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Via email to director@fasb.org

Technical Director Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Re: Discussion Paper - Disclosure Framework, File Reference No. 2012-220

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the "Board") regarding the Discussion Paper, "Disclosure Framework" (the "paper").

Overall, we support the Board's effort to improve the effectiveness of disclosures in notes to financial statements by developing a framework that promotes consistent decisions about disclosure requirements and the appropriate exercise of discretion by reporting entities. However, we prefer the existing disclosure framework checklist approach as well as the current SEC established guidelines to determine materiality.

Following is a brief summary of our primary concerns:

- The Disclosure Framework Project should comprehensively address disclosure requirements, including SEC requirements, and not limit the project scope to notes and cash flow assessments.
- Disclosure policies should be targeted towards knowledgeable, experienced users.
- We do not support flexible disclosure requirements and believe the Board, working with the SEC, should continue to set minimum disclosure requirements within the ASC topics such that requirements are not duplicative and permit public entities to report forward-looking information under safe harbor protection.

Our detailed responses to selected questions posed by the Board in the paper are included in the attached Appendix.

We trust our comments are helpful to the Board in determining next steps for the project. If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031.

Very truly yours,



Appendix - Reponses to Questions

Chapter 2 - The Board's Decision Process

Question 2: Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities' prospects for future cash flows?

We do not support the Board's use of the 27 questions to develop future disclosure framework requirements. We believe this process is complex and cumbersome to apply, and do not believe this approach would increase the Board's effectiveness in establishing disclosure requirements. We believe a more effective approach would be for the Board to seek closer alignment between the FASB and SEC requirements, with the primary goal being disclosure rationalization and simplification.

We support the Board's efforts to improve the notes disclosures and associated impacts to cash flow. However, in order to provide a comprehensive impact, the Disclosure Framework Project scope should be expanded to include a complete review of Notes, Management's Discussion and Analysis (MD&A), Part II Other Information, and Exhibits. In addition, the scope should focus beyond an entity's prospects for future cash flow and include other relevant information to the investor such as depreciation, amortization of prepaid costs and earnings per share.

The preparer needs a clear definition of the purpose of notes, which are typically a historical view, versus a possible discussion on future prospects in the MD&A to ensure consistency between preparers and to avoid duplication of disclosures between notes and MD&A. Additionally, we believe that forward-looking information should be restricted to MD&A under the applicable safe harbor provisions, and support the FASB and SEC reaching alignment on this issue.

Question 4: Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

We do not support the use of the decision questions by reporting entities. Our initial assessment is that the process is too complex, not operational, and would be expensive for preparers to implement on an ongoing basis. We prefer the current comprehensive disclosure checklist approach, supplemented by an entity disclosure review of material or unique transactions as a framework.

<u>Chapter 3 – Making Disclosure Requirements Flexible</u>

Question 6: Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

For consistency, comparability and usefulness to investors and analysts, we believe the Board should continue with the current process relative to ASC topics, which set the minimum detailed disclosure standards for all entities and which is similar to that represented in 3.11.b. We also support continued use of the current SEC guidelines for materiality. We do not support establishing new flexible disclosure requirements. Flexible standards would be too costly to implement, with the expectation the preparer would need to document why a particular item was not disclosed. We also believe too much flexibility

would result in increased external audit fees as the preparer would incur more billable hours for the external auditors to review all the disclosure decisions and analysis supporting those decisions.

We do not support a tiered approach, as we believe a graduated scale would be difficult to construct in a manner that the range of companies that are publicly traded could consistently interpret and apply. We also do not support establishing disclosure requirements that differ by entity, except where certain requirements may not be useful for not-for-profit or nonpublic companies.

Question 8: Are there any other possibilities that would work better than any of the one discussed in this chapters?

We laud the Board for its efforts to address both the volume and effectiveness of disclosures. To achieve these objectives, we encourage the Board to revisit existing disclosure requirements using a cost/benefit analysis.

Chapter 4—Reporting Entities' Decisions about Disclosure Relevance

Question 9: This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

We support the concept that information in the notes should build from information presented in the financial statements (i.e., the baseline described in Chapter 4).

For making judgments about disclosure relevance, we agree that one element entities should consider is whether the information would affect users' assessments of prospects for cash flow by a material amount, and believe materiality should be defined using the SEC's principles, definition and guidelines, such as those found in SAB 99/108.

If the Board decides to include elements of the judgmental model in the framework, we strongly believe that the concept of a "reasonable" or "reasonably well informed" user discussed in paragraph 4.19 should be extended to include consideration of a knowledgeable and experienced user.

Question 10: Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

Fundamentally, we believe the approach described in Chapter 4 is not comprehensive in that it addresses disclosure relevance from the perspective of cash flows only. Information about earnings and other noncash items, which we believe are also relevant investment considerations, also need to be reflected in the approach. In addition, we believe that any approach needs the active involvement of the SEC so that the entire financial reporting package can be assessed. Without these elements, we believe the results will be too narrow to provide users with relevant information and will not address the issues of duplication that makes information costly to prepare, complex and difficult to locate.

In addition, as we have indicated in our responses to previous questions, we believe that for comparability the Board should continue to set minimum disclosure requirements centered around ASU topics.

Question 11: Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

As we have indicated previously, we believe that the Board should continue to establish minimum disclosure requirements. If minimum disclosure requirements are established, documentation for disclosure decisions is unnecessary, and we do not believe entities should be required to document why they decided to provide additional information.

Chapter 5—Format and Organization

Question 12: Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

If the disclosure package as a whole is relevant, we believe that format becomes less relevant and therefore do not think format needs to be a major focus of this project. If the Board continues to issue minimum disclosure requirements to provide comparability, we believe that format could be a consideration in setting those requirements, but format should be a suggestion rather than a requirement. Beyond that, we believe entities should make decisions regarding format that best fits the nature of the information.

In general, we support the concept of headings and subheadings to assist users in finding relevant information quickly. We strongly support cross referencing, including referencing the notes to the financial statements and cross referencing within the notes, as we believe this assists users in identifying additional relevant information they may want to consider. We also believe there are places where cross referencing should be applied between the notes and MD&A. In addition, we agree that tables can be more effective than text when large amounts of numerical data are presented. However, we do not support the concept of highlighting changes in information from prior periods, particularly the suggestions of using different text styles or sizes, as we believe this would be more distracting than helpful to users.

Question 14: Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

We believe that users would benefit from a simple requirement that disclosures be organized in a specific order so they are easy to find when comparing financial statements amongst various companies. Our preference is to organize notes to follow the structure of the financial statements. Under this approach, notes describing the information in various lines on the statement of cash flows, condensed financial statements and segment information would generally be among the first group of notes, with the remainder of the notes following the balance sheet and income statement lines. For this reason we could support the organization outlined in paragraph 5.22, including placing information about accounting policies last.

We do not support any of the other alternatives presented in Chapter 5 as we believe they are overly complex, make it difficult for even expert users to locate information from period to period and entity to entity, and will make it difficult and costly for entities to prepare and auditors to review. In addition, we continue to strongly oppose presenting information in the financial statements based on operating,

investing and financing classifications for the same reasons discussed in our comment letter to the Boards' discussion paper on the Financial Statement Presentation project.

Chapter 6—Disclosures for Interim Financial Statements

Question 16: Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

We believe the current disclosure process based on existing FASB ASC topic guidance and SEC guidance in regulation S-X rule 10-01, *Interim Financial Statements*, is a best practice that should be retained.

Question 19: What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

We strongly disagree with the concept that disclosures in interim financial reporting mirror annual disclosures for all the reasons that the Board has identified in paragraph 6.6.

Chapter 7—Other Matters for Discussion

Question 20: Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

We support a narrower requirement for disclosure of accounting policies. However, we believe that many companies are already following guidance similar to that described in paragraph 7.8. Under SEC REG § 210.4-08-General Notes to Financial Statements, disclosure requirements are specifically identified for policies related to the principles of consolidation and certain derivative instruments. We and other companies have expanded the notion to include other polices that are deemed "critical" to both the portrayal of the company's financial condition and results and that require management's subjective or complex judgments affecting the application of these policies based on SEC FR-60 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," issued December 12, 2001.

One of the ideas suggested in the Discussion Paper is to move accounting policy disclosures to an entity's website to reduce the volume of the annual Form 10-K report. We do not agree with this approach. We believe that if the policy is determined to be required and relevant for disclosure, then it should be included with the other financial statement disclosures as part of one complete report.