

Paris, 26 October 2006

*SYMPOSIUM : IFRS : WHAT LESSONS NOW, WHAT STANDARDS FOR THE FUTURE ?*

*CONCLUSION BY GERARD DE LA MARTINIÈRE*

First, I would like to highlight that it was important to have carried out the exercise that we did this morning, and I believe that we already had a glimpse of this importance? through the responses which we have obtained from our survey. I would really like to thank all the Chief Financial Officers who have, in a great majority and very thoroughly, responded to this survey. We know all too well how much their time is precious, and we are very thankful to them for having taken the trouble to collectively enlighten us on all these aspects.

It was important since we have just experienced a very delicate transition within an environment which is critical for companies, because it is a market environment that determines a large part of their day to day life, their strategies, their ambitions, and their discussions with their shareholders. It was important to take stock of the problems encountered so as to bring them up, see to it that solutions are found. It was also important to evaluate the situation as regards the perception of priorities in order to be able to intervene in current debates on the future of the works of the international accounting standard setter. Finally, it was important - even if it is certainly a little bit premature - to see our evaluation of the return on investments because we shall have to, I would say, year after year, ask ourselves the same question. And I wish to recall that the reason behind the decision taken by the European Union is the reduction in the cost of capital of European companies, in order to boost the European economy. Therefore it is a question of knowing how and when the transition to the IFRS will enable us to actually achieve this objective.

From all that has been written in this survey, from all that has been said this morning, a number of messages come out, and I shall only take up a few which I consider particularly important.

The first message is the absolutely clear demonstration that French companies which were subject to this transition, have embarked upon the adventure, not only without hesitating, contrary to what some might have thought, but also with a very strong and very professional involvement. Moreover, I believe that what stands out from all that has just been said is that the French economy must certainly be among the obedient students of the European class on board the IFRS "vessel". This is not an entirely innocent statement, and we shall obviously see to it that it is not so, since you are not unaware of the imputed motives which have cropped up in various quarters about a presumed allergy of French companies to the needs for transparency or to the values of market references.

The second message - I believe it is important too and we also have to put it forward - is that there is an absolutely clear recognition of the positive effects of the transition to the IFRS. This perception is perhaps slightly clearer to analysts and investors than to Chief Financial Officers, but this is quite normal because the degree of tediousness of the exercise was not exactly the same. We therefore need to convey this message also.

The third message - it is to some extent the other side of the coin – is that there are indeed significant improvements, but the “customer satisfaction” survey also highlights a number of problems. What we can more or less say is that the product works but there are some missing parts, and some of them are absolutely significant. I cannot here refrain from reminding you that the insurance sector is expected to work with a botched standard, as is widely acknowledged. In addition, other parts suffer from functioning defects which are also very important and which should call for urgent and rapid rectifications.

Finally - and this opinion also comes from practical experience - there are a number of parts which are not bad, but which could certainly work better, and we know the attention companies pay to everything which concerns the improvement of manufacturing processes. We therefore have a “customer satisfaction” survey which can be compared to others done at the European level. In a rational world, when the supplier has a “customer satisfaction” survey, his concern must be to improve the areas which come out as areas of dissatisfaction. And, if he were not to do it of his own accord, which I obviously do not think would be the case, it would be up to the person in charge of the procurement department to exercise all his influential capacity to say “hold on, you have delivered a product to us, but this product does not fully meet our expectations and you must therefore see to it that you take corrective actions”. Who is in charge of the procurement service? Obviously, it is the Commissioner responsible for the internal market; it is his duty to fulfil this responsibility.

The fourth message - which has been widely mentioned - is that of the missing part in the system; the missing part is obviously the way in which the design of accounting standards and the practical application must be adapted: a “guidance” or “application monitoring” system. This system, as you pointed out, cannot be a heavy and complicated manufacturing and interpretation system, which would gradually turn the IFRS into a “rule book”. It cannot, and I am entirely convinced about this, be left at the sole discretion of companies and auditors, irrespective of the merits of the initiatives which may have been taken in various quarters to contribute towards the setting up of this “guidance”. Obviously, we need to invent a system, probably of variable geometry, in the European Union which can indeed take care of this process. We have spent a lot of time at the headquarters of the European Commission since the very start to tell them that there is a need for action in this field: we have met with a particularly lukewarm reaction in this respect and presumably we need to keep on trying.

This can probably be explained by the fact that some had imagined that we wanted to create European IFRS. This is not the case, but we would like to have in the European Union - which is the priority field as regards competition and the development of our relations with financial market investors - secure, strong, and precise systems which, either at the European level, or at the national level, since both levels can blend in with each other, provide answers to all the questions which arise.

The fifth message is about a risk. A risk which was also highlighted this morning, which was included in the responses to the surveys. It is the risk of a split. A split between the accounting system and financial information; a split between the official accounting and the management reporting system. Without overestimating this risk, which I would say is only in the background at this point in time, we should one and all be very careful about preventing this split. Here I mean a very attractive accounting system based on international standards, which everybody is striving to establish, but which once audited, etc. would be kept aside, would not be the concern of anybody and we would be back to the issuer-investor-analyst dialogue, with the same good old indicators which are familiar to everybody and which everybody appreciates and we forget the rest.

I believe that it would be good neither for companies nor for investors, and incidentally not for the international accounting standard setter either. Therefore, I think that everybody should be extremely careful about this issue.

I will end by stating what our programme is; based on this finding what do we need to do?

I believe that the first thing that needs to be done is obviously to continue working. We are still experiencing teething problems with the implementation of the new accounting standard, and no-one can state that he fully understands the subject.

There is therefore major work to be done, and more so than in reality, we have more or less participated in the first pilot application carried out on a large scale relating to a number of conceptual aspects which so far had remained rather largely at the level of principles. Therefore, as Europeans, it is our responsibility to take the test of fire, and this should normally enable us to give a feedback about this practical experience to those responsible for changes to the accounting standards; this is essential to reach sound and reasonable results.

Second part of the programme - the absolute need for training, a lot of training: as we have seen, our Chief Financial Officers, our Chief Accountants, have put in huge efforts to assimilate the IFRS; they are about the only ones who have done so, and therefore they now have the responsibility to transmit their knowledge and try to ensure that the IFRS language does not become totally inaudible to stakeholders, including those within the company. The message which has been developed on the theme: "Take care, the managers and the Boards of Directors do not perhaps properly understand the figures and other information coming from Chief Financial Officers" is a particularly worrying message.

The third recommendation, which we will take up at the MEDEF level, is that we must be prepared for a tsunami. I think it is Françoise who said that a ground swell is awaiting us, rather clearly, and this means that we need to get mobilised. We can only do it effectively with the required involvement of men and women who are capable of voicing out their opinion and participating in the works. In this regard, for some time now, we have been trying to identify the people we could mobilise, particularly the experts, with a view to gradually getting them into the various circuits and in the various channels in order to facilitate effective participation in debates and discussions. Please help us to identify them, and help us by giving them the time that they need to devote to these tasks, which are particularly demanding – as evidenced by some of this morning's statements.

Another issue of interest to us: we have to pay! I apologise for talking about this, but, in our Colbertist world, we are clearly rather disoriented to find that we have to pay for a public service function through a contribution, whereas we were used to the fact that this is paid, indeed generously, by companies through taxes. Here, on top of that, we have to pay directly.

This is what has led us to embark upon the initiative, rather ahead of the rest of the European Union, of raising ad hoc funds from listed French companies combining the IASB and the EFRAG financing, because it seems to us that these are the two major components towards which we have to direct our financial capacities, on a voluntary basis, whilst calling for professional discipline because we are convinced that it is only when we will have clearly and firmly demonstrated our capacity for collective involvement in this genuine, serious effort for financing our share of the international accounting standardisation function that we would have, in one way or the other, a stronger say, irrespective of the message about independence, for which I obviously have absolute respect, by members of the IAS Board.

Last point - we definitely must be able to focus our messages, to combine our efforts with those of our European partners. Many speakers have said it: it is good to have a French message, it even better when the French message is taken and passed on at the European level. From this point of view, I think that we really have the credibility, considering our involvement in this matter, but also because French companies, it must be said, were about the only ones to somewhat raise their finger at the start of the IFRS adoption process to say that there were indeed some problems and that it was important to be aware about this. Along with our European colleagues, we note that there are indeed some problems and I think that it is really in our interest to reveal our concerns and our proposals by mobilising the UNICE.

On this point, I would like to inform you, if you are not already aware of it, of a letter dated 24 August 2005, sent by the UNICE and the ERT to the Commissioner Mc Creevy, and which states very firmly the priorities that the European industry as a whole would like to see taken into account in the Board's future works.

Thank you very much and thank you for your attention at all our round tables.

