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Via email to director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
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Re: Proposed Amendments to Statement of Financial Accounting Concepts – Conceptual Framework for Financial Reporting: Chapter 3: Qualitative Characteristics of Useful Financial Information, File Reference No. 2015-300

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the “Board”) regarding the Proposed Amendments to Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting: Chapter 3: Qualitative Characteristics of Useful Financial Information*, and commends the Board for its continuing efforts to improve the usefulness of the information provided to users of financial statements through its disclosure framework project. The proposed amendments were issued concurrently with the Board’s Exposure Draft *Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material* to which we have also provided comments. Overall, we believe the proposed amendments improve the alignment with current SEC guidelines and lessen the inconsistency between the framework and the legal concept of materiality.

Chevron is one of the world's leading integrated energy companies. Through its subsidiaries that conduct business worldwide, the company is involved in virtually every facet of the energy industry. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and lubricants; manufactures and sells petrochemicals and additives; generates power and produces geothermal energy; and develops and deploys technologies that enhance business value in every aspect of the company’s operations.

The question posed by the Board in the proposed amendments to the Conceptual Framework was:

Do the proposed amendments improve Concepts Statement 8? If so, how? If not, why?

We believe the proposed amendments improve Concepts Statement 8. As stated in our comments to the Exposure Draft – *Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements*, we encouraged the board to consider the current Securities and Exchange Commission (“SEC”) principles, definitions and guidelines in standard setting to simplify the disclosure process. The proposed amendments would align the definition of materiality in the Concept 8 Statement with the controlling securities law definition of materiality, i.e., information is material if there is a substantial likelihood that the omitted or misstated information would have been viewed by a reasonable investor as

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having significantly altered the total mix of information. (See, for example, *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976); *Basic Inc. v. Levinson*, 485 U.S. 224 (1988, as cited in the Proposed Amendments). In short, the updated conceptual framework eliminates Concept 8's theoretical "could" and replaces it with the U.S. Supreme Court's "reasonable investor. . . substantial likelihood. . . total mix" test for materiality. We believe that the benefits of aligning the Concept 8 Statement with the legal definition of materiality are principally two-fold:

- First, the threshold of materiality in the current Concept 8 Statement is too low. In the U.S. Supreme Court's decisions cited in the Proposed Amendments, the Court deliberately emphasized the concept of "substantial likelihood" because securities fraud liability can be great. If the standard is unnecessarily low, i.e., "could influence," as used in the Concept 8 Statement, not only may corporations and management be subject to liability for insignificant omissions or misstatements, but management may, for fear of such liability, simply bury investors in trivial information.
- Second, the new definition appropriately clarifies the limits of the Board's role in establishing quantitative thresholds and setting standards regarding materiality judgements. This provides clarity to management, auditors and others who seek guidance on rules/standards related to materiality.

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,

A handwritten signature in blue ink, appearing to read "Ziarnik", is written over a faint, illegible typed name.