



European Financial Reporting Advisory Group ■

ED/2014/5 Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)

Feedback to respondents – EFRAG Final Comment Letter

April 2015

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Objective of this feedback statement

EFRAG published its final comment letter on the Exposure Draft ED/2014/5 *Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)* ('the ED') on 16 December 2015. This feedback statement summarises the main comments received by the EFRAG Board and explains how those comments were considered by the EFRAG Board.

Background to the Exposure Draft

In November 2014, the IASB issued the ED that aims at clarifying that:

- accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payment;
- when an entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet a statutory tax withholding obligation, the award should be classified as equity-settled in its entirety if, without the net settlement feature, the entire share-based payment would otherwise be classified as equity-settled; and

- in case of modification of a share-based payment from cash-settled to equity-settled, the award is remeasured as the proportion of the modification date fair value of the equity instruments granted; any difference between the new measurement and the liability recognised in the past for the original cash-settled plan is charged to profit or loss.

Further details are available on the EFRAG's [project webpage](#) and on the IASB's [project webpage](#).

EFRAG's draft comment letter

EFRAG published a draft comment letter on the proposals on 16 December 2014. In that letter, EFRAG generally agreed with the IASB's assessment of the issues and with its proposed amendments, although EFRAG believes that in relation to the second amendment, the proposed classification reflects the economic substance of the plan, and therefore should not be characterised as an exception.

On a broader note, EFRAG was concerned that addressing more and more specific terms and conditions of different share-based plans was resulting in ever-increasing complexity in the requirements of IFRS 2 and believed that the IASB should envisage a more general review of IFRS 2 to consider all implementation issues in a principle-based way.

EFRAG initially requested comments by 30 January 2015, a period subsequently extended until 9 March 2015.

Comments received from respondents and constituents

EFRAG received comments from nine respondents, which were considered during the finalisation of the EFRAG comment letter. These comment letters are available on the EFRAG [website](#). The letters received came from seven national standard setters, one regulator and one preparer association. Three additional comment letters were received after the written consultation of the EFRAG

Board was launched to approve EFRAG's final comment letter. These letters have been made available on the EFRAG's project page only. Although these additional letters were not considered at the time of the EFRAG Board consultation, their content is generally consistent with the feedback received previously.

All respondents supported EFRAG's assessment of the three proposed amendments, including the recommendation to undertake a more fundamental review of IFRS 2.

However, a majority of respondents did not support EFRAG's view on the proposed transition provisions: these respondents supported the IASB's proposals to apply the amendments in the ED prospectively, whereas EFRAG's recommendation was to apply them retrospectively, in accordance with the general requirement in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Lastly, a few respondents did not agree with EFRAG's request that the second amendment should not be characterised as an exception. They believed that IFRS 2 is rule-based and giving precedence to the economic substance of the arrangement, rather than to the existing definition of cash-settled share based payments, could undermine the nature of the existing guidance and could have an impact on the consistency of its application

EFRAG's final comment letter

EFRAG published its final comment letter on 2 April 2015; the comment letter is available on the EFRAG [website](#). In that letter, given the support received from respondents, EFRAG maintained its initial assessment and support to the proposed amendments because they provided practical solutions that would reduce divergences in application.

In relation to the second amendment in the ED, EFRAG maintained its assessment that a plan with the specific characteristics described

in paragraph 33D of the ED is, in substance, an equity-settled plan in its entirety and therefore the IASB should not characterise the proposed accounting as an exception and clarify the accounting for the settlement of the withholding tax, consistently with the analysis that the plan is in substance an equity-settled plan.

EFRAG also maintained its initial view that the proposed amendments in the ED should be applied retrospectively, so as to foster comparability. EFRAG did not have any evidence that applying the proposed amendments retrospectively would impose an undue burden or particularly heavy cost and believes that exceptions to general transition requirements should be made only when the cost is high and/or the changes concern the majority of IFRS preparers.

EFRAG also considered a number of drafting suggestions made by respondents in their comment letters and improved the drafting of the final comment letter accordingly.

Finally, given the support received, EFRAG maintained its recommendation that the IASB should envisage a more general review of IFRS 2 to consider all implementation issues in a principle-based way; possibly as part of a post-implementation review of the Standard.

List of respondents

<i>Comment letters received before the written consultation of the EFRAG Board was launched</i>	<i>Country</i>	<i>Nature</i>
European Securities and Markets Authority (ESMA)	France	Regulator
Swedish Financial Reporting Board (SFRB)	Sweden	National Standard Setter
Italian Standard Setter (OIC)	Italy	National Standard Setter
Dutch Accounting Standards Board (DASB)	The Netherlands	National Standard Setter
The Danish Accounting Standards Committee (FSR)	Denmark	National Standard Setter
Gesamtverband der Deutschen Versicherungswirtschaft (GDV)	Germany	Preparer Association
Autorité des Normes Comptables (ANC)	France	National Standard Setter
Accounting Standard Committee of Germany (ASCG)	Germany	National Standard Setter
Norwegian Accounting Standards Board (NASB)	Norway	National Standard Setter

<i>Comment letters received after the written consultation of the EFRAG Board was launched</i>	<i>Country</i>	<i>Nature</i>
Polish Accounting Standards Committee (PASC)	Poland	National Standard Setter
ACTEO – AFEP – MEDEF	France	Business Associations
Business Europe	Belgium	Business Association