

NESTLÉ S.A.

**INTERNATIONAL ACCOUNTING STANDARDS  
BOARD**

30 Cannon Street,  
GB-LONDON EC4M 6XH

31 October 2002

**EXPOSURE DRAFT 1 FIRST TIME APPLICATION OF INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

Ladies and Gentlemen,

Please find below our answer to your invitation to comment on the above mentioned exposure draft. As our company has been applying IASs since 1989, the proposed IFRS does not directly affect us. However, there is one aspect of the Exposure Draft on which we would like to comment, since it will presumably form the basis for other future IFRS as well. This is the elimination of the "materiality clause" which has customarily appeared at the start of each IAS ("International Accounting Standards are not intended to apply to immaterial items").

July's "Insight" refers to the topic of materiality in connection with the "Preface", from which a relevant statement on materiality was deleted. The article said that the topic should be addressed in other documents, e.g. IAS 1 and the "non-Standard" Framework. "The IASB agrees there is a need to address materiality in a broader, more thorough context."

We are extremely concerned about these developments. We have noted in other environments, particularly those with an inclination to litigation, a tendency to allow a common-sense approach to materiality to be replaced by a bureaucratic, often extremely costly rigidity with, by definition, no significant benefits to the users of financial statements. It would be tragic if such a trend were to be permitted to affect IFRS through (e.g.) the elimination of the materiality clause. IAS 1 and the Framework are inadequate in this sense, so if the elimination of the materiality clause in ED 1 is to be taken forward to the final IFRS the Board must urgently address the question of how materiality is to be handled in future and include in the final IFRS at least a remark that the concept has been retained and will be subject to refinement subsequently. Materiality is for preparers and users a vital concept for sensible, efficient financial reporting.

Thank you very much for your attention to the above.

Yours very truly,

NESTLÉ S.A.

H. Wirz

Vice President

Head of Group Accounting and Reporting