Buenos Aires, Argentina, March 12, 2025

IFRS Foundation
Columbus Building
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London E14 4HD, UK

REF: The Exposure Draft ***Provisions—Targeted Improvements Proposed amendments to Guidance on implementing IAS 37.***

Dear members of the Foundation:

The "Group of Latin American Accounting Standard Setters"[1] – GLASS welcomes the opportunity to comment on ***Provisions—Targeted Improvements Proposed amendments to Guidance on implementing IAS 37*** (the ED).

This response includes the comments obtained by the members of the different countries that comprise GLASS, pursuant to the following due process.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in November 2024. All country members had the opportunity to designate at least one member to participate in this TWG. Each standard setter represented in the TWG carried out different tasks in their respective countries (for example, meetings, forums, surveys, internal working groups. All results were compiled and this summary was the basis of the TWG discussion process.

The TWG discussed the different points of view in the virtual meetings and included a summary through emails exchanged between its members. The TWG produced a final document based on the agreed answers and the technical points of view of its members, which was presented to, discussed with and approved by the GLASS Board.

Overall comments

GLASS agrees with the proposed modification of content in the ED. This amendment allows a more efficient and effective application of the standard and the proposed decision tree, as well as the updated and additional illustrative examples, are useful to present in a more didactic and graphic way the application of the requirements for the treatment of provisions in the financial statements of the reporting entity. Without prejudice to the above, we add other comments that we have considered useful for greater clarity for preparers.

[1] The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and ISSB, and to generate proposals originated from the regional initiatives. Therefore, GLASS aims to have a unified regional opinion before the IASB and ISSB. GLASS is constituted by: Argentina (Chair), Bolivia, Brazil (Board), Chile, Colombia (Board)., Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Vice Chair).

Specific comments

Attached please find our specific responses to the questions presented in the Addendum.

Contact

If you have any questions about our comments, please contact us via email at glenif@glenif.org.

Sincerely yours,

Hernán P. Casinelli
Chairman

Group of Latin-American Accounting Standard Setters (GLASS)

Question 1—Present obligation recognition criterion

The IASB proposes:

- to update the definition of a liability in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to align it with the definition in the Conceptual Framework for Financial Reporting (paragraph 10);
- to align the wording of the recognition criterion that applies that definition (the present obligation recognition criterion) with the updated definition of a liability (paragraph 14(a));
- to amend the requirements for applying that criterion (paragraphs 14A–16 and 72–81); and
- to make minor amendments to other paragraphs in IAS 37 that include words or phrases from the updated definition of a liability (Appendix A).

The proposals include withdrawing IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* and IFRIC 21 *Levies* (paragraph 108).

Paragraphs BC3–BC54 and BC86 of the Basis for Conclusions and Appendix A to the Basis for Conclusions explain the IASB's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, which aspects do you disagree with and what would you suggest instead?

GLASS Response

GLASS agrees with the proposals related to the criteria for the recognition of a present obligation, since in addition to improving the coherence of this standard with the Conceptual Framework, it facilitates the preparer's understanding and interpretation, leading to an adequate application.

Additionally, we believe the following aspects could be incorporated for greater robustness of the improvements proposed in the ED:

1. Exemplify what can be considered an "economic resource", similar to how you have exemplified what can be considered "economic benefits" in paragraph 14D.
2. Incorporate in paragraph 14D the scenario of responsibilities with economic impact, due to the omission of a specific action, not associated with obtaining economic resources.
3. Incorporate a definition of the term "virtually certain" used in paragraph 14G.

Question 2—Measurement—Expenditure required to settle an obligation

The IASB proposes to specify the costs an entity includes in estimating the future expenditure required to settle an obligation (paragraph 40A).

Paragraphs BC63–BC66 of the Basis for Conclusions explain the IASB's reasoning for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, what would you suggest instead?

GLASS Response

GLASS agrees with the inclusion of paragraph 40A, which specifies the costs that an entity includes when estimating the future expense required to settle an obligation.

Additionally, we suggest incorporating examples that clarify the scope of "the other costs" referred to in literal b of that paragraph, such as, for example, considering the legal, engineering, and/or administrative supervision costs to structure the file to request definitive deregistration on the date of dismantling or the costs of a specific direct study (which otherwise would not be incurred if there was no project), in order to provide greater precision and thus avoid possible ambiguities and diversity of interpretation on the part of preparers.

Question 3—Discount rates

The IASB proposes to specify that an entity discounts the future expenditure required to settle an obligation at a rate (or rates) that reflect(s) the time value of money—represented by a risk-free rate—with no adjustment for non-performance risk (paragraphs 47–47A).

The IASB also proposes to require an entity to disclose the discount rate (or rates) it has used and the approach it has used to determine that rate (or those rates) (paragraph 85(d)).

Paragraphs BC67–BC85 of the Basis for Conclusions and Appendix B to the Basis for Conclusions explain the IASB's reasoning for these proposals.

Do you agree with:

(a) the proposed discount rate requirements; and
(b) the proposed disclosure requirements?

Why or why not? If you disagree, what would you suggest instead?

GLASS Response

GLASS agrees with the clarifications and other provisions raised regarding the discount rate to be used to determine the present value.

Question 4—Transition requirements and effective date

4(a) Transition requirements

The IASB proposes transition requirements for the proposed amendments (paragraphs 94B–94E).

Paragraphs BC87–BC100 of the Basis for Conclusions explain the IASB's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, which aspects do you disagree with and what would you suggest instead?

4(b) Effective date

If the IASB decides to amend IAS 37, it will decide on an effective date for the amendments that gives those applying IAS 37 sufficient time to prepare for the new requirements.

Do you wish to highlight any factors the IASB should consider in assessing the time needed to prepare for the amendments proposed in this exposure draft?

GLASS Response

GLENIF agrees with the transition requirements proposed in the ED, based on what is detailed in the Basis for Conclusions.

In relation to the effective date, we suggest considering the factors detailed below to define that date:

- The annual periods that are needed to guarantee the comparability of financial information, especially in the case of measurements with a discount rate, for which at least two years (minimum of comparability) could be more useful for companies to weigh the effects that this would bring to their decisions.
- The possible impact that may arise for certain entities and segments that apply IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* and IFRIC 21 *Levies*.
- Changes made by the IASB in IFRS 18 *Presentation and Disclosure in Financial Statements.*

Finally, it is proposed that its application be two years after its issuance

Question 5—Disclosure requirements for subsidiaries without public accountability

The IASB proposes to add to IFRS 19 *Subsidiaries without Public Accountability:* Disclosures a requirement to disclose the discount rate (or rates) used in measuring a provision, but not to add a requirement to disclose the approach used to determine that rate (or those rates) (Appendix B).

Paragraphs BC101–BC105 of the Basis for Conclusions explain the IASB's reasoning for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, which proposal do you disagree with and what would you suggest instead?

GLASS Response

GLASS agrees with the proposal to only disclose the discount rate (or rates) used in measuring a provision, and not the approach used to determine it, in such a way that the objective of the standard of requiring reduced disclosures as a simplified approach for this type of subsidiaries without public accountability is met.

A minority of our members believe that such entities should disclose, at a minimum, a brief description of the approach used to determine it, describing the main elements (main judgments) used in the estimate as useful information to users for accountability or decision-making, and thus ensure comparability.

Question 6—Guidance on implementing IAS 37

The IASB proposes amendments to the Guidance on implementing IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* It proposes:

(a) to expand the decision tree in Section B;
(b) to update the analysis in the illustrative examples in Section C; and
(c) to add illustrative examples to Section C.

Paragraphs BC55–BC62 of the Basis for Conclusions explain the IASB's reasoning for these proposals.

Do you think the proposed decision tree and examples are helpful in illustrating the application of the requirements? If not, why not?

Do you have any other comments on the proposed decision tree or illustrative examples?

GLASS Response

GLASS considers that the proposed decision tree and examples are useful to illustrate the application of the modifications proposed in the ED.

Given that the decision tree in Section B also modifies the exception to the recognition or measurement principles of IFRS 3 *Business Combinations*, we consider it useful to include a similar decision tree for the recognition of contingent liabilities in the context of a business combination.

Question 7—Other comments

Do you have comments on any other aspects of the proposals in the Exposure Draft?

GLASS Response

In addition to the GLASS observations on the content of the ED, we wish to mention the following aspects:

FIRST: Discount rates

We have observed that in the draft amendments to IAS 36 *Impairment of Assets*, proposed in ED/2024/01 published on March 12, 2024, it is proposed to eliminate the requirement to use the pre-tax rate, arguing in its basis of conclusions that the entity can use the before or after-tax rate in determining the impairment of the value of assets, as long as the cash flow forecasts and discount rates used in impairment tests are internally consistent.

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In the countries of the region we consider the use of the pre-tax rate to be appropriate, so we agree to maintain the requirement to use said rate to calculate the current value of disbursements as presented in this project; However, even though we are awaiting the final version of the modifications to IAS 36, concern arises as to whether there would be a justification for distinguishing the calculation of the current value between assets and liabilities.

SECOND: Editorial Correction

As an editorial improvement, GLASS proposes to eliminate repetition of the expression "costs directly related to the obligation" in the heading of paragraphs 40A and the following wording is suggested:

> The expenses necessary to settle an obligation include the costs that are directly related to the obligation, which ~~The costs that are directly related to the obligation~~ consist of: …

A similar editorial correction proposal can be applied to paragraph 68A of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

***END ***