

EFRAG TEG PAPER FOR PUBLIC MEETING

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussions. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. This paper is made available to enable the public to follow EFRAG's due process. Tentative decisions are reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS – AMENDMENTS TO IFRS 2

Comments should be sent to commentletters@efrag.org by 14 November 2016

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2* ('the Amendments'). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from their implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire will be updated for comments received from constituents when EFRAG is in the process of finalising its Letter to the European Commission regarding endorsement of the Amendments.

Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

- (b) Are you a:

Preparer User Other (please specify)

- (c) Please provide a short description of your activity:

- (d) Country where you are located:

- (e) Contact details, including e-mail address:

EFRAG's initial assessment with respect to the technical criteria for endorsement

- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

- (a) Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

- (b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

The European public good

- 3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Improvement in financial reporting

- 4 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered whether the Amendments improve financial reporting. The results of the initial assessment are set out in paragraphs 4 to 6 of Appendix 3 of the accompanying *Draft Letter to the European Commission regarding endorsement of the Amendments*. To summarise, EFRAG's initial assessment is that the Amendments are likely to improve financial reporting.

Do you agree with this assessment?

Yes No

Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 - Invitation to Comment on EFRAG's Initial Assessments

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

- 5 EFRAG is assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.
- 6 The results of the initial assessment of costs are set out in paragraphs 12 and 18 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the Amendments, taken together, are likely to result in insignificant one-off costs for both users and preparers. The Amendments are also likely to result in insignificant ongoing costs for users and for most preparers. However the cost relief provided by the Amendments may be limited for some preparers, or costs even be increased by the requirement to separately account for any amount retained in excess of the statutory tax obligation as cash-settled plan.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 7 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 22 and 23 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments, which will result in a more consistent application of the requirements in IFRS 2 and therefore increased comparability of information.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice?

- 8 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU, as described in paragraph 5 above, are likely to outweigh the costs involved, as described in paragraph 4 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice?

Other factors

- 9 Do you agree that there are no other factors to consider in assessing whether the endorsement of the Amendments is conducive to the European public good?

Yes No

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice?

Overall assessment with respect to the European public good

- 10 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see Appendix 3, paragraphs 20 to 23).

Do you agree with the assessment of these factors?

Yes No

If you do not agree, please explain your reasons.