

EMPLOYEE STOCK OPTIONS (ESOs)

The AEG approved the four main recommendations presented in the issue paper.

- The AEG was in favor of the first recommendation to show ESOs as compensation of employees.
- The majority of the AEG members favored spreading the value of ESOs between the grant and vesting dates if possible.
- All members of the AEG agreed that the ESOs should be valued at market price, or by using a suitable option pricing model.
- Some members of the AEG expressed reservations with regard to the recording of the ESOs in the financial accounts as financial derivatives. The AEG accepted in principle the fourth recommendation with the expectation that an instrument category will be introduced entitled “financial derivatives and employee stock options,” with the subcategories of (1) financial derivatives and (2) employee stock options.

The AEG agreed that the issue paper should be circulated to countries for consultation.