



Harvard School of Public Health
Department of Environmental Health

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September 19, 2001

Mr. Timothy S. Lucas
Director of Research
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Lucas,

I am writing in response to the request for comment on the Proposed Agenda Project on Disclosure of Information About Intangible Assets Not Recognized in Financial Statements, and express my strong support of this path-breaking endeavor. As a doctoral student at Harvard School of Public Health I believe that transparency on corporate non-financial indicators are critical to understanding sources of human health risk and enabling their mitigation.

My responses to the questions posed by FASB are as follows:

1. Is there a need for the FASB to comprehensively address the reporting of information about intangibles...?

I agree with researchers involved in the Intangibles Research Project at NYU's Stern School of Business that intangibles provide critical information on future financial benefits and risks posed by corporate activities. Considerable research has been done to evaluate aspects of corporate performance, such as environmental performance, with impact on public health and the ecosystem indicating the possibility of an impact on firm financial performance and shareholder value. This indicates an association between environmental risk and financial risk beyond what is currently reported in annual reports. While much of the research suffers from methodological weakness, I believe improved modeling and the documented increase in demand for this information on the part of shareholders, stakeholders and governments will strengthen the empirical evidence. For several years now large corporations around the world are issuing separate environmental, health and safety reports, which are expanding in Sustainability reports. The area is in dire need of standardization that will increase the convergence of reporting standards worldwide, which is being undertaken by a public-private effort, the Global Reporting Initiative. FASB should get involved early on in this effort to ensure concordance with its policies on corporate transparency.

2. Is the proposed scope of project insufficient, appropriate, or too ambitious?

An early focus on the format and content of disclosure issues is appropriate, particularly with regard to non-compliance with current FASB rules on environmental liability disclosure. However, while a focus on unrecognized intangibles with value to acquiring parties can indicate future value, I believe the greater challenge lies in determining non-financial value drivers and providing guidance on how they might be treated. FASB should include this aspect at this early stage, paying particular attention to signals coming from financial markets and firms themselves.

3. Should specific issues identified above be excluded from the scope of the proposed project?

Valuation of intangibles should not be included at this early stage. However, benchmark methods of reporting practiced by multinational corporations should be evaluated for their merit, included in FASB reports and statements on intangibles and coordinated efforts toward standardization should be encouraged as FASB's work in this area proceeds.

4. Should specific issues not identified above be addressed?

The work product of FASB should be a comprehensive report of intangible assets and liabilities identified by researchers and those already being measured and included in corporate reporting to shareholders and stakeholders. It should not only focus on demands from US market players, but those of concern to international parties and non-traditional stakeholders.

Sincerely,

Dinah Koehler