



July 22, 2022

Ms. Kathleen L. Casey, Chair  
Mr. John W. Auchincloss, Executive Director  
Financial Accounting Foundation Board of Trustees  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: Financial Accounting Foundation Strategic Plan Draft for Public Comment**

Dear Ms. Casey and Mr. Auchincloss,

This letter is submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Financial Accounting Foundation's (FAF) Strategic Plan Draft for Public Comment (Plan).

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. CCR is FEI's technical committee of approximately 50 Chief Accounting Officers and Corporate Controllers from Fortune 100 and other large public companies, representing more than \$11 trillion in market capitalization. CCR reviews and responds to pronouncements, proposed rules and regulations, pending legislation, and other documents issued by domestic and international regulators and organizations such as the U.S. SEC, PCAOB, FASB, and IASB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

**Executive Summary**

As issuers, CCR shares the FAF's and the Financial Accounting Standards and Government Accounting Standards Boards' (Boards) commitment to serve the needs of investors and other users of financial reports in the public interest and appreciates the opportunity to provide feedback on the FAF's Plan. We support the FAF's mission focused on establishing and improving high-quality financial accounting and reporting standards that provide information useful to users of financial reports and improving all stakeholders' understanding of those standards and preparers' ability to implement them effectively. We strongly believe that the independent standard-setting process is what makes the U.S. financial accounting and reporting standards a model for the world, as it results in providing investors and others with information critical to their analyses and decisions and underlies the functioning of liquid and efficient capital markets.

We are highly supportive of the FAF's five values (excellence, inclusiveness, independence with accountability, integrity, and transparency), along with the six goals included in the Plan. Below we provide additional feedback on numerous objectives specifically outlined in each of the Plan goals, based on our collective experience in preparing financial statements, implementing new standards, and being involved in various stages of the Boards' standard-setting activities. We welcome further discussion with the FAF staff at your convenience.

**Importance of Independent Standard Setting**

As noted above, we strongly support the Board's independent standard-setting model, and specifically applaud the Plan's objective focused on collaborating with and enlisting stakeholder groups as part of independent standard setting. We support the FASB as an independent standard setter and have found the independent standard-setting process it applies, which includes extensive stakeholder outreach (with investors, preparers, practitioners, regulators, auditors, etc.), fieldwork, comment, and a phased implementation approach, has resulted in standards that are operable and fulfill the goal of providing investors decision-useful information. In our response to the FASB's Invitation to Comment (ITC), *Agenda Consultation*, submitted in September of 2021, we commented on the FASB's Cost-Benefit Analysis Framework and encouraged the FASB to continue to expand the use of joint outreach discussions, which enable issuers to better understand the needs of users and to propose effective solutions that may not be readily apparent when outreach is siloed by stakeholder group. We invite further opportunities to participate in joint meetings with users and the FASB staff to discuss specific needs raised by users and provide insights from an issuer perspective, all with the goal of providing the highest quality financial reporting. Along with broad perspectives as part of due process, we believe there is great value in having the Board be comprised of members with diverse backgrounds, including investor, practitioner, preparer, and academic backgrounds. We believe this diversity of background is important to understanding and appreciating feedback from a broad array of constituents participating in the feedback process.

### **Evolution of Standards**

We support prioritization of the FAF maintaining an ongoing dialogue with the Boards about their methods to ensure financial accounting and reporting standards are current. As issuers, we have a shared interest in building efficient capital markets and are motivated to provide information that is decision-useful to users, including companies' current and potential shareholders, in the most efficient manner possible. We stand ready to participate in the various methods the Boards propose to ensure standards are meeting the current needs of investors.

We appreciate the FAF Trustees' explicit recognition of the importance of the Boards' efforts in soliciting input on the continuing relevance of GAAP-based information to investors and other users of financial statements. We strongly believe that including a variety of perspectives as part of the FASB's standard-setting process is key to ensuring rules and standards are current and provide decision-useful information in a cost-effective manner. In our experience, investors and other users of financial statements, as the primary beneficiaries of standard-setting and financial reporting efforts, are best suited to provide input on the expected benefits of a proposed accounting standard, and issuers are best suited to provide input on the operability of accounting standards by providing insight into how companies make decisions and what data is available. We have found immense value in the discussions organized by the FASB where both issuers and users meet, in the same room, to hear each other's views on specific proposals,<sup>1</sup> and that such discussions yield the best results. Examples of these efforts include collaborative discussions facilitated by the FASB, such as meetings of the Emerging Issues Task Force (EITF) and the Financial Accounting Standards Advisory Council (FASAC), which consist of various stakeholder groups. We note that one of the most challenging aspects of the standard-setting process is making robust cost benefit analyses. We encourage the FAF to include an objective related

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<sup>1</sup> See 2015 Q1 "[From the Chairman's Desk](#)" by former FASB Chairman Russell G. Golden.

to the Board developing a more rigorous method of assessing the costs and benefits of accounting standards both before and after the standards are finalized.

Overall, we believe the Board's efforts to provide clear language in financial accounting and reporting standards have been successful in the past, through multiple feedback processes including having a variety of stakeholders review drafts for understandability. We appreciate the attentiveness with which the Boards and staff have conducted outreach in developing standards historically and are eager to participate prospectively.

### **Diversity, Equity, and Inclusion**

We strongly support the objectives to expand the FAF's recruiting efforts to identify talent that will further diversify the organization and ensure that the Boards' stakeholder outreach is broad and inclusive. As outlined above, in our experience participating in the standard-setting process and applying new standards, independent standard setting is most effective when views are provided by a broad array of constituents that represent diversity of experience, industry, gender, ethnicity, etc.

### **Global Financial Reporting**

Given the dynamic nature of reporting requirements being developed internationally, we believe the FAF's inclusion of a specific objective focused on holding an ongoing dialogue with the Boards' chairs about international accounting and reporting issues is critical. We commend the Boards' efforts to maintain discussions with the Trustees of the International Financial Reporting Standards Foundation (IFRSF), as well as regular touchpoints with the IASB on international standards, whereby both groups keep each other apprised of their perspectives when new standards on similar topics are considered and developed. A majority of CCR companies are multinationals and are required to report under multiple reporting frameworks. As such, we support continued exploration and conversations in development of standards to maintain consistency in reporting to ensure comparability for investors.

### **Sustainability Reporting**

We applaud the FAF's prioritization of maintaining an active dialogue with the Boards on their outreach with stakeholders about evolving sustainability reporting. As previously highlighted, we have found great value in our discussions organized by the Boards where various stakeholders have participated in discussions in the same room and believe this format could be beneficial in efficiently obtaining input on potential paths forward to provide investors the sustainability information they need.

We commend the Plan's objectives supporting that the Boards remain informed about the evolving interplay between GAAP and investors' and other financial reporting users' sustainability information needs. While we support standard setters leveraging existing GAAP, if new principles are introduced, we believe standard setters should follow a process modeled after the processes used by independent standard-setting bodies, such as the FASB. These processes include robust stakeholder outreach, field testing, public Board deliberations, post-implementation reviews, and many other mechanisms by which interested parties may actively observe, participate, and provide feedback throughout a project's lifecycle. In addition to sustainability, we believe this process can be considered in developing disclosure standards for other types of information that may be included in financial reporting documents for investors, including cyber, human capital, etc.

We support the FAF’s objective to closely monitor and engage with others involved in sustainability reporting. CCR companies, which are largely global organizations, may ultimately be required to report in accordance with more than one set of sustainability requirements. We believe that engaging closely with other standard setters and regulators, including the ISSB, EFRAG, IFRSF, SEC, etc., to strive for a minimum level of global consistency could help mitigate confusion for financial statement users and reduce cost and complexity for issuers ultimately required to report under more than one framework.

**Conclusion**

We appreciate this opportunity to provide feedback on the FAF’s Strategic Plan Draft and applaud the commitment to the independent standard-setting process. We thank the FAF for its consideration of our comments and welcome further discussion with the FAF or staff at your convenience.

Sincerely,

*Rudolf Bless*

Rudolf Bless  
Chair, Committee on Corporate Reporting  
Financial Executives International