

# IFRS Interpretations Committee Tentative Agenda Decision: *Climate-related Commitments (IAS 37)*

## Executive Summary

<b>Project Type</b>	Influencing
<b>Project Scope</b>	Limited
<b>Purpose of the paper</b>	
The purpose of this paper is to present a Project Initiation Plan (PIP) and a draft of a Final Comment letter (FCL) in relation to the IFRS Interpretations Committee's (the Committee) Tentative Agenda Decision: <i>Climate-related Commitments (IAS 37)</i> (TAD), so the Board can decide whether to submit a response to the Committee.	
<b>Summary of the Issue</b>	
<p>In December 2023, the Committee issued an invitation to comment on its Tentative Agenda Decision: <i>Climate-related Commitments (IAS 37)</i>. The comment deadline is 5 February 2024.</p> <p>At the December 2023 Board meeting the Board decided that it should consider responding to the TAD. The Board acknowledged the short comment deadline and requested that a Final Comment letter should be developed for discussion at the January 2024 Board meeting to allow it to consider whether to respond in time for the Committee's deadline.</p>	
<b>Decisions for the Board</b>	
<p>The Board is asked:</p> <ul style="list-style-type: none"><li>• Whether it wishes to submit a comment letter to the Committee.</li></ul> <p>If a comment letter is to be submitted, the Board is asked to consider and approve:</p> <ul style="list-style-type: none"><li>• The Project Initiation Plan (Appendix A)</li><li>• The Final Comment Letter (Appendix B)</li><li>• A decision that no Feedback Statement should be prepared for this project.</li></ul>	
<b>Recommendation</b>	
<p>The Secretariat recommends that:</p> <ul style="list-style-type: none"><li>• the Board submits a comment letter to the Committee;</li></ul>	

- the Board approves the Project Initiation Plan (Appendix A);
- subject to any amendments arising following discussion at this meeting, the Board approves the Final Comment Letter (Appendix B); and
- no Feedback Statement is prepared for this project.

### **Appendices**

Appendix A [Draft] Project Initiation Plan

Appendix B [Draft] Final Comment Letter

# IFRS Interpretations Committee Tentative Agenda Decision: Climate- related Commitments (IAS 37)

## Background

1. In November 2023, the IFRS Interpretations Committee (the Committee) discussed a submission received asking it to clarify how IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* applies to climate-related commitments.
2. To facilitate its technical analysis, the IASB staff developed a fact pattern for a net-zero transition commitment and addressed the following<sup>1</sup>:
  - a) Does the public statement of a net-zero transition commitment create a constructive obligation as defined in IAS 37?
  - b) Does a constructive obligation created by a net-zero transition commitment meet the criteria in IAS 37 for recognising a provision?
  - c) If a provision is recognised, is the expenditure required to settle it recognised as an asset or as an expense when the provision is recognised?
  - d) Other accounting consequences of a net-zero transition commitment.
3. A brief summary of the IASB staff analysis and the Committee discussion was presented to the Board at its December 2023<sup>2</sup> meeting.
4. During its meeting, the Committee agreed with the staff recommendation and concluded that the principles and requirements in IAS 37 provide an adequate basis for an entity to determine how to apply that Standard to climate-related commitments. The Committee decided not to recommend to the IASB that it adds a standard-setting project to the work plan. Instead, it published its [Tentative Agenda Decision \(TAD\): Climate-related Commitments \(IAS 37\)](#), which outlines how an entity applies IAS 37 to climate-related commitments.
5. The tentative agenda decision is open for public consultation and the Committee's deadline for comments is 5 February 2024.

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<sup>1</sup> IASB staff paper November 2023 [AP02-climate-related-commitments-initial-consideration-ias-37](#).

<sup>2</sup> UKEB December 2023 [Agenda Paper 6 IASB General Update, Appendix B](#).

## UKEB Due Process

6. The UKEB's Due Process Handbook, in the section 'Influencing tentative agenda decisions'<sup>3</sup> notes that the UKEB decides on a case-by-case basis whether to respond to a Committee's tentative agenda decision. The Board expects to respond to a limited number of tentative agenda decisions published by the Committee. Some factors to consider when deciding whether to respond may be:
  - a) the degree of impact of the tentative agenda decision on UK companies (for example, in cases where the tentative agenda decision is expected to affect a significant number of UK companies);
  - b) disagreement with the Committee's analysis; or
  - c) usefulness of the explanations and clarifications included in the tentative agenda decision.
7. The Board might also choose to respond to a tentative agenda decision even if it agrees with the analysis performed by the Committee, to provide public support for the tentative agenda decision. For example, this may apply in cases where others have expressed disagreement with the analysis in the tentative agenda decision.
8. Given that the consultation period for a tentative agenda decision is usually 60 days, which is shorter than for other IASB due process documents, the UKEB is not able to follow all the milestones in paragraph 5.3 of the UKEB's Due Process Handbook. However, some outreach activities are undertaken, e.g. consultation with a representative group of stakeholders and/or with members of the UKEB's standing and/or ad-hoc advisory groups.
9. After considering comments from UK stakeholders on tentative agenda decisions, the UKEB may decide to recommend that the Committee:
  - a) finalises a tentative agenda decision;
  - b) revises (or abandons) a tentative agenda decision; or
  - c) refers the matter to the IASB to consider adding a standard-setting project to the IASB's work plan.
10. At the December 2023 Board meeting, the Board agreed to consider the Tentative Agenda Decision: Climate-related Commitments (IAS 37) in more detail at its January 2024 meeting, before determining whether to issue a formal response to the Committee's consultation.

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<sup>3</sup> [UKEB Due Process Handbook](#) – 'Influencing tentative agenda decisions', paragraphs 5.27 – 5.33.

### Question for the Board

1. Does the Board want to submit a response to the Committee's invitation to comment on its Tentative Agenda Decision: *Climate-related Commitments (IAS 37)*?

11. The following paragraphs are presented in the event the Board decides to submit a response to the Committee's invitation to comment.

## Project Initiation Plan, Final Comment Letter

### Project Initiation Plan

12. A Project Initiation Plan (PIP) is presented at Appendix A for the Board's consideration and approval.
13. The PIP has been prepared in line with the UKEB's Due Process, setting out the key milestones and stakeholder outreach envisaged for IFRS Interpretation Committee's tentative agenda decisions<sup>4</sup>, as noted in paragraphs 6-9 above.

### Question for the Board

2. If the Board decides to submit a response to the Committee, does the Board approve the project initiation plan presented at Appendix A?

### Final Comment Letter

14. During January 2024, the Secretariat has engaged with members of the UKEB's Academic Advisory Group, Accounting Firms and Institutes Advisory Group, Investor Advisory Group, Preparer Advisory Group and Financial Instruments Working Group. All feedback received has been considered in the preparation of the draft final comment letter.
15. In summary, UK stakeholders agree with the overall conclusion in the TAD that for the fact pattern under analysis no provision would be recognised by the entity at the time of announcing its climate-related commitment.

<sup>4</sup> [UKEB Due Process Handbook](#) – 'Influencing tentative agenda decisions', paragraphs 5.27 – 5.33.

16. However, some stakeholders highlighted the concerns included in the section of the draft final comment letter dealing with the wider strategic context. In particular, stakeholders highlighted that, notwithstanding their agreement with the technical analysis in the context of IAS 37, they remain concerned that there needs to be:
- a) More urgent research on the reporting implications for climate-related commitments as there seems to be a disconnect between a public commitment to achieve net zero and a lack of provision for the related costs. The short-term recommendation is that companies disclose what the potential range of impact(s) could be or at least having made a public net zero commitment provide some explanation as to why there is (currently) no provision to recognise.
  - b) A comprehensive consideration of the topic by the IASB and ISSB in either developing future standards/connectivity or in determining whether existing standards need to be overhauled. More is needed to explain the journey from current state to net zero.
17. The draft Final Comment Letter included at Appendix B to this paper:
- a) sets out overall support for the analysis and conclusions presented in the TAD;
  - b) highlights some areas where clarity could be enhanced, to reduce the risk of unintended consequences, together with some recommendations to address them; and
  - c) presents an analysis of the wider strategic context.

### Question for the Board

3. If the Board decides to submit a response to the Committee, and subject to addressing any comments raised during the meeting, does the Board approve for submission to the Committee the draft Final Comment Letter presented at Appendix B?

## Feedback Statement

18. A Feedback Statement is generally prepared summarising feedback received from UK stakeholders on a particular UKEB consultation document.
19. For this project, no UKEB consultation document will be published, and all stakeholder feedback has been considered and reflected accordingly in the draft Final Comment Letter presented for Board consideration at Appendix B. As a

result, it is the Secretariat's view that a Feedback Statement does not need to be prepared for this project.

#### Question for the Board

4. If the Board decides to submit a response to the Committee, does the Board agree with the Secretariat conclusion that no Feedback Statement should be prepared for this project?

## Next steps

20. If a decision is made to submit a response, the comment letter will be submitted to the Committee by 5<sup>th</sup> February 2024. The comment letter will also be made publicly available on the UKEB website.
21. Project closure will be reported to the Board at its February meeting.

# Appendix A: [Draft] Project Initiation Plan

## Project overview

- A1. This project initiation plan relates to the UKEB response to the IFRS Interpretations Committee's (the Committee) invitation to comment on its Tentative Agenda Decision: *Climate-related Commitments (IAS 37)*.
- A2. This project initiation plan will only be relevant if the UKEB makes a decision at its January 2024 meeting to submit a response to the Committee.

## Milestones

- A3. As noted in the UKEB's Due Process Handbook, paragraph 5.32, given that the consultation period for a tentative agenda decision is usually 60 days, which is much shorter than for other IASB due process documents, the UKEB is not able to follow all the milestones in paragraph 5.3 of the handbook.

## Outreach

- A4. Paragraph 5.32 of the UKEB's Due Process Handbook notes that in responding to a tentative agenda decision, some outreach activities are undertaken, e.g. consultation with a representative group of stakeholders and/or with members of the UKEB's standing and/or ad-hoc advisory groups.
- A5. An ad-hoc advisory group is not considered necessary for this project. At the December 2023 Board meeting, the Board approved that the Secretariat would reach out to members of relevant UKEB Advisory Groups and Working Groups, in advance to the January 2024 meeting.
- A6. During January 2024, the Secretariat has engaged with members of the UKEB's Academic Advisory Group, Accounting Firms and Institutes Advisory Group, Investor Advisory Group, Preparer Advisory Group and Financial Instruments Working Group. All feedback received has been considered in the preparation of the draft final comment letter.



## Draft Comment Letter

- A7. The UKEB Due Process Handbook<sup>1</sup> states that for an influencing project a draft comment letter is generally mandatory, unless impracticable.
- A8. As per paragraph 3.9 in the UKEB Due Process Handbook, the UKEB may decide not to undertake a 'mandatory' milestone for a particular project. The UKEB should discuss the reasons for this decision at a public Board meeting. The Project Initiation Plan of the applicable project should clearly outline these reasons.
- A9. In addition, paragraph 5.17 of the UKEB Due Process Handbook states that, if issuing a draft comment letter even with a reduced comment period is not practicable (e.g. because the deadline to respond to the IASB makes it impracticable to receive and analyse responses), the UKEB still carries out outreach activities to obtain input from UK stakeholders.
- A10. Given the Committee's comment deadline is 5<sup>th</sup> February 2024, there would be insufficient time for public stakeholder consultation after the January 2024 Board meeting. Therefore, issuing a draft comment letter is not practicable.

## Final Comment Letter

- A11. If at its January 2024 meeting the Board decides to submit a response to the Committee, a draft final comment letter will be presented for Board approval at the same meeting.

## Project Closure

- A12. If it is decided to submit a response to the Committee, the corresponding project closure document will be presented to the Board at its February meeting.

## Resources for the project

- A13. The Secretariat involved in this project consists of one Project Director supported by a Project Manager, with oversight provided by one Senior Project Director. Sufficient resources are allowed for in the UKEB plan for 2023-24.

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<sup>1</sup> UKEB Due Process Handbook, paragraphs 5.13 and 5.17.

Bruce Mackenzie  
Chair  
IFRS Interpretations Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

X February 2024

Dear Mr Mackenzie

### **Invitation to comment: Tentative Agenda Decision – *Climate-related Commitments (IAS 37)***

1. The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS Accounting Standards for use in the UK and therefore is the UK's National Standard Setter for IFRS Accounting Standards. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations. This letter is intended to contribute to the Foundation's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.
2. There are currently approximately 1,500 entities with equity listed on the London Stock Exchange that prepare their financial statements in accordance with IFRS.<sup>1</sup> In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.<sup>2</sup>
3. We welcome the opportunity to provide comment on the IFRS Interpretations Committee's (the Committee) Tentative Agenda Decision (TAD) *Climate-related Commitments (IAS 37)*. In developing this letter, we have consulted with stakeholders in the UK, including preparers of accounts, accounting firms and institutes, and users of accounts.

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<sup>1</sup> UKEB calculation based on London Stock Exchange Group (LSEG) and Eikon data, May 2023. This calculation includes companies listed on the Main market as well as on the Alternative Investment Market (AIM).

<sup>2</sup> UKEB estimate based on FAME (company information in the UK and Ireland produced by the Bureau Van Dijk, a Moody's analytics company), Company Watch financial analytics and other proprietary data.

## Technical analysis of the TAD

4. Overall, we agree with the technical analysis and the Committee's conclusion in the TAD. We therefore encourage the Committee to finalise the agenda decision. However, we have identified some amendments that in our view would enhance clarity and help reduce the risk of unintended consequences.
5. Our recommendations are set out in the Appendix. Our main recommendations are the following:
  - a) The identification of the triggering action/event that gives rise to a present constructive obligation as a result of a past event is a crucial part of the analysis and it is essential that this part of the TAD is as clear as possible. The technical analysis as currently drafted in the TAD does not discuss the requirements in paragraph 17 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Feedback from UK stakeholders suggests that this paragraph can lead to uncertainty about the point at which a present obligation arises. We consider the TAD would be more helpful if it were to include in the analysis a reference to the requirement in paragraph 17, clarifying that for the analysis in the TAD paragraphs 17 – 19 of IAS 37 are to be considered in combination.
  - b) There is a risk that the technical analysis in relation to 'probable outflow of resources' (e.g. exchange vs transfer of resources) could be viewed as going beyond the existing requirements and guidance in IAS 37. We recommend limiting the analysis as far as possible to the existing text of IAS 37. We also recommend the Committee proposes this matter to the IASB for consideration and potential standard setting, as part of the ongoing IASB project *Provisions – Targeted Improvements*.

## Wider strategic context

6. Our stakeholder feedback suggests that there is an expectation gap on reporting on climate-related risks and commitments to net zero. Users of accounts report concerns that material climate-related risk disclosures and net zero commitments in company reports often appear disconnected from their financial statements. Preparers, by contrast, are finding it difficult to provide clearer disclosures in the financial statements due to concerns over legal exposures and lack of clarity on accounting requirements in relation to these new developments in the business environment. It is clear that leadership is required to address this expectation gap.
7. We acknowledge that the Committee is required to limit its response to the question asked and appreciate the additional clarity provided in the TAD about the circumstances in which a provision should be recognised for climate-related commitments in accordance with IAS 37.
8. However, the user expectation gap between sustainability disclosures and the financial statements appears to be growing wider and stakeholder feedback

indicates that an agenda decision on its own is unlikely to be sufficient. Accounting for provisions in the financial statements and disclosure of net zero commitments in the narrative or sustainability reports are only two components of the wider issue. For example, users are unable to connect near or mid-term net zero commitments in Annual Reports to the value and useful lives of assets in the financial statements, and investors have expressed frustration about the lack of clarity on when and in what circumstances a climate-related commitment could or should be disclosed in the financial statements.

9. Whilst we acknowledge the IASB's initiative in the *Climate-related and Other Uncertainties in the Financial Statements*<sup>3</sup> project and the ISSB's consideration of a potential 'Integration in Reporting' research project [we note that the IASB and ISSB held their first joint meeting on 25th January 2024<sup>4</sup> where connectivity between their respective reporting requirements was discussed], we encourage both the IASB and the ISSB to continue their efforts to address the stakeholder expectation gap. [\[Note to Board: this paragraph might need updating once the joint meeting has occurred.\]](#)
10. For example, the Boards may wish to consider publishing a joint illustrative example that demonstrates the 'other accounting implications' highlighted in the TAD for a financial sustainability disclosure relating to a climate-related commitment in the near, medium and longer term.
11. In addition, we urge the IASB to address the accounting for the carbon credits commonly related to this type of commitment as a matter of priority, e.g. by prioritising the IASB's reserve project *Pollutant Pricing Mechanisms*<sup>5</sup>. There is a current lack of clarity in IFRS Accounting Standards on the accounting for carbon credits, resulting in diversity in practice. Carbon credit programmes are increasingly common and in the current environment their volume and value is only expected to become more significant.
12. If you have any questions about this response, please contact the project team at [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk).

Yours sincerely

**Pauline Wallace**  
**Chair**  
**UK Endorsement Board**

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<sup>3</sup> [IFRS - Climate-related and Other Uncertainties in the Financial Statements.](#)

<sup>4</sup> [IFRS - IASB-ISSB joint meeting - January 2024.](#)

<sup>5</sup> [IFRS - IASB pipeline projects.](#)

c.c. Dr Andreas Barckow, Chairman, International Accounting Standards Board

c.c. Mr. Emmanuel Faber, Chairman, International Sustainability Standards Board

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# Appendix A: IFRS Interpretations Committee – Tentative Agenda Decision: *Climate-related Commitments (IAS 37)* – detailed recommendations

- A1. The UKEB agrees with the IFRS Interpretations Committee's (the Committee) overall conclusion in the Tentative Agenda Decision (TAD): *Climate-related Commitments (IAS 37)*. However, we have some recommendations on the drafting of the analysis in the TAD, and these are set out below. The aim of the recommendations is to enhance clarity and reduce the risk of unintended consequences.

## Does the constructive obligation satisfy the criteria for recognising a provision?

- A2. In an effort to provide a simple, concise and clear technical analysis accessible to all stakeholders, including non-accountants, and to reduce the risk of unintended consequences, we recommend that the TAD analyses the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* only to the extent specifically needed in responding to the questions in the submission request. Additional analysis (for example addressing aspects of the provision recognition criteria that in this fact pattern do not need to be addressed) could impair clarity and increase the risk of potential diversity in practice. For example, see A9(a) below.
- A3. When setting out in the TAD the recognition criteria in paragraph 14 of IAS 37 we recommend complementing the analysis stating that '*If there is no present obligation (i.e. the recognition criterion paragraph 14(a) is not satisfied), the entity need not consider whether recognition criteria in paragraph 14(b) and 14(c) are satisfied. Similarly, when recognition criterion 14(a) is satisfied but criterion 14(b) is not satisfied, recognition criterion 14(c) does not need to be considered*'. This would provide additional clarity on the overall approach required and would frame the level of detail needed in the TAD in analysing the provision recognition criteria.
- A4. If an entity has concluded that a constructive obligation has been created, the next step is to assess whether such constructive obligation is '*present*' and '*as a result of a past event*'. This is a crucial part of the analysis and we consider that an explicit statement to this effect in the TAD would be helpful, emphasising the requirement in IAS 37 for the obligation, legal or constructive, to be a '*present*' obligation and leading in to the next part of the analysis.

## Present obligation as a result of a past event

- A5. The technical analysis as currently drafted in the TAD does not discuss the requirements in paragraph 17 of IAS 37. Feedback from UK stakeholders suggests that this paragraph can lead to uncertainty about the point at which a present obligation arises. We consider the TAD would be more helpful if it were to include in the analysis a reference to the requirement in paragraph 17, clarifying that for the analysis in the TAD paragraphs 17 – 19 of IAS 37 are to be considered in combination. That is, when assessing whether the entity has no realistic alternative to settling the obligation created by the event (as per IAS 37 paragraph 17) it should also be assessed whether the obligation exists independently of an entity's future actions (IAS 37 paragraph 19).
- A6. We recommend the Committee makes its determination independently of non-mandatory accompanying material in IFRS Accounting Standards, such as the Illustrative Examples accompanying IAS 37.
- A7. In addition, regarding the entity's commitment to reduce its current greenhouse gas emissions by at least 60% by 20X9 (referred to in this document as '**Commitment 1**'), we recommend avoiding stating that the entity 'will never' have a present obligation. This is to recognise the possibility that, for example, an executory contract could become onerous. Alternatively, the TAD should state explicitly the overriding assumption that contracts will not become onerous.

## Probable outflow of resources

- A8. For purposes of consistency throughout the document and adding clarity, we recommend adding the words '*present*' and '*as a result of a past event*' in the second sentence in this section: 'The Committee concluded that if the commitment described in the fact pattern creates a **present** constructive obligation for the entity **as a result of a past event**'. This additional precision would be helpful to emphasise that (i) it is not sufficient for there to be an obligation – the obligation must be present and as a result of a past event and (ii) that the assessment of the second recognition criterion is required only when the first criterion is fully met.
- A9. IAS 37 does not explain what is meant by 'outflow' and it is not explicit whether this recognition criterion refers to an exchange or a transfer of resources or whether the relevant outflow can be gross or must be net. Stakeholder feedback indicates that there are different ways in which this recognition criterion could be interpreted given the lack of guidance in IAS 37, and given the acknowledgement in the TAD that in some circumstances an asset may be recognised when a provision is recognised. To avoid the risk of going beyond the requirements of IAS 37 and of potential unintended consequences, therefore, we recommend limiting the analysis, as far as possible, to the existing text of the Standard.

- a) **Commitment 1:** Given the first criterion is not met, an assessment of the second recognition criterion for this commitment is not required. We recommend omitting paragraph a.<sup>6</sup> to avoid confusion and the potential risk of unintended consequences.
- b) Regarding the entity's commitment to offset its remaining emissions in 20X9 and thereafter, by buying carbon credits and retiring them from the carbon market (referred to in this document as '**Commitment 2**'), stakeholders point out that an entity is unlikely to take such actions without expecting some form of benefit (e.g. enhanced reputation leading to future revenues). In our view, the reference in the last sentence to 'without receiving any resources in exchange' is not strictly necessary for the assessment and should be omitted. Instead, we recommend '*settling the present obligation to offset the entity's remaining greenhouse gas emissions will require an outflow of resources because the entity will be required to retire carbon credits in settlement of that present obligation*'. If retained, the sentence should be expressed in terms of 'without receiving any resources **embodying economic benefits**', for consistency with IAS 37.

## Conclusion on whether a provision is recognised

- A10. We recommend stating explicitly the conclusion for each of the commitments separately (referred to in this document as **Commitment 1** and **Commitment 2**).
- a) **Commitment 1:** The conclusion in the TAD seems to be silent in relation to Commitment 1 and we therefore suggest adding an explicit conclusion on this commitment.
  - b) **Commitment 2:** We consider the TAD should add some additional information to the fact pattern about the assumptions regarding the timing of the acquisition of carbon credits (i.e. before or after the entity's expected emission of greenhouse gases in 20X9) and the process of retiring them from the carbon market. Better understanding of the fact pattern would help clarify the accounting, for example, whether the accounting would necessarily be gross (i.e. accounting for the carbon credits and a separate provision) or could be net (i.e. impairing/writing off the carbon credits without recognising a provision).

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<sup>6</sup> Extract from TAD "a. *settling the obligation to reduce the entity's greenhouse gas emissions will not require an outflow of resources embodying economic benefits. Although the entity will incur expenditure to modify its manufacturing methods, it will receive other resources – for example, property, plant, equipment, energy, product ingredients or packaging materials – in exchange for that expenditure, and will be able to use these resources to manufacture products it can sell at a profit.*"



## If a provision is recognised, is the expenditure required to settle it recognised as an expense or as an asset when the provision is recognised?

- A11. The question asked is whether, in the fact pattern under analysis, the recognition of a provision gives rise to an expense or an asset (in other words, what is the other side of the credit entry). Referring to *'the expenditure required to settle it'* is therefore confusing and in our view unnecessary, especially as the word 'it' in this phrase refers to the provision not the obligation<sup>7</sup>. Instead, we recommend using a simpler form of words such as: *'If a provision is recognised, is the amount recognised as an expense or as an asset? The Committee observed that an amount is recognised...'*

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<sup>7</sup> The criterion in IAS 37 paragraph 14 (b) relates to the settlement of the *obligation*.