**15. Share based payments**

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| **OVERVIEW** | * Accounting for share‑based payments is handled by Corporate Finance only. Please consult with Corporate, if any share‑based accounting related matters arise at a subsidiary level.
* Equity‑settled grants to employees generally are measured based on the grant‑date fair value of the equity instruments issued.
* Equity‑settled grants are not re-measured for subsequent changes in the value of the equity instruments.
* Estimates of the number of equity‑settled instruments that are expected to vest are adjusted to the actual numbers that vest unless forfeitures are due to market conditions.
* Market conditions for equity‑settled transactions are reflected in the initial measurement of fair value. There is no “true up” (adjustment) if the expected and actual outcomes differ because of the market conditions.
* For equity‑settled transactions, the Company recognizes a corresponding increase in equity.
* Cancellation of a share‑based payment results in acceleration of the unrecognized cost.
* Modification of a share‑based payment results in the recognition of any incremental fair value but not any reduction in fair value.
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15.1 Purpose and scope

This policy provides guidance and rules on accounting for **share-based payment transactions** for the purpose of preparing the financial statements of the Group according to International Financial Reporting Standards.

15.2 Definitions

**Fair value** – The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm’s length transaction.

**Grant date** – The date at which the Group and another party (including an employee) agree to a share‑based payment arrangement, being when the Group and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the Group confers on the counterparty the right to cash, other assets, or equity instruments of the Company, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.

**Measurement date** – The date at which the fair value of the equity instruments granted is measured. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the Group obtains the goods or the counterparty renders service.

**Share‑based payment transaction** – A transaction in which the Group receives goods or services as consideration for equity instruments of the Company (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the Company’s shares or other equity instruments of the Company.

**Vest** – To become an entitlement. Under a share‑based payment arrangement, a counterparty’s right to receive cash, other assets or equity instruments of the Company vests when the counterparty’s entitlement is no longer conditional on the satisfaction of any vesting conditions.

**Vesting conditions** – The conditions that determine whether the Group receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the Company, under a share‑based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the Group’s profit over a specified period of time). A performance condition might include a market condition.

**Vesting period –** The period during which all the specified vesting conditions of a share‑based payment arrangement are to be satisfied.

15.3 General recognition principles

**Debits:**

The general recognition principle is to recognize as an expense the fair value of goods or services when the goods are obtained or the services are received.

**Credits:**

A corresponding increase is recognized in equity if the goods or services are acquired in an equity‑settled share‑based payment transaction.

A liability is recognized if the goods or services are acquired in a cash‑settled share‑based payment transaction.

15.4 Classification

The classification as cash or equity‑settled is based on the Group’s obligation to the counterparty (i.e., whether the Group is required to settle in equity instruments or settle in cash). Transactions settled in shares or other equity instruments are referred to as equity‑settled share‑based payment transactions. Transactions that create an obligation to deliver cash or other assets are referred to as cash‑settled share‑based payment transactions.

15.5 Grant date

The determination of grant date is important since this is the date at which the fair value of equity instruments granted is measured. Grant date is the date at which the Group and the employee agree to a share‑based payment arrangement, and requires that the Group and the employee have a shared understanding of the terms and conditions of the arrangement. If the agreement is subject to an approval process, then grant date cannot be before that approval is obtained. When a grant is made subject to approval, for example by a board of directors, grant date normally is when that approval is obtained.

Usually the grant date is also the date when recognition of the employee services received begins. However, services should be recognized when received and the grant date might occur only after the employees have begun rendering services. When the grant date occurs *after* the service commencement date, the recognition of services during the period from service commencement date until grant date is based on the estimate of what the fair value will be at grant date.

15.6 Cost of shares granted

The cost of share grants is measured based on the fair value at the grant date. The valuation technique used is consistent with generally accepted valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

15.7 Vesting period

The vesting period is the period during which all the specified vesting conditions are to be satisfied in order for the employees to be entitled unconditionally to the equity instrument. Normally this is the period between the grant date and the vesting date. The cost is recognized as an employee expense with a corresponding increase in equity over the period during which the relevant plan participant becomes fully entitled to the award. The ultimate expense recognized at each reporting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of shares that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Vesting conditions are categorized by types as follows:

* Service conditions (require the grantee to complete specified period of service)
* Performance conditions (require achievement of specified performance targets)

− Market performance conditions

− Non‑market performance conditions.

Forfeitures by not complying with the service condition or with non‑market performance conditions should be taken in consideration when forming an expectation of how many shares will vest and, therefore, in the measurement of the transaction amount and the periodic expense. The expectation of the number of shares that will vest is formed based on the best available estimate and is revised, if necessary, if subsequent information indicates that the number of shares expected to vest differs from previous estimates. On vesting date, the Group revises the estimate to equal the number of equity instruments that ultimately vested. That way, ultimately, the amount of expense recognized for services received in exchange for shares is based on the number of shares that eventually vest. Hence, on a cumulative basis, no amount is recognized for services received if the employee fails to complete a specified service period.

Market performance conditions are taken into account when determining the grant‑date fair value of the award. Failure to meet the market performance condition does not constitute forfeiture and does not result in any additional accounting effect.

15.8 Modifications

Where the terms of an award are modified, at a minimum the Group recognizes the services received from the employee at the grant date fair value of the equity instruments, as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the management plan shares, or is otherwise beneficial to the employee as measured at the date of modification.

15.9 Cancellations

Where an award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is issued and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

15.10 Disclosure

The Group should disclose information that enables users of the financial statements to understand the nature and extent of share‑based payment arrangements that existed during the period.

The Group should disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

The Company should disclose information that enables users of the financial statements to understand the effect of share‑based payment transactions on the Group’s profit or loss for the period and on its financial position.