Domini
SOCIAL INVESTMENTS®

The Way You Invest Matters™

August 8, 2008

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

1600-100

LETTER OF COMMENT NO. 140

Re: Comment on Exposure Draft - Disclosure of Certain Loss Contingencies Amending FAS 5 - File Reference No. 1600-100

Dear Mr. Golden:

I am writing on behalf of Domini Social Investments LLC ("Domini"), an investment firm specializing exclusively in socially responsible investing. We manage funds for individual and institutional investors who wish to integrate social and environmental standards into their investment decisions.

We welcome the opportunity to provide the Financial Accounting Standards Board ("FASB") with our comments on the FAS 5 Exposure Draft *Accounting for Contingencies*, dated June 5, 2008. As an investment management company with $1.2 billion of assets under management, we feel strongly that it is critical to have accurate and complete information about contingent liabilities in financial statements.

Furthermore, we are guided by a belief that responsible investing—an approach that actively considers and seeks to address the social and environmental implications of investment decisions—can offer competitive returns to the investor, while also promoting long term broad-based wealth creation consistent with environmental sustainability. As fiduciaries with more than 15 years experience in integrating environmental and social factors into investment and management decisions, we believe that accurate and complete disclosure relating to the long-term financial implications of social and environmental risks is of the utmost importance.

Our approach to investing is inherently long-term.[1] Furthermore, many potentially catastrophic social and environmental risks can be mitigated or avoided altogether only when companies and investors take

[1] For more information on the social and environmental standards we apply to our portfolios, you may wish to view our Global Investment Standards, available at *www.domini.com/GlobInvStd/index.htm.* On the long-term nature of socially responsible investing, see "*Long-Term Investing: A proposal for how to define and implement long-term investing,*" by Steven Lydenberg, Domini's Chief Investment Officer at *www.corporation2020.org/pdfs/SummitPaperSeries.pdf* at page 55.

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a long-term view. The environment does not operate according to financial quarters. Its processes are long-term and can be extremely difficult to reverse once they have passed certain thresholds. Many stakeholders are now speaking in terms of "adaptation" to climate change, for example. A longer term view of the social, environmental and financial risks of greenhouse gas emissions could have placed our society and our portfolios in a much more sustainable position. We strongly hold to Louis Brandeis' famous statement that "publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants...."[1] In many ways our approach to investing is based on his view that complete disclosure to investors can serve broader societal goals. We therefore believe that FASB can play a critical role in broader issues of sustainability by setting standards that encourage companies to take a longer term view of potential liabilities.

Domini supports the general 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 represent an important step in providing 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 briefly raise. In particular, Domini is concerned with how the draft addresses severe long term risks. The exposure draft requires disclosure of severe financial threats that a company deems remotely probable *only* if the issue is expected to be resolved within a year (*FAS 5 Exposure Draft paragraph 6*). As long-term investors, we are acutely aware that there is a long and troubled history of companies underestimating the likelihood of severe financial threats—the subprime lending crisis, asbestos liabilities and risks associated with climate change are three recent examples. All too often we have seen that these significant issues were looming for many years, eventually resulting in catastrophic consequences for investors. **For these reasons, we believe FAS 5 should require companies to disclose all known severe threats regardless of whether they are expected to be resolved within a year.** Recognizing the need to ensure that disclosures are made in a cost-effective manner, Domini 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, Domini believes that in an effort to improve investor access to reliable information, FASB should:

- 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*).

[1] Louis D. Brandeis, *Other People's Money and How the Bankers Use It* (August M. Kelley, 1986. Originally published, 1914), at 92.

- In light of the significant concerns raised by the impacts of climate change risk, Domini 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. Domini believes that this exception should be used rarely.
- Domini 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*).
- Eliminate or further restrict and define the "prejudicial" information nondisclosure exemption to ensure that it remains a rare exception, and 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,

Adam Kanzer
Managing Director & General Counsel