CL 15

Anne McGeachin
Project Manager
International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

6478

6266

2 July 2004

Dear Ms. McGeachin,

Exposure Draft of Proposed Amendments to IAS 19 - Employee Benefits

Unilever is a large multinational corporation listed in the European Union and will adopt IFRS from 1 January 2005. We currently report under UK and Netherlands law and UK GAAP and reconcile to US GAAP in our Annual Report & Accounts and Form 20-F.

We adopted FRS 17 with effect from 1 January 2003, and a total of seven pages are now dedicated to post employment benefits disclosures in our Annual Report & Accounts.

We have read the Exposure Draft of Proposed Amendments to IAS 19 Employee Benefits '*Actuarial Gains and Losses, Group Plans and Disclosures*' with interest and we welcome the opportunity to comment.

We appreciate the efforts of the IASB to achieve global convergence, in particular with regards to post employment benefits, a complex topic which is widely debated and on which many different visions exist. We believe that post employment benefits should be recognised on the balance sheet at fair values but that short term fluctuations in those fair values should not be reflected through the profit and loss account. We therefore welcome this Exposure Draft and would intend to apply its principles with effect from our transition date to IFRS.

Attached are our answers to the questions included in the invitation to comment. If you have any comments or questions regarding this letter please do not hesitate to contact me at the numbers above.

Yours sincerely,

Graeme Pitkethly
Group Chief Accountant

Question 1 - Initial recognition of actuarial gains and losses

IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognised income and expense.

Do you agree with the addition of this option? If not, why not?

Answer:
We strongly agree with the addition of this option. It enables entities to reflect the fair value of their post employment benefit plans in the balance sheet without the P&L account being affected by short term movements in market values which are not directly under the influence of the entity. We believe that measuring post employment benefit plans at fair value in the balance sheet leads to meaningful and comparable information and find the "corridor" approach, in particularly the 10% boundary, to be overly arbitrary.

Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognised as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling). The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, ie in a statement of recognised income and expense.

Do you agree with the proposal? If not, why not?

Answer:
In most cases it will indeed be appropriate to recognise the effect of the asset ceiling in a statement of recognised income and expense but we also believe that in some cases, when changes in the asset ceiling is a result of management action eg when two plans are merged or when active membership is reduced through restructuring, they should be recognised within the profit and loss account.

Question 3 - Subsequent recognition of actuarial gains and losses

The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (ie they should not be recycled).

Do you agree with this proposal? If not, why not?

Answer:
Yes, we agree with this proposal.

Question 4 - Recognition within retained earnings

The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period.

Do you agree with this proposal? If not, why not?

Answer:
Yes, we agree with this proposal.

Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

(a) The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer
plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.

Do you agree with this proposal? If not, why not?

Answer:
We agree that an exemption should be made for individual entities where IAS 19 is applied in the group accounts. However in our view the proposed amendment does not achieve this objective. We therefore do not support the amendment as currently drafted and urge the IASB to reconsider this amendment.

(b) The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions.

Do you agree with the criteria? If not, why not?

Answer:
Yes, we agree with the criteria.

Question 6 - Disclosures

The Exposure Draft proposes additional disclosures that (a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits.*

Do you agree with the additional disclosures? If not, why not?

Answer:
We agree with the additional disclosures except we do not believe that the disclosure required by the amended paragraph 120 (o) should be made for the current period and previous four periods. In our view the current and previous one period would be sufficient.

Question 7 - Further disclosures

Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why?

(a) a narrative description of investment policies and strategies;
(b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the
following five fiscal years; and
(c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent
from other disclosures.

SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.

Answer:
We believe that disclosure (a) should indeed be required because there could be an element of risk in the investment strategies of funded pension plans that could have material implications for the sponsoring entity. With regards to disclosure (b) we believe that the disclosure should only be required for unfunded defined benefit plans as they have an impact on the sponsoring entity's cash resources. Finally, we also believe that disclosure (c) should be required but we do not expect this to be frequent.