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Pfizer is a research-based, global pharmaceutical company with its principal place of business in New York. We develop, manufacture and market leading prescription medicines for humans and animals. The Company's 2011 total revenues were \$67 billion and its assets were \$188 billion. We appreciate the opportunity to respond to the FASB Invitation to Comment: *Disclosure Framework*.

General Comments

We very much appreciate how the Board has framed the objective and primary focus of the project; that is, to improve the *effectiveness* of footnote disclosures rather than the simpler notion of just reducing the volume. While both objectives have a certain 'siren song' quality about them, we do believe that there are achievable goals to be attained without crashing, so to speak, onto a rocky shore of disappointment. And, we believe that the development of a disclosure framework is one of those achievable goals and can be a guiding beacon for the future. We recognize that any framework, once complete, won't satisfy all constituents or solve all perceived problems, but establishing a set of principles is a worthy, achievable objective.

We encourage the continued cooperation of the Board with the SEC Staff and the IASB.

Our detailed thoughts are presented in the balance of this letter.

Framework Thoughts

• Establish Clear Principles for the Content and Nature of Footnote Information: We recommend that the Board concentrate on establishing clear principles that define the nature of information that should appear in the notes to the financial statements, versus information that would be more appropriate elsewhere, such as MD&A, press release materials, etc.

In our view, it is of paramount importance that the information in the footnotes be auditable (without significant reliance on management representations) and not raise safe-harbor issues for preparers (as forward-looking information provided in a footnote would not be covered by the safe-harbor provisions). Forward-looking information should be limited and factual. For example, preparers generally would not object to "forward-looking" information such as providing multi-year projections for expected benefit payments associated with pension plans, intangible asset amortization or debt repayment. Nor should preparers object to the presentation of the assumptions or valuation methods used to develop subjective financial statement measures as long as the disclosures were based on objective, factual and auditable

information, such as discount rates, expected rate of return on plan assets, fair value methodologies employed for asset/liability measurement or impairment testing or assumptions used to develop measurements for share-based compensation, etc.

But, preparers and auditors would object to the footnotes including a detailed discussion about management's *rationale* for selecting those assumptions. Further, we would expect preparers to also object to the footnotes including more subjective information, such as business strategies, business prospects, revenue or income forecasts, the nature of the company's exposure to business risk, liquidity risk, asset recovery and impairment risk, etc.

- Reject a "One-Size-Fits-All" Approach: A principles-based framework, with detailed implementation guidance, would allow preparers to properly fulfill their responsibilities as owners of the financial statements. According to Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting, "the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity" (emphasis added). So, disclosure judgments concerning relevance, reliability, materiality, decision-usefulness, etc., should largely be left with the preparer, in consultation with the auditor. A one-size-fits-all framework should be avoided.
- Include Quantitative and Qualitative Materiality Guidelines: According to Statement of Financial Accounting Concepts No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, "financial statements result from simplifying, condensing, and aggregating masses of data. As a result, they convey information that would be obscured if great detail were provided." With respect to footnote disclosures, we know that preparers and auditors often take comfort in "volume," even if that volume includes the disclosure of immaterial or qualitatively unimportant information with a preference towards answering a question not yet asked or for avoiding any doubt as to the immateriality or unimportance of such information. We believe that the framework should explicitly encourage preparers and auditors to evaluate the quantitative and qualitative nature of footnote disclosures, individually and in the aggregate, to avoid concealing important information within a morass of other information.
- Address Interim Reporting Requirements Directly in the Framework: We are pleased that the Board is actively engaged in the interim reporting dilemma. A disclosure framework should be considered incomplete or insufficient if quarterly reporting requirements are not explicitly addressed. We like the approach described in 6.23 that says that an interim disclosure could be ruled out if it "duplicates the previous annual disclosures or information or if it changes during the period but in a way that investor would have expected based on the annual disclosures and condensed interim financial statements" and 6.26 that would consider incorporating into the framework the S-X Rule 10-01 concept that "disclosures are needed to prevent the interim statements from being misleading or to highlight material events." This is a very good practical starting point. We do caution that there are significant time constraints for public companies on providing interim information and therefore, only the most important or relevant information should be considered for disclosure.
- Ensure Flexibility for Cost/Benefit Considerations: We appreciate the discussion in Chapter 7 on the costs and consequences of disclosures. The financial reporting burden on preparers is significant and growing, but we also recognize that our obligations to the public are also significant and growing. We would like for any disclosure framework to accommodate a

balance between risk and cost. In particular, disclosure obligations that require a preparer to collect information that management does not otherwise capture or utilize to run the business need to be carefully considered. If providing directional or approximate information is equally useful to users, then we would also encourage the Board to consider qualitative disclosures rather than strict quantitative disclosures. The risk associated with non-disclosure or an alternative method of disclosure should be balanced against the incremental compliance cost for preparers. The disclosure must have a clear, incremental benefit for a majority of the user community and the risk associated with non-disclosure or alternative disclosure must be compelling.

Format and Organization

We do not support the idea of the FASB establishing a standard order for footnotes or an approach based on operating/investing/financing classifications as these ideas seem impractical and too constrictive to us. In addition, it may in fact present to users a view that information is in relative importance, which we believe should be entity specific. We think that a number of the ideas presented in the Format and Organization section could be implemented on a principles-based manner right away. We would also recommend the idea of requiring an index to the notes to the financial statements.

These ideas could be accomplished quickly and easily, while the more complex efforts are underway, and would immediately "enhance a user's ability to find and understand relevant information." Below are some related thoughts.

- Index to the Notes to the Financial Statements: We recommend that the Disclosure Framework require an index to the Notes to the Financial Statements. This index would appear right after the basic financial statements and before "Note 1." Very quickly, a user's ability to find information would be enhanced. Some preparers put footnote references directly on line items appearing in the basic financial statements. We have never viewed this approach as particularly helpful or meaningful, as we find that the approach detracts from the actual statements themselves (adds additional visual clutter) and many line items would require multiple references for completeness. Further, philosophically, we believe that footnote references on the basic financial statements undermine the notion that the financial statements and notes should be viewed holistically. However, a detailed index at the start of the footnotes would immediately and simply enhance a user's ability to understand what is to come.
- Entity-Specificity, Common Points of Reference, Tables, Headings, Cross-References, Highlighting: We would support all of these ideas presented in the Invitation to Comment being incorporated into a principles-based framework, with implementation guidance. And, we believe that this portion of a framework could be implemented immediately.

Other Comments

• The Board's Decision Process (Chapter 2): We find the questions in Chapter 2 to be rational and comprehensive, but please see our comments above re: "Framework Thoughts." We also think that preparers and auditors would benefit from similar considerations. Most preparers and auditors rely on disclosure checklists developed by the various auditing firms, but they are detailed and compliance oriented. A principles-based "question checklist" might enhance the process as well.

- <u>Making Disclosure Requirements Flexible (Chapter 3)</u>: In support of a principles-based framework, with detailed implementation guidance, in paragraph 3.16, we might have it read as follows and as noted in paragraph 3.15 (marked to show suggested addition):
 - 3.16 That requirement could be worded in the following way to allow for flexibility in the way an entity complies with the requirements:

Information that explains significant changes to the fair value of plan assets during the period. For example, an entity might consider a reconciliation of beginning and ending balances by showing separately, if applicable and quantitatively and qualitatively material, the effects during the period attributable to each of the following:

- 1. Actual return on plan assets
- 2. Foreign current exchange rate changes
- 3.
- Making Disclosure Requirements Flexible (Chapter 3): We find the idea of tiered disclosures intriguing, although a bit complicated as a result of the subjective nature of the terms that might be used, such as "moderate," "extensive" and "complexity." While such an approach may still result in some immaterial or irrelevant information being disclosed, we think the idea has merit as a starting point. It would reveal the thinking of the Board as to the most critical disclosure elements and would immediately require preparers to evaluate their current level of disclosures within the context of the Board's thinking. We know that many business transactions and events are complex; that the global business environment is complex; and that our mixed-attribute financial reporting model is complex. A disclosure framework must accommodate all of that, but, perhaps in a more flexible, focused way. We think that either a minimum/expanded approach or a tiered-approach might accommodate much of the possible complexity of financial reporting, but with flexibility. We would also encourage the Board to better understand the potential legal ramifications of recommended disclosures as the United States is highly litigious and lawsuits based on what was or was not disclosed are brought on a fairly regular basis. The two aspects to this would be preparers who do not exercise flexibility, in an attempt to bulletproof themselves from lawsuits, and on the other side, auditors who insist on disclosures to ensure they are not faulted. For clarity, we do not support either of the extremes presented in 3.8—one is too rigid for preparers and the other would likely reduce comparability among entities.
- Reporting Entities' Decisions about Disclosure Relevance (Chapter 4): We find the discussion in Chapter 4 to be rationale and clear, but please see our comments above re: "Framework Thoughts," particularly our comments related to establishing clear principles for the content and nature of footnote information.

Chapter 4 starts with an assertion (in 4.5) that "a reporting entity should provide a disclosure if it would change users' assessments of cash flow prospects by a material amount." As a general principle, this appears reasonable; however, we do have concerns that without a proper framework for *footnote* disclosures, such a principle could compel disclosures in footnotes that would not be appropriate and overreaches the purpose of the financial statements to a projection tool. As expressed above, in our view, it is of paramount importance that the information in the footnotes be auditable (without significant reliance on management representations) and not raise safe-harbor issues for preparers—forward-looking information should be limited and factual.

We also think that paragraph 4.20 offers an interesting idea. It states that "one possible practical expedient might be to think about prospects for future cash flows as reflected in ratios and other metrics that provide quick ways of comparing performance between entities and periods." There is merit to using ratios and metrics as a framework for thinking about relevance, but perhaps it is also a good idea for enhancing a user's ability to find and understand relevant information. We are not certain that such an idea can provide meaningful comparisons as the elements included, seasonality, geographic dispersion, etc. may be very different between companies. In these types of instances, context is critically important and we believe that MD&A is the more relevant place for that type of information.

• Other Matters for Discussion (Chapter 7): We are not certain that there is an urgent need for the summary of accounting policies as a likely candidate for short-term improvement unless the overarching assumption is that users are understood to be fully familiar with GAAP such as approaches to estimating fair value, foreign currency translation, etc. and therefore, such information can be eliminated. Although it can be lengthy, for new users, it can be a wealth of important introductory information, particularly those not well versed in GAAP. For seasoned users, it won't be read. And, new or changing policies with significant impacts are required to be disclosed. Finally, for preparers, the preparation time is minimal and would be centered on describing new or revised policies.

Also, as this footnote is almost universally "Note 1" (or Note 2), it shouldn't be hard to find or avoid. Please also see our comments above in "Format and Organization," particularly with respect to the idea of requiring an index to the notes to the financial statements.

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We appreciate your consideration of these comments. We would be happy to discuss these matters further or to meet with you if it would be helpful.

Sincerely,

Loretta V. Cangialosi

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Senior Vice President and Controller

cc: Frank D'Amelio

Executive Vice President, Business Operations and Chief Financial Officer