EBR360°

Enhanced Business Reporting Consortium

September 21, 2009

Ms. Elizabeth M. Murphy
Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. 265-25-02

Dear Ms. Murphy:

The Enhanced Business Reporting Consortium ("EBRC") respectfully submits the following written statements in advance of the Securities and Exchange Commission Investor Advisory Committee (the "Committee") meeting on Monday, October 5, 2009. The 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 and transparency of information used for decision-making in a cost effective, time efficient manner.

The EBRC mission is complementary to the Committee focus areas on the effectiveness of disclosures and the use of technology. At the July 27, 2009 meeting, the Committee discussed whether the information that investors currently receive — both before making an investment decision and afterwards — meet their needs, and if not, what changes are necessary to ensure that investors have the information that they need, when they need it. With respect to technology, the Committee discussed whether technology can be better used to improve the flow of information to and from investors.

The EBRC worked closely with the SEC Advisory Committee on Improvements to Financial Reporting (CIFiR) and was mentioned in CIFiR's final report with respect to the disclosures of key performance indicators (KPIs) and other metrics to enhance business reporting:

> Enhanced business reporting and key performance indicators (KPIs) are disclosures about the aspects of a company's business that provide significant insight into the sources of its value. The Enhanced Business Reporting Consortium has stated that the value drivers for a business "can be measured numerically through KPIs or may be qualitative factors such as business opportunities, risks, strategies and plans—all of which permit assessment of the quality, sustainability and variability of its cash flows and earnings. KPIs can be non-financial measures and also can include supplemental non-GAAP financial reporting disclosures that proponents have stated can improve disclosures by public companies. KPIs are leading indicators of financial results and intangible assets that are not necessarily included in a company's balance sheet and can provide more transparency and understanding about the company to investors. Proponents of the use of KPIs note that they are important because they inform judgments about a company's future cash flows – and form the basis for a company's stock price. Managers and boards of directors of companies use KPIs to monitor performance of companies and of management. Market participants and the SEC have identified KPIs as important supplements to GAAP-defined financial measures.

CIFiR made the following recommendation with respect to the disclosure of KPIs and other metrics to enhance business reporting:

> The SEC should encourage private sector initiatives targeted at best practice development of company use of key performance indicators (KPIs) in their business reports. The SEC should encourage private sector dialogue, involving preparers, investors (including analysts), and other interested industry participants, such as consortia that have long supported KPI-like concepts, to generate understandable, consistent, relevant, and comparable KPIs on relevant activity and, as appropriate, industry-specific, bases. The SEC also should encourage

> companies to provide, explain, and consistently disclose period-to-period company-specific KPIs. The SEC should consider reiterating and expanding its interpretive guidance regarding disclosures of KPIs in MD&A and other company disclosures.

The EBRC has already begun implementing this recommendation and has entered into an initiative with Gartner, Inc. for market driven collaboration to establish voluntary industry standards for KPIs. The market driven collaboration includes investors, corporations, technology enablers, and information disseminators. Primary research conducted by Gartner clearly indicates that there is interest among each of these stakeholders for voluntary industry standard KPIs that are predictive of financial performance. A market driven collaboration is currently in progress for the High Tech sector and plans are in place to focus on additional sectors.

With respect to technology, the EBRC is currently in the process of improving the eXtensible Business Reporting Language (XBRL) taxonomy for Management's Discussion and Analysis (MD&A). The current MD&A taxonomy consists of approximately 70 tags with most of the elements at the same hierarchical level. This required the creation of numerous company-specific extensions to make the taxonomy useful for those companies that tagged their MD&A under the SEC's Voluntary Filing Program. While the new taxonomy being proposed by the EBRC[1] currently only consists of approximately 140 tags, it has a structure reflective of the related SEC information requirements and should significantly simplify the tagging of the information as well as facilitate access for users of this information.

It is hoped that the financial reporting supply chain will openly collaborate on the proposed taxonomy in order to create more detailed tags so that narrative information can be provided in an interactive data format. Although the SEC is not requiring the tagging of narrative MD&A disclosure information at this time, the ability to tag and consume nonfinancial information (i.e., the narrative type of disclosures that are made via MD&A and other channels of corporate communication) is increasingly useful to both companies

[1] EBRC MD&A Taxonomy is freely available at http://www.worldici.com/taxonomies.php.

and consumers of business information, and is vital to providing enhanced transparency in the markets.

This assertion is supported by a January 2009 University of Central Florida research study entitled "The Impact of Information Tagging in the MD&A on Investor Decision Making: Implications for XBRL," by Vicky Arnold, Jean C. Bedard, Jillian Phillips, and Steve G. Sutton.[2] The study investigates how professional and nonprofessional investors use the information contained in the MD&A portion of the corporate annual report in making financial decisions, comparing the standard paragraph format used by U.S. public companies to a "tagged" format consistent with XBRL. Results suggest that "the availability of tagging within the EBRC framework facilitates better incorporation of risk information into investors' mental model of the subject company, for investors who choose to focus on that information. Further, it takes them less time to review that information in the tagged format, which indicates a more efficient decision process. In sum, this study's results suggest that the tagged MD&A structure results in more effective and efficient incorporation of risk information into financial decision-making."

The EBRC also agrees with CIFiR's recommendation that industry participants should coordinate among themselves to develop uniform best practices on uses of corporate websites for delivering corporate information to investors and the market. We have had discussions with the National Investors Relations Institute (NIRI) on this proposal and believe the initiative with Gartner discussed above would be ideal for market driven collaboration in this area. As indicated earlier, one of EBRC's founding members is Microsoft, which provided a demonstration of improved corporate website use at a CIFiR meeting. In addition, Gartner is one of the world's leading information technology research and advisory companies.

The EBRC respectfully submits that we can assist the Committee in meeting its mission, particularly in the areas of disclosures and the use of technology. We are prepared to provide additional material further explaining our position if that would be helpful.

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[2] Made possible by a grant from the FINRA Investor Education Foundation and support from the EBRC.

Please contact Bob Laux at 425-703-6094 or Amy Pawlicki 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