# EFRAG's ~~Draft~~ Letter to the European Commission Regarding Endorsement of Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

John Berrigan
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European Commission
1049 Brussels

XX January 2023,

Dear Mr John Berrigan

**Endorsement of Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)**

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, EFRAG is pleased to provide its opinion on the Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) ("the Amendments"), which were issued by the IASB on 22 September 2022.

An Exposure Draft of the Amendments was issued on 27 November 2020. EFRAG provided its comment letter on that Exposure Draft on 9 April 2021.

The objective of the Amendments is to specify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The Amendments shall be applied retrospectively for annual periods beginning on or after January 2024, with earlier application permitted. If entities apply the Amendments earlier, they shall disclose that fact. A description is included in Appendix 1 to this letter.

In order to provide our endorsement advice as you have requested, we have first assessed whether the Amendments would meet the technical criteria for endorsement, in other words whether the Amendments would provide relevant, reliable, comparable and understandable information required to support economic decisions and the assessment of stewardship, lead to prudent accounting and is not contrary to the true and fair view principle. We have then assessed whether the Amendments would be conducive to the European public good. We provide our conclusions below.

EFRAG has carried out an evaluation of the Amendments. As part of that process, EFRAG issued its initial assessment for public comment and, when finalising its advice and the content of this letter, took the comments received in response into account. EFRAG's evaluation is based on input from standard setters, market participants and other interested parties, and its discussions of technical matters are open to the public.

**Do the Amendments meet the IAS Regulation technical endorsement criteria?**

Based on the above reasoning, EFRAG has concluded that the Amendments meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship and raise no issues regarding prudent accounting.

EFRAG has also assessed that the Amendments do not create any distortion in their interaction with other IFRS Standards and that all necessary disclosures are required. Therefore, EFRAG has concluded that the Amendments are not contrary to the true and fair view principle. EFRAG's reasoning is explained in Appendix 2 to this letter.

**Are the Amendments conducive to the European public good?**

EFRAG has assessed that the Amendments would improve financial reporting and would reach an acceptable cost-benefit trade-off. EFRAG has not identified that the Amendments could have any adverse effect on the European economy, including financial stability and economic growth. Accordingly, EFRAG assesses that endorsing the Amendments is conducive to the European public good. EFRAG's reasoning is explained in Appendix 3 to this letter.

**Our advice to the European Commission**

As explained above, we have concluded that the Amendments meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, raise no issues regarding prudent accounting, and that they are not contrary to the true and fair view principle. We have also concluded that the Amendments are conducive to the European public good. Therefore, we recommend the Amendments for endorsement.

On behalf of EFRAG, I would be happy to discuss our advice with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Wolf Klinz~~Serge Pattyn~~

**~~Acting~~ Chair of the EFRAG Financial Reporting Board**

# Appendix 1: Understanding the changes brought about by the Amendments

## Background of the Amendments

1 The IFRS Interpretations Committee ("the Committee") received a submission about the application of IFRS 16 to a sale and leaseback transaction with variable payments that do not depend on an index or rate.

2 The submitter asked how the seller-lessee measures the right-of-use (ROU) asset arising from the leaseback with variable payments and, thus, determines the amount of the gain that it recognises at the date of the transaction. The Committee concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine its accounting for a sale and leaseback transaction with variable payments and, consequently, decided not to add the matter to its standard-setting agenda and published an agenda decision. In particular, the Committee concluded that, applying paragraph 100 of IFRS 16, the seller-lessee recognises a liability at the date of the transaction, even if all the payments for the lease are variable and do not depend on an index or rate.

3 However, Committee's discussions on this matter highlighted the absence of specific subsequent measurement requirements for sale and leaseback transactions in IFRS 16. Paragraphs 36-38 of IFRS 16 describe how a lessee shall subsequently measure a lease liability. However, these paragraphs were drafted without contemplating the situation in which the measurement of the lease liability might include payments that do not meet the definition of lease payments (i.e. variable lease payments not based on an index or rate).

4 The Committee recommended and the IASB decided to undertake standard-setting to amend IFRS 16 adding these requirements.

## The issue and how it has been addressed

5 IFRS 16 includes no specific subsequent measurement requirements for sale and leaseback transactions. Consequently, it is not always clear how to subsequently measure the leaseback liability, in particular when the leaseback payments include variable payments linked to future performance or use of the underlying asset, which otherwise are excluded from the measurement of a lease liability not related to a sale and leaseback transaction. In those circumstances, without the Amendments, a seller-lessee could recognise a gain or loss on the right of use it retains solely because of a remeasurement (for example, following a lease modification or change in the lease term) if it had applied the subsequent measurement requirements for lease liabilities unrelated to a sale and leaseback transaction.

6 The Amendments do not change the initial measurement of the right-of-use asset and the leaseback liability (as the Committee concluded that IFRS 16 currently includes requirements in this respect) but introduce paragraph 102A to IFRS 16 that provides guidance on how to subsequently measure. The objective of the Amendments is to specify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

## What has changed?

7 Applying the Amendments a seller-lessee would:

(a) Apply the existing requirements in paragraph 100(a) of IFRS 16 for the initial recognition of the right-of-use asset and the gain or loss arising from the sale and leaseback and recognise a loss or gain only to the extent of the rights transferred in the transaction (no change);

(b) Apply paragraphs 29–35 to subsequently measure the right-of-use asset arising from the leaseback and paragraphs 36–46 to subsequently measure the lease liability arising from the leaseback (added paragraph 102A).

(c) In applying paragraphs 36–46, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right-of-use retained by the seller-lessee (added paragraph 102A).

8 Furthermore, an illustrative example of a sale and leaseback transaction with variable payments that do not depend on an index or a rate has been added showing two alternative approaches for determining 'lease payments' in a way that it would not recognise any amount of the gain that relates to the right-of-use it retains. The illustrative example introduced by the Amendments also provides further explanations on how a seller-lessee initially measures (by applying the existing requirements in IFRS 16) and subsequently measures (by applying added paragraph 102A) the right-of-use asset and the leaseback liability arising from a sale and leaseback transaction.

**When do the Amendments become effective?**

9 The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted.

10 A seller-lessee applies the amendment retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to sale and leaseback transactions entered into from the beginning of the annual reporting period in which the entity first applied IFRS 16.

## Appendix 2: EFRAG's technical assessment on the Amendments against the endorsement criteria

~~**Notes to Constituents:**~~

~~This appendix sets out the basis for the conclusions reached, and for the recommendation made, by EFRAG on the Amendments. In it, EFRAG assesses how the Amendments satisfy the technical criteria set out in the Regulation (EC) No 1606 2002 for the adoption of international accounting standards. It provides a detailed evaluation for the criteria of relevance, reliability, comparability and understandability, so that financial information is appropriate for economic decisions and the assessment of stewardship. It evaluates separately whether the Amendments lead to prudent accounting and finally considers whether the Amendments would not be contrary to the true and fair view principle.~~

~~In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG's capacity of contributing to the IASB's due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advising the European Commission on endorsement of the definitive IFRS Standards in the European Union and European Economic Area.~~

~~In the latter capacity, EFRAG's role is to make a recommendation about endorsement based on its assessment of the final IFRS Standard or Interpretation against the technical criteria for European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRS Standards or Interpretations. Another reason for a difference is that EFRAG's thinking may evolve.~~

**Does the accounting that results from the application of the Amendments meet the technical criteria for endorsement in the European Union?**

1 EFRAG has considered whether the Amendments meet the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002 (The IAS Regulation), in other words that the Amendments:

(a) are not contrary to the principle set out in Article 4 (3) of Council Directive 2013/34/EU (The Accounting Directive); and

(b) meet the criteria of understandability, relevance, reliability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

2 Article 4(3) of the Accounting Directive provides that:

*The annual financial statements shall give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss. Where the application of this Directive would not be sufficient to give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss, such additional information as is necessary to comply with that requirement shall be given in the notes to the financial statements.*

3 The IAS Regulation further clarifies that *'to adopt an international accounting standard for application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise - this principle being considered in the light of the said Council*

*Directives without implying a strict conformity with each and every provision of this Directive'* (Recital 9 of the IAS Regulation).

4 EFRAG's assessment as to whether the Amendments would not be contrary to the true and fair view principle has been performed against the European legal background summarised above.

5 In its assessment, EFRAG has considered the Amendments from the perspectives of both usefulness for decision-making and assessing the stewardship of management. EFRAG has concluded that the information resulting from the application of the Amendments is appropriate both for making decisions and assessing the stewardship of management.

6 EFRAG's assessment on whether the Amendments are not contrary to the true and fair view principle set out in Article 4(3) of Council Directive 2013/34/EU is based on the assessment of whether they meet all other technical criteria and whether they lead to prudent accounting. EFRAG's assessment also includes assessing whether the Amendments do not interact negatively with other IFRS Standards and whether all necessary disclosures are required.

7 In providing its assessment on whether the Amendments result in relevant, reliable, understandable and comparable information, EFRAG has considered all the requirements of the Amendments. EFRAG has, however, focused its assessment on the requirements it considered most significant in relation to each of the criteria.

**Relevance**

8 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations. Information is also relevant when it assists in evaluating the stewardship of management.

9 EFRAG considered whether the Amendments would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.

10 EFRAG observes that with the Amendments, a seller-lessee shall subsequently measure lease liabilities arising from a leaseback 'in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains'.

11 Without the Amendments, a seller-lessee would have potentially been required or allowed to recognise a loss or a gain on the right-of-use it retains solely because of a remeasurement (for example, following a lease modification or change in the lease term) if it had applied the subsequent measurement requirements for lease liabilities unrelated to a sale and leaseback transaction rather than the approach established in the newly introduced paragraph 102A. EFRAG considered that recognising such remeasurement gain in the absence of any transactions would not have resulted in relevant information.

12 EFRAG also observes that the Amendments do not prescribe a specific method to measure the proportion or rights retained or sold in the transaction or to determine the lease payments be recognised over the lease term.

13 EFRAG observes that, in the case of a leaseback variable payments not based on an index or rate, the absence of specific guidance on how to determine the lease payments (and therefore the interplay between payments and accrued interest over the leaseback term) may have an effect on the overall relevance of the information in terms of a users' ability to forecasting a seller-lessee's future cash flows and in

assessing its long-term prospects[1]. Illustrative Example 25 introduced by the Amendments show than an entity may use either an expected payment or an imputed payment approaches that may result in significantly different impacts on the statement of financial position and the statement of income.

14 EFRAG however notes that, as stated in the Basis for Conclusion to the Amendments (BC267ZD) It is expected that that the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are sufficient to require the seller-lessee to develop and apply an accounting policy that results in information that is both relevant and reliable. EFRAG also observes that, in such instances, IAS 1 *Presentation of Financial Statements* requires entities to disclose their material accounting policies.

15 On balance, EFRAG has assessed that the Amendments would not result in the omission of relevant information and, therefore, satisfy the relevance criterion.

**Reliability**

16 EFRAG also considered the reliability of the information that will be provided by applying the Amendments. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent, or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.

17 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness.

18 EFRAG considers that recognising only the amount of the gain or loss that relates to the rights transferred to the buyer-lessor appropriately reflects the economics of a sale and leaseback transaction because, from an economic standpoint, the seller-lessee has sold only its interest in the value of the underlying asset at the end of the leaseback.

19 Conversely, and as noted in the Relevance section above, without the Amendments, a simple modification in the leaseback term could have resulted in the seller-lessee measuring the leaseback liability differently from its initial measurement by excluding variable payments that do not depend on an index or rate; thus, recognising a gain or loss on the right-of-use the seller-lessee retains at the time of remeasurement. That gain or loss, recognised in the absence of any transactions, would not have reflected the economics the transaction and therefore would not have provided reliable information by overstating the loss or gain recognised.

20 EFRAG's overall assessment is that the Amendments would result in the provision of reliable information and therefore satisfy the reliability criterion.

**Comparability**

21 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.

22 EFRAG has considered whether the Amendments result in transactions that are:

(a) economically similar being accounted for differently; or

(b) transactions that are economically different being accounted for as if they are similar.

23 The Amendments provide guidance in an area not previously addressed by IFRS 16 and, as such they reduce the potential for diversity in accounting for sale and leaseback transactions after initial recognition.

24 Although the type of transactions covered by the Amendments have been infrequent in the past, sale and leaseback transactions, when they occur, can often involve the sale of high-value items of property, plant and equipment with long economic lives. The accounting for such transactions could have a long-term effect on the financial position of a seller-lessee. It is therefore important for users of financial statement that seller-lessees apply IFRS 16 consistently to those transactions.

25 In its comment letter responding to the Exposure Draft published by the IASB, EFRAG had suggested a different presentation of the liability arising from the transaction (as a non-lease liability) pending a more thorough review of the matter in the context of the Post-implementation review of IFRS 16 to determine whether the accounting for standalone leases and leasebacks should be aligned; in particular regarding the consideration of variable payments. However, EFRAG considers that the Amendments have the immediate merit to increase the consistency and comparability in the way leasebacks are subsequently accounted for by explicitly prohibiting the recognition of remeasurement gains or losses.

26 EFRAG nevertheless observes that the Amendments may not ensure full comparability as they are not prescribing a specific method to measure the proportion of rights retained or sold in the transaction and to calculate the lease payments to be recognised over the lease term. As mentioned in paragraph 14 above, the Amendments refer to the development of an adequate accounting policy; as required by applying IAS 8 which has to result in information that is relevant and reliable. The accounting policy choice could result in economically similar transactions being accounted for differently within the confines of IAS 8.

27 However, EFRAG notes that this situation pre-existed to the Amendments as IFRS 16 does not prescribe the way to determine the proportion of rights retained or sold (and therefore the initial measurement of the resulting lease liability) for all types of sale and leaseback transactions, be them with variable or fixed rents. As such, the Amendments do not increase the potential for lack of comparability.

28 Therefore, EFRAG's overall assessment is that the Amendments satisfy the comparability criterion.

**Understandability**

29 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting, and the willingness to study the information with reasonable diligence.

30 Although there are a number of aspects related to the notion of 'understandability', EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

31 As a result, EFRAG believes that the main additional issue it needs to consider in assessing whether the information resulting from the application of the Amendments is understandable, is whether that information will be unduly complex.

32 EFRAG observes that the Amendments are limited to clarifying the subsequent measurement requirements for sale and leaseback transactions by applying the existing measurement principles of IFRS 16 for right-of-use and lease liabilities, that

are applicable to all leases (whether or not related to a sale and leaseback transaction) without changing these principles nor introducing new principles or concepts.

33 In EFRAG's view, the Amendments do not introduce any new complexity that may impair understandability. Therefore, EFRAG's overall assessment is that the Amendments satisfy the understandability criterion in all material respects.

**Prudence**

34 For the purpose of this endorsement advice, prudence is defined as caution in conditions of uncertainty. In some circumstances, prudence requires asymmetry in recognition such that assets or income are not overstated, and liabilities or expenses are not understated.

35 EFRAG has concluded that the Amendments raise no issues in relation to prudence as defined above.

**True and Fair View Principle**

36 A Standard will not impede information from meeting the true and fair view principle when, on a stand-alone basis and in conjunction with other IFRS Standards, it:

(a) does not lead to unavoidable distortions or significant omissions in the representation of that entity's assets, liabilities, financial position and profit or loss; and

(b) includes all disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss.

37 EFRAG has assessed that the Amendments do not create any negative interactions with other IFRS Standards.

38 As mentioned in paragraph 32 above, the Amendments are limited in scope and do not introduce new principles but only apply the existing subsequent measurement principles in IFRS 16 (applicable to all leases) and adapt them to the situation of sale and leaseback transactions.

39 Accordingly, EFRAG has assessed that the Amendments do not lead to unavoidable distortions or significant omissions and therefore do not impede financial statements from providing a true and fair view.

40 EFRAG has also concluded that the appropriate disclosures that are necessary to provide a complete and reliable depiction of an entity's assets, liabilities, financial position and profit or loss are required in IFRS 16.

41 As a result, EFRAG concludes that the application of the Amendments would not lead to information that would be contrary to the true and fair view principle.

**Conclusion**

42 Accordingly, for the reasons set out above, EFRAG's assessment is that the Amendments meet the technical requirements for EU endorsement as set out in the IAS Regulation.

# Appendix 3: Assessing whether the Amendments are conducive to the European public good

## Introduction

1 EFRAG considered whether it would be conducive to the European public good to endorse the Amendments. In addition to its assessment included in Appendix 2, EFRAG has considered a number of issues in order to identify any potential negative effects for the European economy on the application of the Amendments. In doing this, EFRAG considered:

(a) whether the Amendments improve financial reporting. This requires a comparison of the Amendments with the existing requirements and how they fit into IFRS Standards as a whole;

(b) the costs and benefits associated with the Amendments; and

(c) whether the Amendments could have an adverse effect to the European economy, including financial stability and economic growth.

2 These assessments allow EFRAG to draw a conclusion as to whether the Amendments are likely to be conducive to the European public good. If the assessment concludes there is a net benefit, the Amendments will be conducive to the objectives of the IAS Regulation.

## EFRAG's evaluation of whether the Amendments are likely to improve the quality of financial reporting

3 EFRAG notes that the Amendments are designed to reduce potential divergence in practice by addressing an issue currently not covered by IFRS Standards and providing a guidance on how to subsequently measure the right-of-use asset and lease liabilities sale and leaseback transactions.

4 Although the type of transactions covered by the Amendments have been infrequent in the past, sale and leaseback transactions often involve when they occur the sale of high-value items of property, plant and equipment with long economic lives. The accounting for such transactions could have a long-term effect on the financial position of a seller-lessee. It is therefore important for users of financial statement that that seller-lessees apply IFRS 16 consistently to those transactions.

5 Without the Amendments, a seller-lessee could have recognised a loss or a gain on the right-of-use it retains solely because of a remeasurement (for example, following a lease modification or change in the lease term) if it had applied the subsequent measurement requirements for lease liabilities unrelated to a sale and leaseback transaction rather than the newly introduced guidance in the Amendments.

6 The illustrative example introduced by the Amendments also provide guidance by illustrating how a seller-lessee initially measures (applying existing requirement in IFRS 16) and subsequently measures (applying added paragraph 102A) the right-of-use and the leaseback liability arising from a sale and leaseback transaction.

7 EFRAG has therefore concluded that the Amendments are likely to improve the quality of financial reporting.

## EFRAG's ~~initial~~ analysis of the costs and benefits of the Amendments

8 EFRAG first considered the extent of the work. For some Standards or Interpretations, it might be necessary to carry out some extensive work, in order to understand fully the cost and benefit implications of the Standard or Interpretation

being assessed. However, in the case of the Amendments, EFRAG's view is that the cost and benefit implications can be assessed by carrying out a more modest amount of work.

9 Therefore, as explained more fully in paragraphs 10 to 22 below, the approach that EFRAG has adopted has been to carry out detailed assessments of the likely costs and benefits of implementing the Amendments in the EU, to consult on the results of those assessments, and to finalise those assessments in light of the comments received.

*Cost for preparers*

10 EFRAG has carried out an assessment of the cost implications for preparers resulting from the Amendments.

11 The amendments are expected to affect only the subsequent measurement of lease liabilities arising from a sale and leaseback transaction:

- with variable lease payments (not based on an index or rate);
- occurring from the date of initial application of IFRS 16 (1 January 2019 for most seller-lessees); and
- for which the seller-lessee's accounting policy differs from the requirements specified in the Amendments.

12 EFRAG has determined through its research that sales and leaseback payments with variable rents not based on an index or rate have not been frequent in the European Union and European Economic Area since the first implementation of IFRS 16. When they occurred, they were one-off transactions and therefore, the cost to adjust for retrospective application is not deemed to be significant.

13 Based on EFRAG's research there is however a possibility that such types of transaction become more frequent in the future as leases with variable payments themselves becomes more frequent in some industries.

14 EFRAG also observes that, the Amendments do not require the seller-lessee to future estimate expected lease payments which could be a costly and difficult exercise. Instead, and as specified in BC294A (c), and illustrated in Example 25 introduced by the Amendments, the seller-lessee could use the carrying amount of the lease liability at the commencement date determined applying paragraph 100A to develop its accounting policy for determining 'lease payments' as required by paragraph 102A.

15 Overall, EFRAG's assessment is that the Amendments are likely to result in insignificant one-off and ongoing costs for preparers related to implementation of the Amendments.

*Costs for users*

16 EFRAG has carried out an assessment of the cost implications for users resulting from the Amendments.

17 Users are not expected to incur implementation cost insofar as the Amendments are applied retrospectively and users will not be required to update their data for past periods and re-establish comparable information about trends.

18 Overall, EFRAG's assessment is that the implementation of the Amendments will not result in increased costs to users; that is, it is likely to be cost neutral.

*Benefits for preparers and users*

19 EFRAG has carried out an assessment of the benefits for users and preparers resulting from the Amendments.

20 Preparers are likely to benefit from the Amendments as they provide guidance in an area not addressed by IFRS 16. Users are likely to benefit from the increased comparability provided by the Amendments regarding the subsequent measurement of sale and leaseback transactions with variable payments not based on an index or rate (with the limitations noted in paragrah 26**Error! Reference source not found.** of Appendix 2).

21 As noted in paragraph 4, above**Error! Reference source not found.**, such sale and leaseback transactions although not frequent in occurrence may often involve high-value items of property, plant and equipment with long economic lives. The accounting for such transactions could therefore have a long-term effect on the financial position of a seller-lessee. It is therefore important for users of financial statement that that seller-lessees apply IFRS 16 consistently to those transactions.

22 Overall, EFRAG's assessment is that users are likely to benefit from the Amendments, as the information resulting from them will increase comparability between entities and therefore will enhance their analysis.

*Conclusion on the costs and benefits of the Amendments*

23 EFRAG's overall assessment is that the overall benefits arising from the enhance comparability are likely to outweigh costs associated with the implementation of the requirement.

**Conclusion**

24 EFRAG believes that the Amendments will generally bring improved financial reporting when compared to current guidance. As such, their endorsement is conducive to the European public good in that improved financial reporting improves transparency and assists in the assessment of management stewardship.

25 EFRAG has not identified the Amendments could have any adverse effect to the European economy, including financial stability and economic growth.

26 Furthermore, EFRAG has not identified any other factors that would mean endorsement is not conducive to the public good.

27 Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments, EFRAG assesses that endorsing the Amendments is conducive to the European public good.