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International Accounting Standards Board
Attn: Kimberley Crook, Project Manager
30 Cannon Street
London EC4M 6XH
United Kingdom

Amsterdam, 5 March 2003

Re: ED2 Share-based payment

Dear Mrs Crook,

In relation to the Exposure Draft 2 on Share-based Payments I herewith send you my comments.

Background

As managing director Corporate Accounting I am responsible for the annual financial statements of Randstad Holding nv, a Dutch company specialized in the staffing industry (hereafter called the "company"). The company has subsidiaries in 12 countries in Europe and North America. The company accounts are still based on Dutch GAAP.
The company started in 1960; in 1988 the founder of the company created a separate foundation, which acquired 25% of new issued shares in the company by which the holdings of shareholders then diluted 25%. The articles of association of the foundation stipulate a. o. that the foundation has been created to grant options to employees of the company and to do all in the interest of the employees. The founder of the company tried to achieve with this to have all employees participate in the company, to have them share in the welfare of the group, and to enhance commitment.
Since mid 1990 the company is quoted on the Amsterdam Stock Exchange.
The foundation is financially independent from the company and has its own independent management board.
Annually the foundation determines the maximum number of options available for granting in the concerning year.
At granting of options, the company and its supervisory board determine, within the limits set by the foundation, the conditions of allotments. The foundation accepts the options as its own obligations.
On exercise the employees pay the exercise price to the foundation; the foundation delivers the shares to the employees. If an employee decides to sell the acquired shares, he/she may offer the shares to the foundation at actual value (as a service to the employees); the employee may also decide to sell the shares on the stock exchange. The foundation may refuse to repurchase the shares, but in fact never has refused so far. In case the foundation needs funds, the foundation sells shares on the stock exchange, which happens from time to time.
The holdings of the foundation in the company reduced over time to some 8%; the lifetime of the foundation is dependent from the development of the share price, dividends received and the number of options granted annually.

My comments on ED2 are restricted to employee options and should be seen in the situation as described above.

Scope
In paragraphs 1-3 reference is made to "transfer of an entity's equity instruments by its shareholders, or transfers of equity instruments of the entity's parent or of another entity in the same group of the entity, to …". In my opinion the IFRS should not be applicable in the situation as described under

paragraph Background above; the entity receives services from employees, but granting, exercising, financing etc. take place outside entity's group. The foundation is in my opinion no part of the group because the foundation is independent from entity, financially as well as with respect to control. Moreover by establishing the foundation in 1988, entity's shareholders diluted with 25%; accounting for the value of the options as an expense in the entity's profit & loss account, will have as an impact that entity's earnings per share will "dilute" again.
Clear guidelines are necessary in situations in which the shareholders are confronted with options granted to employees, and settlement of exercised options comes for the account of these shareholders by issue of new shares, without affecting profits up to now; these shareholders "pay the bill".
In my opinion application of the IFRS should only be mandatory in case the services received and the payments "match" in the same entity, or services on one side and the payment for those on the other side should only be accounted for if <u>both</u> occur in the same entity (or group of entities).
Or in other words: if settlement of options (in cash or in shares) affects the entity's equity (i.e. share issue) or cash position (i.e. cash settlement), the IFRS must be applied by entity. If equity and/or cash position are not affected, this IFRS should not be applied by entity; apparently entity does not "pay" for the share-based payments and should therefore not account for it. For determining the effects of the settlement on equity or cash by entity, any subsidiary of entity must of course be included.
In the situation as described under Background this implies that options do not affect the profits nor equity, nor cash position of the company, and therefore IFRS should not be applied. This is logical, whereas shareholders (other than the foundation) do not have any disadvantage of the option scheme (shareholders paid already for it in 1988).

<u>Recognition</u>
In paragraph 4-6 is stipulated that an entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or services. My remark on these paragraphs is the same as above, re the scope of the IFRS. In case services and payment for those, match in the same entity or group, application of the IFRS is mandatory; in case these does not match, the IFRS should not be applied by entity.

<u>Cash-settled transactions</u>
In the situations of cash-settlement the need for matching is in my opinion even more obvious. For example: employees of a subsidiary of the entity, receive options from a shareholder of entity, and this shareholder gives the opportunity to settle in cash: only the shareholder should account for the liability, because only shareholders' cash will flow.

<u>Compound instruments</u>
In the situation as described under the paragraph Background above, based on ED2 it could be argued that the options must be seen as a compound instrument (employees may choose to sell the acquired shares directly or later on to the foundation).
In line with my opinion as described above this should not affect company's financial statements, because no cash of the company is involved.

<u>Conclusion:</u>
Exposure Draft 2 has a scope that is to broad, and leads to overkill in my opinion. To solve this a clear definition of situations in which application is mandatory must be included; the definition must describe that the IFRS must be applied in situations in which services received and the liability on settlement of the options (in cash or shares) both match in the entity or the entity and its subsidiaries.

I would be very much obliged to hear from you.

Sincerely yours,

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