

## TRANSCRIPT

# FEE Seminar IFRS Convergence and Consistency

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### Wrap-up session

*Alain Joly, Chairman Supervisory Board Air Liquide, Vice Chairman European Round Table of Industry (ERT), Chairman European Association of Listed Companies (EALIC)*

David Devlin: Alain and myself have now the most interesting task of drawing to a conclusion what I hope has been for you an interesting day, it certainly has been for me. This is a privilege for us both. From Alain's point of view, he gets to make a certain intervention which I think we should pay careful attention to, and from my point of view I would like to make a short endeavour not to sum up all we have heard, but to extract my personal view of some of the messages and findings and action points we might take from today. So, Alain, can I invite you to take the floor, please?

Alain Joly: First of all, let me introduce myself. I am speaking here as Vice-Chairman of the European Round Table of Industry, I happened to chair the International Accounting Working Group of ERT for a number of years which is not a very easy subject as we all know. I also am the Chairman of EALIC (European Association of Listed Companies).

I will make a difference with some of the speakers. I will make no disclaimers because what I will be saying here is not only representing my views but it is also representing the views of industry, the industry being the European Round Table of Industry and we have worked very closely with UNICE so I would say my statement requires no disclaimer.

I also speak from my own convictions. I am not a financial expert. I am no accountant. I have an engineer's background but I have been working with financial statements in my company for the last 35 years and am very close to it because I was in charge of setting up many of the systems.

I am trying to bring some realism into this whole thing. I am not an expert and don't ask me very specifics because you'd lose me but I am trying to get back to basics.

Where do we stand as industry, where do we come from? Some years ago we very strongly supported the move of the Commission to introduce the IFRS as the common European language with a view that it would go hand in hand with mutual recognition with the United States, be done in a realistic way producing useable standards by all users. Now, where do we stand today, some years later, say three years later? Where do we stand based on the test of reality? Our view has perhaps changed a bit.

Our priorities today as industry is first that we should have an integrated financial market within the EU. This is absolutely our top priority, clearly that involves many issues but it does involve a common accounting language which has to be IFRS because that is the decision that we stand by.

Our second priority is still mutual recognition with the United States but as was said this morning by Jon Symonds, not at any cost. We need mutual recognition with standards that are simple enough, that are understandable by the preparers and that can also be used as a management system or tied into the management system and used by investors to make simple investment decisions. I happen to have a very strong conviction that decisions in management and investment end up being made on a selected number of criteria, not a great deal of them. If we flood people with numbers, we confuse them more than you would help them at the end of the day. So those statements have to be able to come back to simple numbers.

These numbers, these systems, need to be consistent over time and they need to be reliable. They must enable people to pass judgements on business.

I said our second priority is mutual recognition with the United States, it is still our priority but it has to be achieved in a balanced fashion both from the timing standpoint and from a substance standpoint. We need to have a mutually agreed timetable. We need to have mutually agreed milestones in this convergence process but again it has to be balanced. It cannot be one way. It cannot be, you have to come to me and this is the convergence process.

We believe also, and this will be my third point, that convergence needs to be done as much as possible on the existing best standards, which will take the best standard on either side of the Atlantic rather than introducing or using the convergence to introduce a whole new set of standards which is going to be very complicated to understand, to discuss and pass through. What companies need to day, and this has been touched on by Commissioner McCreevy, it has been touched on by Madame Berès, it has been touched on by Mr Danjou, by Jon Symonds, what we need today is stability. We need a pause. We had a long discussion this afternoon, on the complex issues of enforcement and interpretation. What else do we need to understand? We need to see how the systems in place functions. Once we have done that then we can probably move on to new systems.

We need to see that the systems are consistent over time. We need to see that the enforcement process and interpretation process is, indeed, producing consistent results.

Continuous changes in reporting are a disaster. My own management experience is you can't manage a company if you change the way you do your statements every year. You totally lose control. How can you invest in a company unless we can have a certain series of consistent statements over the year? So consistency doesn't go very well with continuous changes. I am not against changes. We understand there are some changes needed; we are just pleading to do it in an orderly way and not to ram things through.

The convergence process should not be used as a vehicle to ram through a number of new standards because it is needed for convergence. This is not a price that industry, European industry, believes we should be paying. Convergence is very important but it should not be used as a vehicle to shut out a proper dialogue and a proper discussion process and I would say that the very recent business combination exposure draft shows the danger of pushing some of the theoretical concepts to their very ultimate limits. So those new theoretical concepts need to be tested. There are some parts of it already in the system and we need to test them but rushing to push them through the ultimate limit will create a number of problems.

So what we need by the end of the day is what I would call solid fact based accounting. We certainly are not looking for science fiction accounting.

Let me now close in saying that I sympathise with many of the points that were raised by Madame Berès, not all of them but many of them. I fully support the points made this morning by Commissioner McCreevy and as industry I would say we are prepared to continue to work very actively in an organised, constructive manner, structured manner, transparent manner, with the IASB with the European Commission, the European Parliament, EFRAG, national standard setters and users in order to achieve these objectives in a realistic and down to earth manner.