Commission Regulation (EU) 2015/28 of 17 December 2014 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 2, 3 and 8 and International Accounting Standards 16, 24 and 38 (Text with EEA relevance)

COMMISSION REGULATION (EU) 2015/28

of 17 December 2014

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 2, 3 and 8 and International Accounting Standards 16, 24 and 38

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 12 December 2013, the International Accounting Standards Board (IASB) published *Annual Improvements to International Financial Reporting Standards 2010-2012 Cycle* (the annual improvements), in the framework of its regular improvement process which aims at streamlining and clarifying the standards. The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2010 on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required. Amendments to International Financial Reporting Standard (IFRS) 8 and to International Accounting Standards (IAS) 16, 24 and 38 are clarifications or corrections to the respective standards. Amendments to IFRS 2 and IFRS 3, involve changes to the existing requirements or additional guidance on the implementation of those requirements.

(3) Amendments to IFRS 3 imply by way of consequence amendments to IAS 37 and IAS 39 in order to ensure consistency between international accounting standards.

(4) Those amendments to existing standards contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the Union. Therefore any references to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 *Financial instruments: recognition and measurement*.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2015/28. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(5) The consultation with the Technical Expert Group of the European Financial Reporting Advisory Group confirms that the improvements meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(6) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(7) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

1 The Annex to Regulation (EC) No 1126/2008 is amended as follows:

a IFRS 2 *Share-based payment* is amended as set out in the Annex to this Regulation;

b IFRS 3 *Business combinations* is amended as set out in the Annex to this Regulation;

c IFRS 8 *Operating segments* is amended as set out in the Annex to this Regulation;

d IAS 16 *Property, plant and equipment* is amended as set out in the Annex to this Regulation;

e IAS 24 *Related party disclosures* is amended as set out in the Annex to this Regulation;

f IAS 38 *Intangible assets* is amended as set out in the Annex to this Regulation;

g IAS 37 *Provisions, contingent liabilities and contingent assets* and 39 *Financial instruments: recognition and measurement* are amended in accordance with the amendments to IFRS 3 as set out in the Annex to this Regulation.

2 Any reference to IFRS 9 as laid down in the Annex to this Regulation shall be read as a reference to IAS 39 *Financial instruments: recognition and measurement*.

Article 2

Each company shall apply the amendments referred to in Article 1(1), at the latest, as from the commencement date of its first financial year starting on or after 1 February 2015.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 December 2014.

For the Commission

The President

Jean-Claude JUNCKER

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ANNEX

Annual Improvements to IFRSs 2010–2012 Cycle[(3)]

Amendment to IFRS 2 *Share-based Payment*

Paragraphs 15 and 19 were amended and paragraph 63B was added.

Transactions in which services are received

…

15 If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the *vesting period*. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. For example:

(a) …

(b) if an employee is granted share options conditional upon the achievement of a *performance condition* and remaining in the entity's employ until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period. …

Treatment of vesting conditions

19 A grant of equity instruments might be conditional upon satisfying specified vesting conditions. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a *vesting condition*, eg the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.

…

EFFECTIVE DATE

…

63B *Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013, amended paragraphs 15 and 19. In Appendix A, the definitions of ‘vesting conditions’ and ‘market condition’ were amended and the definitions of ‘performance condition’ and ‘service condition’ were added. An entity shall prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix A, the definitions of ‘market condition’ and ‘vesting conditions’ are amended and the definitions of ‘performance condition’ and ‘service condition’ are added

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Appendix A Defined terms

This appendix is an integral part of the IFRS.

…	
market condition	A **performance condition** upon which the exercise price, vesting or exercisability of an **equity instrument** depends that is related to the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group), such as: (a) attaining a specified share price or a specified amount of **intrinsic value** of a **share option** or (b) achieving a specified target that is based on the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group) relative to an index of market prices of **equity instruments** of other entities. A market condition requires the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit.
…	
performance condition	A **vesting condition** that requires: (a) the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit; and (b) specified performance target(s) to be met while the counterparty is rendering the service required in (a). The period of achieving the performance target(s): (a) shall not extend beyond the end of the service period; and (b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period. A performance target is defined by reference to:

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	(a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or (b) the price (or value) of the entity's **equity instruments** or the equity instruments of another entity in the same group (including shares and **share options**) (ie a **market condition**). A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.
…	
service condition	A **vesting condition** that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the **vesting period**, it has failed to satisfy the condition. A service condition does not require a performance target to be met.
…	
vesting conditions	A condition that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or **equity instruments** of the entity, under a **share-based payment arrangement**. A vesting condition is either a **service condition** or a **performance condition**.

Amendment to IFRS 3 *Business Combinations*

Paragraphs 40 and 58 are amended and paragraph 64I and paragraph 67A and its related heading are added.

Contingent consideration

…

40 The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of IAS 32 *Financial Instruments: Presentation*. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 provides guidance on the subsequent accounting for contingent consideration.

…

Contingent consideration