



LETTER OF COMMENT NO. 12



Social Investment Forum

July 23, 2008

Russell Golden, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Comment on Exposure Draft - Disclosure of Certain Loss Contingencies

Amending FAS 5 - File Reference No. 1600-100

Dear Mr. Golden,

The Social Investment Forum (SIF) is the national membership association dedicated to advancing the concept, practice, and growth of socially and environmentally responsible investing. Our members integrate environmental, social, and governance factors into their investment decisions and the Forum provides programs and resources to advance this work. Our membership includes more than 500 social investment practitioners and institutions including financial professionals, analysts, portfolio managers, mutual fund companies, banks, foundations and pension funds. As an association of investors, we believe it is critical for investors to have accurate and complete information about corporate liabilities in financial statements. As fiduciaries with exceptional experience in integrating environmental and social factors into investment and management decisions, we believe this information is of the utmost importance.

Generally speaking, SIF supports the direction in which FASB is proceeding and agrees with the finding that the current statement on disclosure of loss contingencies fails to "provide adequate information to assist users of financial statements in assessing the likelihood, timing, and amount of future cash flows associated with loss contingencies" (FAS 5 Exposure Draft, Summary, p. v). The changes proposed by the FAS 5 exposure draft *Accounting for Contingencies* to address this issue represent an important step in providing SIF members, and all investors, with improved disclosures.

While we are pleased with this important step and supportive of the progress it represents, there are a few points of concern that we would like to take this opportunity to raise briefly. In particular, SIF is concerned with how the draft treats severe long-term risks. At FAS 5 Exposure Draft paragraph 6, the draft only requires disclosure of severe financial threats that a company deems remotely probable if the issue is expected to be resolved within a year. Many of SIF's members are long-term investors and are acutely aware that there is a long and troubled history of companies underestimating the likelihood of severe financial threats -- Enron, the subprime lending crisis, and asbestos liabilities are three recent examples. All too often we have seen that these momentous issues were looming for many years and eventually resulted in catastrophic consequences for investors. **For these reasons, we believe FAS 5 should require companies to disclose all known severe threats whether or not they are expected to be resolved within a year.** Recognizing the need to ensure that disclosures are made in a cost-effective manner, SIF would like to suggest that "remotely probable" risks that are not expected to be resolved within one year be described in a narrative form, but would not need to be quantified other than

to specify that they may be severe.

Finally, SIF believes that in an effort to improve investor access to reliable information, FASB should also do the following:

- Implement the proposed draft language that would require disclosure of all loss contingencies except those that meet certain narrow criteria (FAS 5 Exposure Draft para. A12).
- Implement the proposed draft language that would require a reporting company to quantify the maximum potential loss in circumstances where it cannot estimate the *likely* loss (FAS 5 Exposure Draft para. 7a).
- In light of the significant concerns raised by the impacts of climate risk, SIF believes that FASB should expand the scope of both the expanded population of required disclosures, as well as the maximum loss disclosure requirement **to include asset impairments**. These loss contingencies should be disclosed using the same standards as loss liabilities.
- To the extent possible, limit the use of the “prejudicial” information nondisclosure exemption to the quantification requirement. SIF believes that this exception should be used rarely. SIF also believes FASB should retain the proposed requirement that filers must in any event quantify their liabilities even if other information does qualify for the prejudicial exemption (FAS 5 Exposure Draft para. 11).

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink that reads "Lisa N. Woll". The signature is written in a cursive, flowing style.

Lisa Woll
CEO