Calvert
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October 3, 2001

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

Letter of Comment No: 52
File Reference: 1123-001
Date Received: 10/3/01

Re: FASB New Agenda Project: Proposal on Disclosure of Intangible Assets

Dear Mr. Lucas:

The Calvert Group would like to express its strong support of FASB's interest in developing and supporting comprehensive and measurable standards for the evaluation and reporting intangible assets.

Calvert, an investment company based in Bethesda, Maryland, has approximately $7.5 billion in assets under management, and offers a family of investment products that include 14 socially screened mutual funds. Calvert's investment philosophy is based on the belief that recognizing the importance of human dignity and caring for our natural environment are essential to the long-term health and well being of our world. Calvert is an active member of the Corporate Sunshine Working Group, a coalition of investment, environmental, labor, academic, and other individuals and organizations seeking greater corporate accountability and transparency.

We would like to see FASB require businesses to report relevant information about their intangible assets. When Congress created the Securities and Exchange Commission (SEC), one of its purposes was to make critical information available so that markets and prices could more accurately reflect the true value of a company. As a company's policies and practices ultimately affect its bottom line, investors should have access to this information in order to make informed choices. Calvert believes that corporate documents such as annual reports will be more useful to shareholders and other stakeholders if information about intangibles is included as a requirement. In addition, some of this information is already required for companies doing business in Europe, as a result of a May 2001 European Commission recommendation regarding environmental disclosure.

It is our experience that nonfinancial indicators do indeed reveal a larger picture of a company, a picture that investors want to see. For example, a company with poor working conditions will often face recruitment difficulties, retention problems, and sometimes-even lawsuits, ultimately harming the company's bottom line. By contrast, a firm with policies in place to ensure workplace gender and racial equity, with benefits that encourage employees to expand their professional capabilities, and with practices that entice the best workers available will have a much stronger basis for corporate growth and success. Investors deserve to know which companies are which.

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We could offer many more examples of how the reporting of environmental, labor, and social practices benefits investors. However, another consideration is the impact the reporting of intangibles will have on the companies themselves. Our experience at Calvert is that when corporations know this type of information is being made public, they make a greater effort to be exemplary corporate citizens, thus contributing further to the good of the community, which in turn enhances their reputation and leads to a greater interest among investors.

We would also encourage you to consider broadening the scope of the study to include liabilities, as well as assets. There are some respectable studies showing that liabilities for which disclosure is not now required can have a significant impact on companies' financial value, particularly in the environmental area.

Finally, a number of comprehensive surveys have proven that both individual and institutional investors seek company-specific nonfinancial data and make decisions based on that data when it is present. The American Institute of Certified Public Accountants found that 79 percent of all investors responding to a nationwide survey in 2000 depend on information about corporate responsibility, which includes such issues as privacy policies, overseas labor, and environmental standards[i]. A 1998 Ernst & Young survey determined that 35 percent of large institutional investors base their decisions on nonfinancial criteria[ii]. These investors were particularly interested in indicators of corporate responsibility, employment practices, environmental policies, social policies, and market issues such as brand image. The study also found that the current reporting requirements are inadequate for providing this critical information.

Socially responsible investors now constitute the fastest-growing segment of the investing public, and we believe this reflects growing interest in aspects of corporate value that have been considered intangible in the past. We therefore encourage FASB to follow through with the proposed project on disclosure of information on intangible assets, and to consider evaluating disclosure of intangible liabilities as well.

We would be happy to elaborate and comment further on our experience as socially responsible institutional investors. Please feel free to contact us at (301) 951-4800. We look forward to working with you as you explore these options.

Sincerely,

Nikki Daruwala
Senior Social Research Analyst

Julie Fox Gorte
Social Research Director

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[i] Findings of National Investor Poll on Auditing and Financial Reporting, American Institute of Certified Public Accountants, 2000. (http://www.aicpa.org/auditor_independence/report.htm).

[ii] Low, Jonathan and T. Seisfeld, "Measures that Matter," Strategy and Leadership, March/April 1998.