

Date
7 September 2004

Le Président

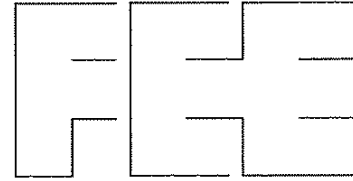
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cc. Mr Pierre Delsaux



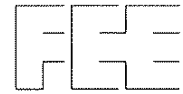
Dear Commissioner Bolkestein,

Re: EC Working Document on Draft Commission Recommendation on Fostering an Appropriate Regime for the Remuneration of Directors

1. FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) has noted the EC Working Document on the draft Recommendation on fostering an appropriate regime for the remuneration of directors as an important component of sound corporate governance and appreciates the transparency in the development of the Recommendation by the EC publishing a working document. FEE does not intend to react to each element of the working document but wishes to express its views on those issues that directly or indirectly have implications for the accountancy profession.
2. Article 2 provides a definition of "director". This definition risks capturing a large number of persons in many organisations. This will result in disclosure of a huge volume of information at the expense of transparency. A closer connection could be sought with the First Directive, Article 2 (d) that is more restrictive in nature. Only those persons falling under the disclosure requirement should be captured in the definition of "director".
3. Article 4.1 addresses the disclosure of a statement of the remuneration policy of the company and risks subjecting to audit elements of the statement which cannot be audited, in our view.

Only financial information about actual remuneration should be included in the notes to the accounts and this can be audited.

Article 4.1 states that the statement of remuneration policy of the company should be "part of a self-standing remuneration report" and/or be included in the annual accounts and annual report (directors' report) (which is subject to full audit in certain countries) or in the notes to the annual accounts of the company.



FEE is concerned about the option to include the remuneration statement in the annual accounts or annual report of companies (and thereby subject all elements to an audit requirement). An audit of a policy statement would indicate that the application of the policy including, for example, elements relating to grants of bonuses, share options and long term incentives at the board's discretion, has actually been objectively verified by the auditor or that the policy would be applied in the future, which is outside the scope of a financial statement audit. Thus, in our view, the policy statement should not be part of the auditable component of the annual information and should therefore not be included in the annual report (directors' report) (which is subject to full audit in certain countries) or notes to the accounts. We are of the opinion that a better solution would be to present such information in a separate remuneration report or in a part of the annual documents (glossy report) that is not subject to audit.

- 4. Article 4.2 indicates that the remuneration statement should mainly focus on the company's policy on directors' remuneration for the following financial year and, if appropriate, the years subsequent to that, with emphasis on changes compared to the previous financial year. We are of the opinion that companies should only be required to disclose current policy (i.e. policy at a certain moment in time). This is because such a policy needs to be able to respond to changed circumstances, such as a major acquisition or difficulty filling a director vacancy.
- 5. In Article 8.1 the reference should be to Article 7.1 and not to Article 6.1.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'.

David Devlin
President