

FINANCIAL ACCOUNTING FOUNDATION

STRATEGIC PLAN DRAFT FOR PUBLIC COMMENT

MAY 2022



Message from the Chair and Executive Director

We are pleased to share with you the new strategic plan for the Financial Accounting Foundation. As the respective leaders of the Foundation’s Board of Trustees and staff, we have the honor to serve as stewards of—and advocates for—the independent process by which financial accounting and reporting standards are set in the United States. This independent process is what makes U.S. financial accounting and reporting standards a model for the world, provides investors and others with information critical to their analyses and decisions, and underlies the functioning of liquid and efficient capital markets.



This plan differs from our previous strategic plan in that it seeks to reflect the activities and responsibilities of the Foundation’s Board of Trustees and staff (collectively, the “FAF”) and those of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) (collectively, “the Boards”) and their staffs. The FAF and the Boards constitute a single organization and share complementary missions. Although our

governing documents accord them different roles, the FAF and the Boards are collectively committed to serving investors and other users of financial reports¹ in the public interest.

Broadly, the FAF is charged with governance of the Foundation and oversight of the Boards’ standard-setting activities (including appointment of the members of the Boards and their advisory councils), as well as providing administrative services to the Boards. The Boards and their staffs are responsible for establishing and improving financial accounting and reporting standards in their respective domains, including setting the technical and research agendas that drive those standard-setting activities. It is important to note that, under the FAF’s bylaws, in carrying out its governance and oversight responsibilities the FAF takes care not to impair the independence and objectivity of the Boards in making their standard-setting decisions.

The FAF and the Boards maintain alignment through our shared commitment to serve the needs of investors and other users, our constant dialogue, and the FAF’s oversight activities. The Boards engage in their standard-setting activities and agendas in a manner that aligns with our organization-wide strategic goals, including extensive stakeholder outreach.

The strategic plan that follows addresses goals that pertain to the role of the FAF:

- To design and implement good governance practices for the organization, including the Boards
- To appoint the members of the FASB and the GASB, including their chairs, the Boards’ respective advisory councils, the FAF Executive Director, and the FAF Board of Trustees
- To oversee the standard-setting process followed by each Board
- To ensure the FASB and the GASB have the funding and resources needed to fulfill their respective portions of our complementary missions.

¹ For FASB these other users include investors, lenders, analysts, and other allocators of capital. For GASB they include the citizenry and legislative and oversight bodies in addition to lenders, analysts, and other allocators of capital.

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Through their leaders, the Boards have engaged with the development of this strategic plan and support its goals, objectives, and the FAF's mission and vision statements set forth herein.

In creating this plan, we reached out to investors and other users of financial reports, as well as other stakeholders. We are grateful to the hundreds of individuals who provided feedback to us through an online survey, and the leaders of diverse stakeholder groups who participated in dozens of one-on-one or small group interviews to further inform our thinking. This information proved essential to our development of this plan.

We know that independence is a privilege we must earn every day. In publishing this plan, we hope it sparks further conversations with the many stakeholders who share our strong belief in and commitment to the independent standard-setting process. We invite you to engage with us in support of this vital part of the financial reporting system.

Kathleen L. Casey, Chair, FAF Board of Trustees

John W. Auchincloss, Executive Director, FAF

Our Mission

Our mission is, through governance and oversight, to ensure that the Financial Accounting Standards Board and the Governmental Accounting Standards Board fulfill their respective missions that are focused on establishing and improving high-quality financial accounting and reporting standards that provide information useful to investors and other users of financial reports, and improving all stakeholders' understanding of those standards and preparers' ability to implement them effectively.

Our Vision

The vision of the Financial Accounting Foundation is that the organization, including the Boards, will be recognized and trusted as the leader in financial accounting and reporting standard setting in the United States, and as a prominent leader and collaborator globally.

Our Values

Excellence

We strive to promote excellence in every aspect of our governance and oversight of standard setting, including appointing and overseeing highly talented members of the Boards and advisory councils; oversight of the establishment of other advisory bodies; oversight of and support for the hiring and retention of the Boards' skilled standard-setting staffs; and oversight of a rigorous due process that results in high-quality financial accounting and reporting standards supported by clear, widely available educational materials.

Inclusiveness

We and the Boards strive to be as inclusive as possible in all our activities. This goes beyond our commitment to attract and retain broadly diverse talent and provide a supportive, inclusive workplace. It also drives our passion for stakeholder engagement and ensures that everyone has the opportunity to participate in the standard-setting process. General acceptance of financial accounting and reporting standards is a function of inclusiveness; we know that wider engagement throughout the standard-setting process is essential to better outcomes.

Independence with Accountability

We recognize that we must continue to earn our independence every day. We earn it by ensuring that we and the Boards hold ourselves accountable by seeking input from investors, other users of financial reports, and other stakeholders through a robust, inclusive process. We all listen with an open mind to all parties, and, through oversight, we ensure the Boards commit to amend, improve upon, or revisit previous decisions as new information and perspectives emerge.

Integrity

We strive to appoint individuals of the highest integrity in our organization, and we closely monitor their work to ensure that all decisions are made free of conflicts of interest and are centered on our mission.

Transparency

Transparency in standard setting is foundational to stakeholder trust. To that end, the FAF reports on its governance and oversight activities in public sessions of the meetings of our Board of Trustees. The Boards conduct all their official business in public session and ensure that standard-setting decisions are reached only after completion of a rigorous due process, which allows for public input into and review of every phase of standard setting.

Our Strategic Goals and Objectives

Goal #1: In service to the public interest, promote the importance of independent standard setting to capital markets

For decades, the FASB and the GASB have been entrusted to set U.S. financial accounting and reporting standards. The Boards follow an independent, transparent, extensive, and inclusive due process and time-tested methods to collect and assess input from diverse stakeholders. This process benefits investors and other users of financial reports, capital markets, and other stakeholders. We will enhance our engagement with stakeholders, regulators, and policymakers about the value of independent standard setting to perpetuate this long legacy of success.

Objectives

- Engage regularly with regulators and policymakers in Washington DC and in state capitals and local communities around the country to maintain and increase their understanding of the benefits of independent standard setting for financial accounting and reporting.
- Collaborate with and enlist stakeholder groups to support the importance of independent standard setting.
- Provide, with members of the Boards and their staffs, regular updates about current and pending FASB and GASB projects to policymakers at the federal, state, and local levels so these audiences can better appreciate the importance of independent standard setting and how our independent process works in practice.
- Continually review and assess our governance and oversight practices to ensure they align with our mission and vision, reflect best practices, and maintain the confidence of stakeholders in our role to oversee the independent standard-setting process.
- Collaborate as appropriate with international standard-setting bodies to mutually reinforce communications around the crucial role that independent standard setting plays in serving investors and other users of financial reports, capital markets, and other stakeholders.

Goal #2: Ensure financial accounting and reporting standards evolve

Information in financial statements is based on Generally Accepted Accounting Principles (GAAP) and is vital to investors and others in deciding how to allocate their resources. However, these users have a multitude of information needs and a rapidly growing number of ways to capture and analyze data not necessarily included in financial reports. Moreover, economic shifts and changing business models affect the ways in which investors and others perceive the usefulness of GAAP-based information. As the Boards create and adapt standards to meet the needs of users of financial reports, we will ensure they maintain and follow a robust due process to keep GAAP current and have the resources they need to act in a timely way, consistent with this process.

Objectives

- Maintain an ongoing dialogue with the Boards about their methods to keep financial accounting and reporting standards current, especially as information sources proliferate and the information needs of investors and other users evolve.
- Support the Boards' efforts to solicit input on the continuing relevance of GAAP-based information to investors and other users of financial reports.
- Encourage the Boards to use clear language in financial accounting and reporting standards and their accompanying educational materials to aid users' ability to understand new and updated standards and the information they produce.

Goal #3: Incorporate new technologies to make the standard-setting process more effective and productive, from initial stakeholder input through the delivery and consumption of standards

It is essential that we embrace and keep pace with changing technologies. New technologies are recasting the environment in which standard setting occurs. Stakeholders want easy access to financial accounting and reporting standards and educational materials about those standards. They also want faster, simpler ways to participate in the standard-setting process. Making it easier for stakeholders to provide input to the Boards will enhance the "general acceptance" of financial accounting and reporting standards and support the relevance of GAAP-based information over the long term. New technologies likewise can improve the Boards' internal processes, which will make standard setting more effective and productive. We will invest in technology as needed to fulfill our mission.

Objectives

- Oversee and support the Boards as they evaluate how to use technology throughout the standard-setting process to make it easier to solicit and receive stakeholder input and to aid stakeholders in understanding newly issued and developing standards.
- Regularly incorporate a discussion of technology into meetings with the Board chairs. This discussion should include longer-term technology trends that expand the sources of information available to users of financial reports, and what resources we need to provide to enable the Boards to leverage these trends.
- Develop and execute a sustainable long-term technology investment strategy to keep pace with technology changes.

Goal #4: Build on our commitment to greater diversity, equity, and inclusion

We believe strongly in the benefits of a diverse, equitable, and inclusive workplace and approach to our mission. We recognize and appreciate the value that differing

perspectives bring to the quality of our work and the financial accounting and reporting standards the Boards produce. We see diversity as a wide range of backgrounds, experiences, and voices that strengthen both our organization and our ability to engage broadly with our stakeholders. We are fully committed to a more diverse, equitable, and inclusive culture within our organization, and in outreach to and engagement with stakeholders, and will develop plans to achieve measurable progress.

Objectives

- Expand our recruiting efforts to identify talent that will make our organization more diverse and ensure that all candidate slates for every position across our organization include individuals who will make our organization more diverse.
- Ensure, through proper oversight, that the Boards' stakeholder outreach is broad and inclusive.
- Develop employee training programs to build a more inclusive culture.
- Increase relationships with educators, educational institutions, and organizations—such as Historically Black Colleges and Universities—that actively encourage minority students to pursue careers in accounting.

Goal #5: Exhibit leadership in global financial reporting

The Boards set financial accounting and reporting standards for the United States, which is home to the largest and deepest capital markets in the world. Many public companies domiciled outside the United States are listed on U.S. exchanges, and investors and lenders globally have a direct stake in U.S. equities and fixed-income products, including those issued by state and local governments and private companies. We and the Boards actively serve as leaders and collaborators on issues and trends affecting financial accounting and reporting standard setting globally. In addition, we will ensure the Boards have processes to identify and consider international developments.

Objectives

- Expand our dialogue with the Trustees of the International Financial Reporting Standards Foundation (IFRSF), including establishing regular Trustee-to-Trustee level meetings on topics of mutual interest.
- Hold a regular discussion with the Board chairs about international accounting and reporting issues and the specific ways in which the Boards exercise global influence and leadership.
- Ensure, through proper oversight, that the Boards are attentive to opportunities for international convergence of financial accounting and reporting standards.
- Endeavor to maintain on the FAF Board of Trustees at least one member who has extensive experience in, or oversight of, global standard setting.

Goal #6: Engage with stakeholders, regulators, and Congress to determine the appropriate way, if any, for the organization to contribute to future sustainability reporting.

We remain focused on overseeing the Boards in establishing and improving high quality financial accounting and reporting standards. However, we recognize there is growing demand by investors and other users of financial reports for greater consistency and comparability in reporting related to sustainability. Recent developments—including the establishment of the International Sustainability Standards Board (ISSB) by the IFRSF and the U.S. Securities and Exchange Commission’s proposed rulemaking for climate disclosures by public companies—are shaping the future sustainability reporting landscape. Given our commitment to the quality and integrity of financial accounting and reporting standard setting globally, we will actively monitor and engage with stakeholders, regulators, and Congress to ensure our organization can constructively contribute, as appropriate, to any future standard setting relating to sustainability reporting.

Objectives

- Continue to assess the landscape around sustainability reporting and solicit the views of and engage with our stakeholders, the U.S. Securities and Exchange Commission (SEC), Congress, and, as appropriate, other federal, state, and local governmental organizations, to understand their perspectives and what capabilities or expertise, if any, we might contribute to potential future sustainability reporting frameworks in the United States.
- Maintain an active dialogue with the Boards about what they are learning from stakeholders about evolving sustainability reporting, including any interconnectivity with financial accounting and reporting.
- Ensure, through proper oversight, that the Boards remain informed about the evolving interplay between GAAP and the sustainability information needs of investors and other users of financial reports and provide the Boards the resources necessary to do so.
- Closely monitor and engage, as appropriate, with the work of the IFRSF, the SEC, and others involved in sustainability reporting.

How We Developed Our Plan

The FAF Trustees launched this strategic planning effort in August 2020 when we established a Strategic Planning Task Force (the “Task Force”) comprising six FAF trustees, the Chairs and Vice Chairs of the FASB and GASB, and the FAF Executive Director. The Task Force commissioned an independent consulting firm to solicit and analyze stakeholder input during the fall of 2020. This outreach included an online survey that captured approximately 450 complete responses as well as 50 hour-long individual and small-group interviews with leaders from diverse stakeholder groups.

The Task Force weighed this input carefully through a series of meetings and provided an interim report to the FAF Board of Trustees at our meeting in November 2020. Combining the stakeholder and FAF Trustee input, the Task Force reviewed and slightly revised the organization’s Mission and Vision statements and generated a list of more than two dozen potential strategic opportunities. The Task Force subsequently prioritized this list to the six strategic goals included in this plan.

The FAF Board of Trustees reviewed the draft plan at our meeting in February 2021 and provided additional input to the Task Force. Following the SEC’s call for public input into potential future sustainability disclosures, the FAF Board of Trustees extended further development of this plan as it gained additional information. The report was further revised and released for public comment in May 2022. The Task Force reviewed the public comments and presented its final draft of the Strategic Plan to the FAF Board of Trustees at our meeting in _____. Following its adoption by the FAF Board of Trustees, the final Strategic Plan was published in _____.

About the Financial Accounting Foundation

Established in 1972, the Financial Accounting Foundation (FAF) is an independent, private-sector, not-for-profit organization based in Norwalk, Connecticut. Its Board of Trustees is responsible for the oversight, administration, financing, and appointment of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

The FASB and GASB (collectively, “the Boards”) establish and improve financial accounting and reporting standards—known as Generally Accepted Accounting Principles, or GAAP—for public and private companies, not-for-profit organizations, and state and local governments in the United States. Both Boards set high-quality standards through a process that is robust, comprehensive, and inclusive. The FASB is responsible for standards for public and private companies and not-for-profit organizations, whereas the GASB is responsible for standards for state and local governments.

The Foundation’s Board of Trustees comprises 14–18 members from varied backgrounds—users, preparers, and auditors of financial reports; state and local government officials; academics; and regulators. The Trustees direct the effective, efficient, and appropriate stewardship of the FASB and GASB in carrying out their complementary missions, select and appoint FASB and GASB members and their advisory councils, oversee the Boards’ activities and due process, and promote and protect the independence of the Boards.