly, we think no further action is required in response to this request.

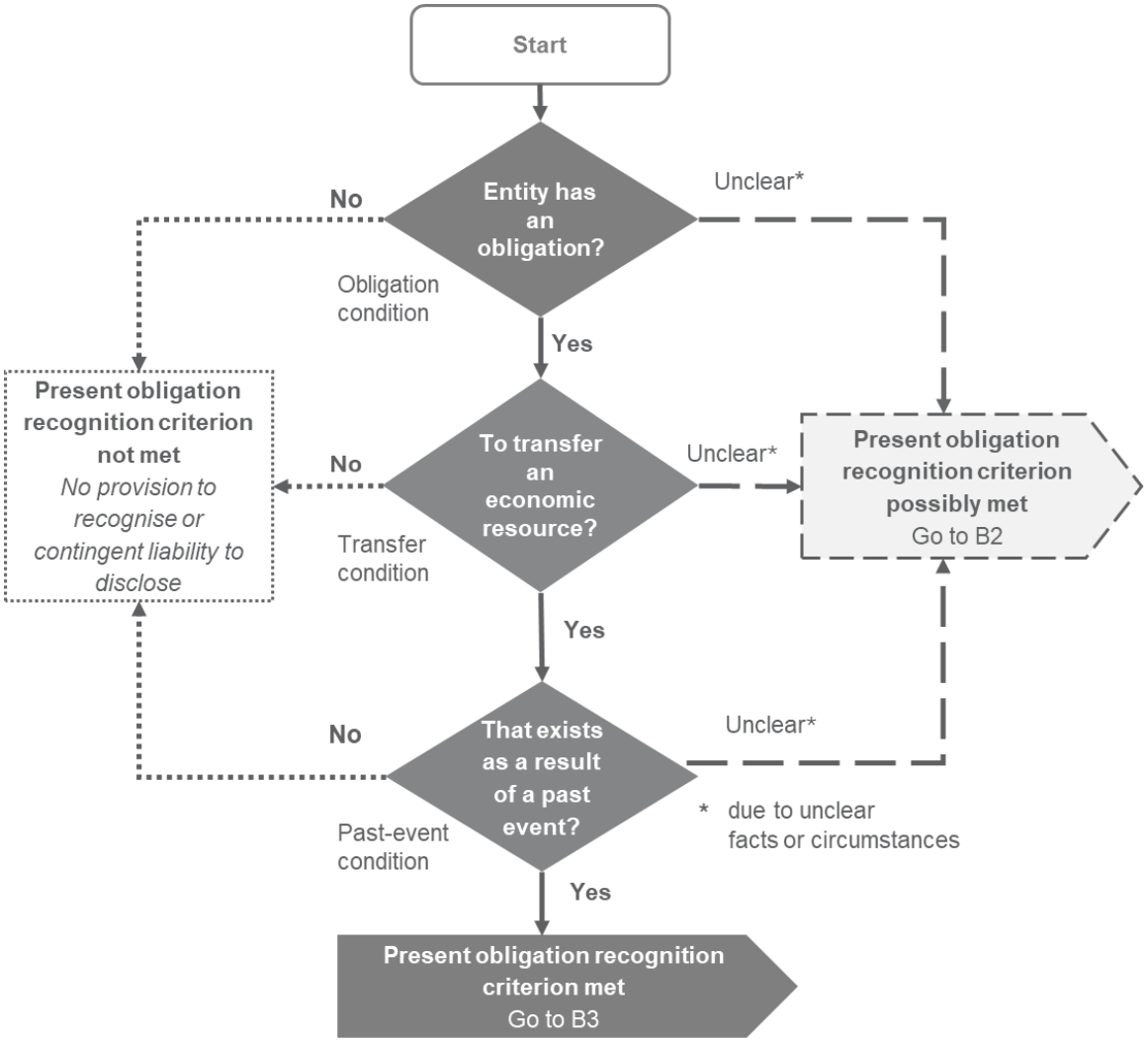
Question for the IASB

Guidance on implementing IAS 37
Do you have any comments or questions on the feedback on the proposed *Guidance on implementing IAS 37* reported in this paper, or on our intended responses to that feedback?

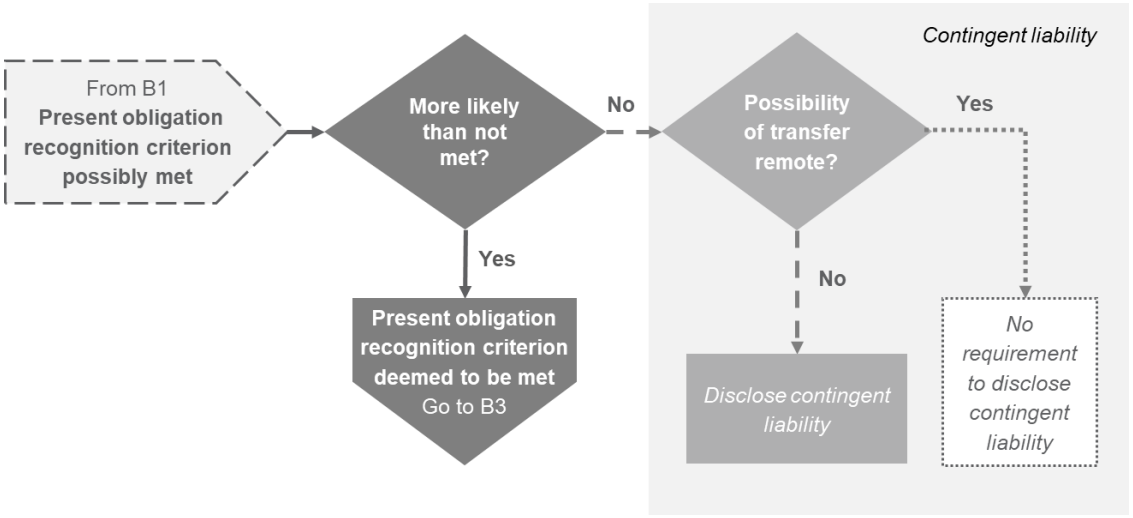
Appendix A—Decision tree proposed in the Exposure Draft

A1. This appendix reproduces the three-part decision tree proposed in the Exposure Draft.

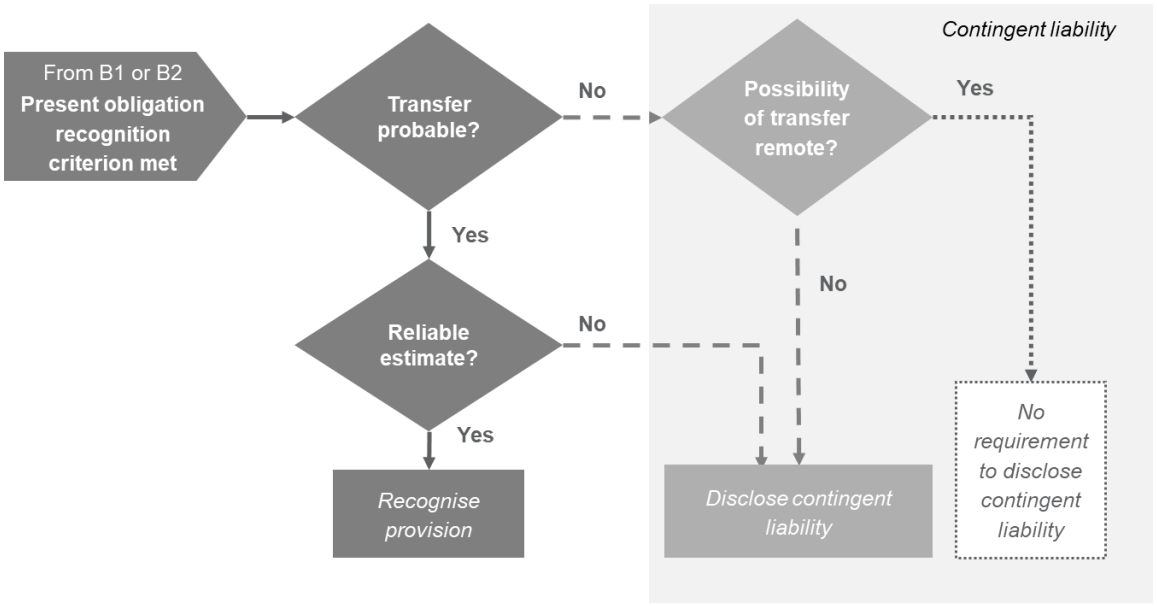
B1 Present obligation recognition criterion—the entity has a present obligation to transfer an economic resource as a result of a past event (paragraphs 14(a) and 14A–16)



B2 Additional decision needed if it is unclear whether the present obligation recognition criterion is met (paragraphs 15–16)



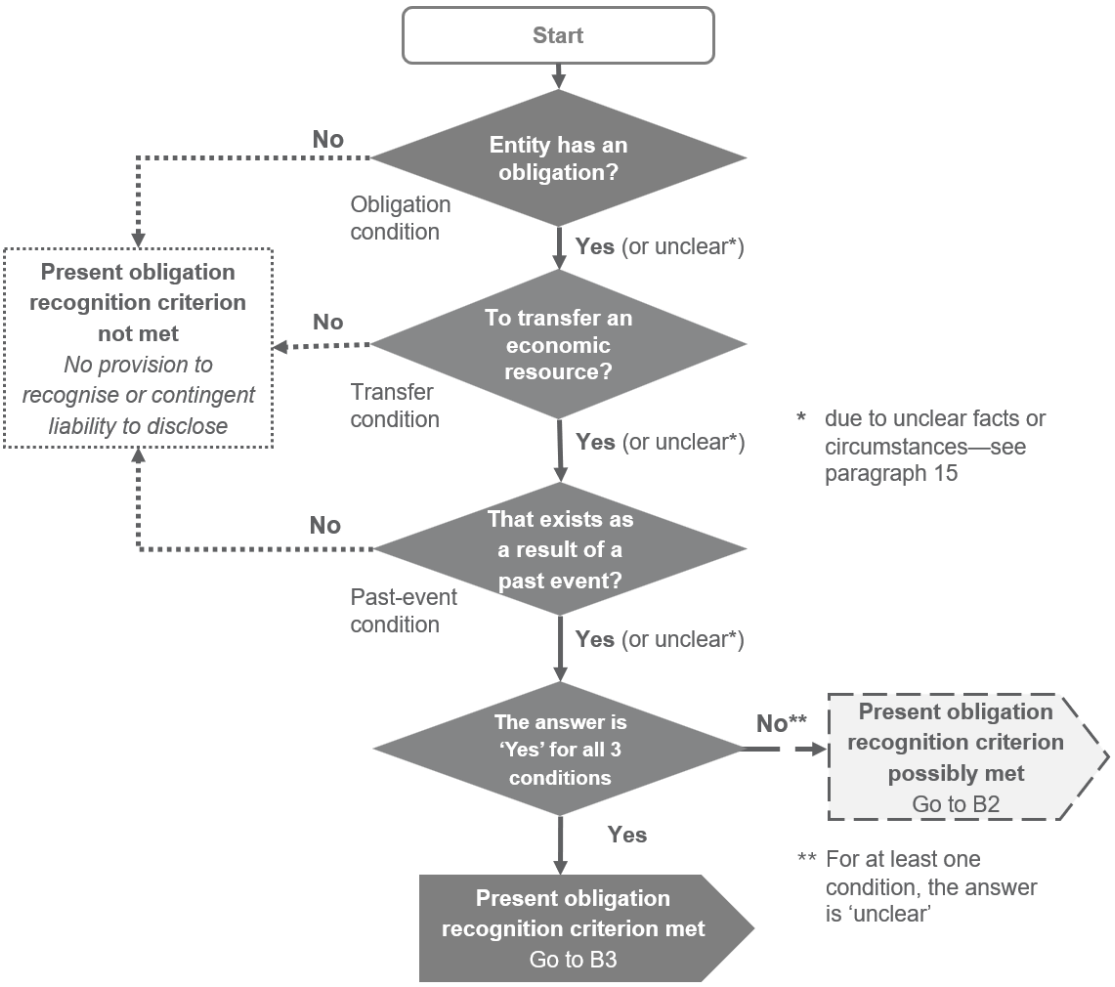
B3 Probable transfer and reliable estimate recognition criteria (paragraphs 14(b), 14(c) and 23–26)



Appendix B—Our suggestion for revising part B1 of the decision tree

B1. This appendix shows our suggestion for revising part B1 of the proposed decision tree to correct the logic error described in paragraph 12 of this paper. The revised version would replace Part B1 of the decision tree proposed in the Exposure Draft. Parts B2 and B3 would remain unchanged.

B1 Present obligation recognition criterion—the entity has a present obligation to transfer an economic resource as a result of a past event (paragraphs 14(a) and 14A–16)



Appendix C—Respondents' suggestions we intend to reject

C1. As noted in paragraph 22 of this paper, some respondents suggested changes to the general structure or content of the illustrative examples proposed in the Exposure Draft. As noted in paragraph 24, we intend to reject four of the suggestions. This appendix explains these four suggestions, and our reasons for rejecting them.

	Suggestion	Staff response—why we intend to reject the suggestion
(a)	A respondent suggested reviewing the existing examples (which were developed to illustrate the existing requirements) and deleting those that will be less useful in illustrating the amended requirements. The respondent highlighted Example 6 (Legal requirement to fit smoke filters), saying that this example conflates two concepts, both of which are covered by other examples.	We agree that some of the examples, like Example 6, are less important now than they were when IAS 37 was first issued. However, we think that even these examples are useful—not only to illustrate aspects of the amended requirements, but also to demonstrate that the amendments do not change the conclusions reached in these examples. Removing the examples could raise questions about why they had been removed, and whether and how the amendments would have changed the conclusions.
(b)	A few respondents suggested specifying in some of the examples whether the entity would recognise a provision at an interim reporting date within an annual reporting period and if so, how the provision would accumulate during the annual reporting period. Respondents specifically referred to examples 13A–13C (various levies) and Example 14 (Negative low-emission vehicle credits).	The requirements for recognising provisions at interim dates are set out in IAS 34 *Interim Financial Reporting*, not in IAS 37. Paragraphs B3-B4 of the Illustrative Examples accompanying IAS 34 specify how to apply its general principles to provisions within the scope of IAS 37. Examples 13A–13C in the Exposure Draft will be replaced with new levy examples—as illustrated in Agenda Paper 22D *Levies—Indicative drafting* for this meeting. These new examples explain whether and how a provision would accumulate during the annual reporting period.

	Suggestion	Staff response—why we intend to reject the suggestion
(c)	A few respondents suggested expanding the illustrative examples: • to illustrate the application of the probable outflows and reliable measurement recognition criteria; • to explain how recognised provisions would be measured; or • to discuss disclosure requirements—especially in relation to the commitments made in Example 15 (Climate-related commitments).	The examples in IAS 37 illustrate the application of the present obligation recognition criterion. We are amending the examples to reflect amendments to that criterion. The amendments to IAS 37 do not include amending the other recognition criteria or aspects of the measurement or disclosure requirements affecting these illustrative examples. So, expanding the examples as suggested is beyond the scope of this project.
(d)	A few respondents suggested locating the illustrative examples in IAS 37 itself, not in accompanying guidance. They argued that: • the examples are so important they take on the weight of requirements. So, they should be given an appropriate level of prominence, as an integral part of the Standard. • other IFRS Accounting Standards have set a precedent of including application guidance as an integral part of the Standard. • website access to the *Guidance on implementing IAS 37* requires a paid subscription, which may be cost-prohibitive for some stakeholders and so pose a barrier to access. Consequently, the enhancements to the examples might not realise the maximum possible benefit.	The structure of IAS 37 and its accompanying documents is consistent with that of other IFRS Accounting Standards: • application requirements are an integral part of the Standard (compiled in Part A of the Bound Volume). • illustrative examples are included within accompanying implementation guidance (compiled in Part B of the Bound Volume) The argument for making implementation guidance (Part B of the Bound Volume) freely available would apply to all IFRS Accounting Standards, not only to IAS 37.