

<u>VIA E-MAIL</u>

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August 8, 2008

Mr. Russell G. Golden Technical Director File Reference No. 1600-100 Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 116

File Reference No. 1600-100, Proposed Statement of Financial Accounting Standards, Disclosure Re: of Certain Loss Contingencies - an amendment of FASB Statements No. 5 and 141(R)

Dear Mr. Golden:

Colgate-Palmolive Company (Colgate) appreciates the opportunity to comment to the Financial Accounting Standards Board (the FASB or the Board) regarding the Proposed Statement of Financial Accounting Standards (SFAS), Disclosure of Certain Loss Contingencies - an amendment of FASB Statements No. 5 and 141(R) (the Proposed Statement). We believe the Proposed Statement creates numerous concerns that outweigh benefits to financial statement users and, as such, we do not support the Proposed Statement in its current form.

Numerous comment letters posted to the FASB website in recent weeks have outlined concerns regarding the Proposed Statement with which we agree, including the specific and detailed legal concerns raised in the letter submitted by McKenna Long & Aldridge LLP. We do not seek to elaborate on those issues in this letter. Instead, we add our voice of concern in those areas and summarize our additional concerns with the Proposed Statement as follows:

- The balanced application of the accounting and disclosure rules under the existing guidance of SFAS No. 5, Accounting for Contingencies (SFAS 5), has depended for decades on cooperation among reporting entities, the auditing profession and the legal community, best represented by the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Request for Information, adopted by the ABA Board of Governors in 1975, and the AICPA Statement on Auditing Standards No. 12. The letter mentioned above makes clear that the Proposed Statement would drastically alter the existing rules. It seems premature to propose such a drastic change, if any, without first seeking cooperation in drafting the Proposed Statement from representatives of the legal and public accounting communities. As such, we recommend that any changes to qualitative and quantitative disclosure of loss contingencies, particularly litigation-related contingencies, be proposed only after deliberation with these constituencies.
- The inherent premise within the Proposed Statement that existing litigation-related loss contingency disclosures are inadequate is, we believe, unfounded. SFAS 5 currently requires disclosure of any material loss contingency that is reasonably possible, including an estimate of the possible loss or range of loss, as well as the accrual of losses that are both probable and estimable, providing a





principles-based approach to accounting and disclosure. Combined with the guidance in AICPA Statement of Position (SOP) 94-6, Disclosure of Certain Significant Risks and Uncertainties (SOP 94-6), and Securities and Exchange Commission (SEC) "Risk Factors" (Regulation S-K Item 503(c)) rules, the existing framework for loss contingency disclosure is robust and ensures not only disclosure of all material contingencies incurred to date, but also adequate disclosure of potential risk of loss in the foreseeable future, without disclosure of information that could be detrimental in pending or future litigation.

- The requirement to disclose highly subjective quantitative figures related to pending or threatened litigation, in particular the requirement to provide a "best estimate of the maximum exposure to loss," will not assist financial statement users in assessing the amount of future cash flows associated with loss contingencies. Instead, this attempt to add certainty to such subjective matters could result in misstatements of the various possible outcomes. For instance, given a situation of unasserted but "more than remote" likelihood of loss, such as potential fines for regulatory violations, would an entity be required to disclose the maximum potential loss under applicable statutory guidelines, irrespective of historical precedent in certain jurisdictions? It would seem that in the vast majority of early stage litigation or environmental matters the disclosure requirements of the Proposed Statement naturally would lead those responsible for providing the estimates to err on the side of caution, possibly resulting in high or infinite estimates and inflated loss reserves.
- The time requirement and cost of implementing the qualitative and quantitative changes suggested in the Proposed Statement will be unduly burdensome. Per the exposure draft, for matters in which there is no claim or assessment, an entity shall disclose the maximum exposure to loss. As noted above, providing the maximum potential loss would result in high or infinite estimates. As a result, entities would naturally want to qualify such inflated amounts with a best-guess estimate, or a range of estimates. The requirements to first establish both the maximum exposure and the best-guess estimate, as well as the over abundance of qualitative disclosures required, would be very costly. Additionally, incremental costs would be incurred at several points during the year in order to meet interim disclosure requirements. Considering the nature and unpredictability of general litigation matters, the costs of such annual and interim disclosures would far out-weigh the benefits.
- The Proposed Statement identifies specific convergence differences with the International Accounting Standards Board (the IASB). Since convergence has been stipulated as a primary goal for all of the Board's recently issued standards, we believe it would be a mistake to issue a final standard prior to resolving convergence differences.

In summary, Colgate believes the current guidance of SFAS 5 to be an excellent example of a principles-based accounting standard, a standard that has been in place and used effectively for decades. Along with the supplemental guidance in the SOP 94-6 and the SEC risk factors rules, the existing standards provide a robust framework for accounting and disclosure of contingencies, while striking an appropriate balance among the need for disclosure of potential loss contingencies, the uncertainty and subjectivity involved in assessing the potential outcomes of those contingencies, and the need for confidentiality. The Proposed Statement would upset this delicate balance and result in less useful and more costly financial statement disclosures. Instead, it is suggested that the FASB first work with representatives of both the legal and public accounting communities, as well as the IASB, to discuss what improvements, if any, are needed and to ensure alignment before issuing an amendment to the existing rules.



We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any questions you may have.

Sincerely,

Stephen C. Patrick Chief Financial Officer

Colgate-Palmolive Company