



Statement of the ICGN Executive Remuneration committee on Expensing of Stock Options and Share-based Remuneration

18 February 2003

The International Corporate Governance Network (ICGN) strongly supports the recognition of stock options and other share-based payments as an expense on issuing company's financial statements.

The ICGN acknowledges the divergence of opinion concerning the methodology for determining the valuation of these payments. Therefore, we support the approach articulated by the International Accounting Standards Board (IASB) in its Exposure Draft: ED 2 Share-Based Payment, which we believe provides fair and appropriate guidance for valuation and recognition of these instruments. With a bias toward principles-based accounting, the IASB recommends:

- Valuation based on comparable instruments or valuation models
- Expensing over relevant vesting periods
- Recognition of any subsequent repricing of the instruments.

The ICGN concurs with these guidelines, which we believe provide companies with the latitude to adopt the methodology that most closely aligns with industry practice, thereby enhancing comparability and competitiveness, while providing investors with a fair and accurate portrayal of the economic impact of the instruments.