



*Better markets through better information and greater market responsibility*

October 23, 2008

Matthew P. Reed  
21<sup>st</sup> Century Disclosure Initiative  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File Number 4-567 - 21st Century Disclosure Initiative

Dear Mr. Reed:

The Enhanced Business Reporting Consortium (“EBRC”) respectfully submits the following written comments in response to the *21st Century Disclosure Initiative*. EBRC was founded by the AICPA, Grant Thornton LLP, Microsoft Corporation, and PricewaterhouseCoopers LLP in 2005 upon the recommendation of the AICPA Special Committee on Enhanced Business Reporting. The EBRC is an independent, market-driven, non-profit collaboration focused on improving the quality, integrity, transparency and completeness of information used for decision-making in a cost effective and time efficient manner.

EBRC commends the SEC's 21st Century Disclosure initiative to modernize the disclosure system and improve transparency. This letter provides suggestions that EBRC believes may be useful during this initial planning stage of the initiative and facilitate subsequent adoption.

### **Enhancing Transparency**

The charge of the 21st Century Disclosure Initiative is to modernize the disclosure system so that the information the Commission requires from operating and investment companies is more transparent and therefore, more useful to investors, the marketplace, and the Commission, all while harnessing the conveniences and efficiencies of technology.

Leveraging Extensible Business Reporting Language (“XBRL”) to facilitate the collection and analysis of data is a key enabler of a more transparent and efficient disclosure system. In order to realize the full power and benefits of the XBRL format, however, it is first necessary to structure content so that it can be tagged and consumed in a way that is most meaningful to users. As a

result, information frameworks containing explicit definitions and related references must be developed so that corresponding XBRL taxonomies can be created and data can be tagged. .

Leveraging transparent market-based collaborative standards organization processes will facilitate the development, maintenance and relevance of such frameworks and related taxonomies. As outlined in more detail below, EBRC is promoting an international effort of transparent, market-based collaboration in the development of relevant frameworks and related taxonomies. While the transparency enabled by the technology and market collaboration is critical to a sustainable model, we respectfully suggest that the structuring of disclosure *content* should be a primary focus of the Initiative.

### **"Content is King"**

The October 8th Roundtable discussion focused on the migration from an electronic paper based system to a structured information environment enabled by technology advances (e.g. XBRL, Web services, etc.). While machine readable taxonomies providing explicit disclosure definitions and enable all market participants to more effectively and efficiently communicate and analyze relevant information, EBRC believes that many of the desired benefits will be realized by enhancing disclosure content through development of taxonomies addressing the full range of relevant information. There are a number of highly relevant content areas including:

- Periodic company reports (e.g. 10-K, 10-Q, etc.) including both the GAAP and Non-GAAP disclosures;
- Continuous disclosure requirements (e.g. press releases, 8-K, etc.)
- Other information required by the SEC (e.g. proxy statements, shelf registrations, etc.);
- All other SEC forms; and
- Management's Discussion and Analysis (see page 5)
- Key Performance Indicators and Other Metrics (see page 4)
- Clear and effective sustainability reporting
- Information relevant to portfolio oriented asset based securitization instruments such as: home equity loans, student loans, auto loans and others.

Enabling and facilitating the development and maintenance of the complete range of taxonomies relevant for registrants and their constituents is a critical objective for the 21st Century Disclosure Initiative, but this can only be achieved by structuring content in such a way that it can be meaningfully tagged for user consumption.

### **International Collaboration**

Information relevance in the 21st Century must clearly be based upon internationally recognized and accepted standards. As explained in the section "Key Performance Indicators and Other Metrics" (below), EBRC has collaborated with other groups around the world to facilitate the

development of an information framework and related interoperable taxonomies designed to enhance communications and analysis. EBRC encourages the 21st Century Disclosure Initiative to collaborate with internationally recognized standards bodies and include representative leaders from such groups on the contemplated Federal Advisory Committee.

Also, the Initiative might consider adding other relevant information experts to the Advisory Council such as economists and statisticians. These professional groups are working on similar efforts as evidenced by the recent United Nations Seminar on "[Addressing information gaps in business and macro-economic accounts to better explain economic performance.](#)" The United Nations Seminar comments and potentially some of the participants may be useful to the 21st Century Disclosure Initiative staff.

### **"Company File" Broadly Defined**

The 21st Century Disclosure Initiative should consider the implications of the transition from electronic paper to structured information on the broader compliance requirements of other agencies, registrants and their constituents. There is a larger convergence opportunity beyond simply U.S. GAAP and IFRS GAAP. As evidenced by the "[National Taxonomy Project](#)" in the Netherlands, the "[Standardized Business Reporting](#)" Project in Australia, and the U.S. FFIEC "[Call Report Modernization Project](#)," preparers and consumers of Company disclosures can benefit from a more business-centric compliance model, in which converged and reconciled taxonomies are used by a wide range of governmental agencies such as Internal Revenue Service, and Department of Commerce, and industry specific- regulatory agencies, such as the Federal Energy Regulatory Commission. This business-centric approach relies upon collaboration across agencies and a common compliance information platform that leverages the converged and reconciled taxonomies.

### **Prior Relevant Comments**

In its earlier related comment letter to the Committee on Improvements in Financial Reporting (CIFiR), EBRC has focused on themes that are essential for registrants, investors and the Commission and therefore relevant to realize the full value of the 21<sup>st</sup> Century Disclosure Initiative:

1. Encourage industry-based groups of companies and investors in the development of key performance indicators (KPIs);
2. Explore how collaborative frameworks could be used to structure Management's Discussion and Analysis (MD&A); and
3. Encourage private sector organizations to identify and celebrate innovative corporate websites that improve transparency.

We have also proposed that CIFIIR should test market reaction to development of KPIs and improvements to MD&A. The following is some additional detail on how the EBRC can assist in implementing these recommendations. We believe that KPIs and improvements to MD&A are equally if not more relevant to the 21<sup>st</sup> Century Corporate Disclosure Initiative regarding what information investors want and the best way to deliver it to them.

### **Key Performance Indicators and Other Metrics**

Investors are interested in information on KPIs that are leading indicators of financial results and intangible assets that are not captured on a company's balance sheet. Furthermore, investors need more complete, reliable and useful information on a company's performance and prospects within the industry or industries where it competes. The EBRC believes that voluntary standards for measuring KPIs and providing information on intangible assets should be developed by industry-specific market-based consortia that include companies, investors, analysts, accountants and others who use or play a role in the information various stakeholders use in making their decisions.

The EBRC has entered into an initiative with Gartner, Inc. to establish market-driven consortia to establish voluntary industry standardized KPIs. The market-driven collaboration would include corporations, financial analysts, technology enablers and information disseminators. Primary research conducted by Gartner clearly indicates that there is interest among each of these stakeholders for voluntary industry standardized KPIs that are predictive of financial performance. This market driven collaboration will initially focus on the insurance, consumer products and technology/software sectors.

From an international perspective, the EBRC is a member of the WICI ([www.worldici.com](http://www.worldici.com)), a diverse group of international organizations collaborating to promote better corporate reporting in terms of content and format. WICI was founded by the EBRC, European Federation of Financial Analysts Societies (EFFAS), Japan Ministry of Economy, Trade and Industry, Organization for Economic Cooperation and Development, Society for Knowledge Economics in Australia, University of Ferrara and Waseda University. Working groups in Japan (Waseda Intellectual Capital Research Society) and Europe (EFFAS Committee on Intellectual Capital and the Society of Investment Professionals in Germany) are developing voluntary standardized KPIs for a number of sectors, including the automotive, pharmaceutical, electronic devices and telecommunications sectors and for Environmental, Social and Governance matters ([http://dvfa.de/files/die\\_dvfa/kommissionen/non\\_financials/application/pdf/KPIs\\_ESG\\_FINAL.pdf](http://dvfa.de/files/die_dvfa/kommissionen/non_financials/application/pdf/KPIs_ESG_FINAL.pdf))

Standardized KPIs are not the same thing as the traditional concept of 'Industry Standard KPIs'. Standardization does not mean that all companies will be forced to use the same a single fixed definition for a KPI. It does mean the use of an agreed upon syntax or common language to describe a KPI.; In some cases all companies could be using the same definition for a KPI and in other cases several different definitions might be used.

'Retail Sales per Square Foot' ("RS/SF") is a good example of how analysis and comparability can be enhanced via standardization. Many retail companies report RS/SF and most have their own unique definition of either retail sales or square footage or both. The ability to explicitly describe the company-specific definition of RS/SF via the standardized language provides benefits to both registrants and users of the reports they issue. It also allows the user to explicitly understand when reported RS/SF concepts are comparable or when they are similar but not really comparable. With the example of RS/SF, XBRL provides companies with the ability to explicitly disclose the actual company-specific methodology underlying the measure and to do so in manner that can be understood by investors and other users.

### **Improvements in Management's Discussion and Analysis**

The EBRC believes that an optimal solution for improving the content of MD&A would include the market-driven development of a voluntary, best practices framework covering generally accepted disclosure guidelines for information about opportunities, risks, strategies and plans; the quality, sustainability and variability of cash flows and earnings; and information regarding more general issues of sustainability that are relevant to investors such as carbon emissions, human resource policies, and a company's intangible assets. The EBRC and WICI have combined their thinking to create a high level framework covering (1) Business Landscape, (2) Strategy, (3) Resources and Processes and (4) Performance. In addition, a XBRL taxonomy has been developed for the framework so that the information can be shared electronically. Finally, the framework is consistent with the International Accounting Standards Board (IASB) Management Commentary framework, which can lead to international convergence as improvements are made to MD&A. The EBRC and WICI Framework Taxonomies are available for public comment and discussion via this Website:

<http://trax3.corefiling.com/ps/filter/trax/home/trax-wici/wici%20taxonomy%20framework/1/index.html>

The EBRC respectfully submits that we can assist the 21st Century Disclosure Initiative in meeting its mission to modernize the disclosure system so that the information the Commission requires from operating and investment companies is more useful and transparent to investors, the marketplace, and the Commission. We are prepared to provide additional material further explaining our position if that would be helpful. Please contact Mike Krzus ([mike.krzus@gt.com](mailto:mike.krzus@gt.com) at 312-602-8029) or Amy Pawlicki ([apawlicki@aicpa.org](mailto:apawlicki@aicpa.org) at 212-596-6083) with any questions or requests. Thank you for the opportunity to share our views.

Respectfully Submitted,

The Enhanced Business Reporting Consortium