

22.7/8/1

3 November 2004

Mr Bernhard Jansen
European Commission
Director
DG Employment and Social Affairs
Brussels

Dear Mr Jansen,

RE: INFORMAL CONSULTATION ON DRAFT COMMISSION REGULATION AMENDING
REGULATION (EC) NO 1725/2003 ADOPTING CERTAIN INTERNATIONAL
ACCOUNTING STANDARDS IN ACCORDANCE WITH REGULATION (EC) NO
1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

In response to your letter of 15 October consulting UNICE on the above- mention subject and in particular on inclusion of IFRS 2 share based payment in the list of standards which listed companies will have to apply in their consolidated accounts from 2005, UNICE would like to offer the following remarks.

The majority of UNICE members support endorsement of IRFS 2. On balance, they are of the opinion that the proposed new standard is suitable for application in the European Union, since it is widely recognised as being useful to the users' community.

However, UNICE had expressed concerns regarding the following:

- the measurement at fair value of restricted shares or options granted is not always verifiable, since there is no observable active market of equity instruments bearing the same long term holding or performance-linked vesting constraints; ;
- it is widely acknowledged that no truly appropriate option pricing model is available at present that could secure the valuation of options that fits the "true and fair view" accounting basic requirement.

As a consequence, IFRS 2 generates requirements of a rule-based nature. Ensuring comparability and a level playing field among entities is all the more important in the context of IFRS 2. We therefore encourage the Commission to discuss further possible solutions with IASB, in an attempt at reaching convergence in content and timing with US GAAP in this area.

The majority of UNICE members recommend nonetheless that IFRS 2 be now endorsed in Europe and be applicable in the conditions defined by the IASB, whether these conditions are changed or not.

We hope that the above-mentioned concerns are useful for your discussions on this matter and remain at your disposal should you need further clarification or background information.

Yours sincerely,

(original signed by)
Jérôme P. Chauvin
Director, Company Affairs Department



c.c. Jackie Morin
Jürgen Tiedje