

PAPER FOR PUBLIC EFRAG BOARD MEETING

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in 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.

EFRAG's draft endorsement advice on Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Objective

- 1 The objective of this session is to discuss and approve the final endorsement advice on *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)* (The Amendments).

Background/Introduction

- 2 The IFRS Interpretations Committee received requests to clarify the classification and measurement of a number of share-based payment transactions. The Amendments, issued by the IASB on 20 June 2016, involve narrow scope amendments to IFRS 2 *Share-based Payment* to clarify the classification and measurement of share-based payment transactions in relation to:
 - (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
 - (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
 - (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- 3 The Amendments apply for annual periods beginning on or after 1 January 2018, prior periods shall not be restated.
- 4 On 7 October 2016, EFRAG issued a draft Letter to the European Commission and a separate invitation to comment relating to the endorsement for use in the EU of the Amendments. Constituents were invited to provide comments by 10 November 2016.

EFRAG TEG discussion and advice to the EFRAG Board

- 5 At its November meeting, EFRAG TEG considered the feedback received in response to EFRAG's draft endorsement advice.
- 6 EFRAG received comment letters from seven respondents representing four national standard-setters, one preparer and two other organisations. All

respondents agreed with EFRAG's initial assessment and no further changes were suggested.

- 7 Considering the support received from constituents for the initial assessment, EFRAG TEG unanimously agreed to recommend a final endorsement advice to the EFRAG Board that supports the adoption of the Amendments.

EFRAG TEG's advice to the EFRAG Board

- 8 EFRAG TEG advises the EFRAG Board to approve the Letter to the European Commission regarding the endorsement of the Amendments as included under Agenda papers 07-02.

Questions for EFRAG the Board

- 9 Do EFRAG Board members approve the Letter to the European Commission regarding the endorsement of the Amendments as recommended by EFRAG TEG?

Agenda papers

- 10 In addition to this paper, the agenda paper for this session is:
 - (a) Agenda paper 07-02 – EFRAG's Letter to the European Commission regarding the endorsement of the Amendments.