

Kimberley Crook
Project Manager
International Accounting Standards Board
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Dear Ms Crook

As a multi-national company listed in the UK, Netherlands and the US, Unilever reports under UK GAAP and Dutch law, and reconciles to US GAAP in our filings with the SEC. We therefore fully support the development of high quality accounting standards which can be applied in all jurisdictions.

We broadly support and welcome the proposals on equity based payments set out in ED 2/FRED 31. However, we have some reservations about the detail of the proposals and in particular the extent to which the proposals differ from the existing US Standard in areas where there would appear to us to be little benefit for users in adopting a divergent approach.

We agree with the main principle that the fair value of equity based payments should be recognised in the profit and loss account. We also agree that for employee compensation grants the value should be measured at grant date and recognised over the period when service is rendered, ie the vesting period. We support the use of option pricing models to determine the fair value of equity based payments and believe that sufficient flexibility should be left in the precise type and application of the model to allow for future developments in this area.

Our main area of concern with the proposals is the extent to which areas of detail differ from FAS 123. In particular, we believe the use of the unit of service approach is unnecessarily complex and that a simpler time based apportionment of cost should be allowed. We also believe it is important that the treatment of actual experience adjustments should be harmonised between the IAS and US standards.

Whilst supporting this proposal in principle, we would therefore vigorously encourage the IASB to work closely with US standard setters to agree a single harmonised accounting treatment in this area.

If you would like to discuss this matter further, please contact

Yours sincerely

Graeme Pitkethly