Providing better information to capital markets to improve valuation decisions
Bob Laux
Providing Better Information to Capital Markets to Improve Valuation Decisions

United Nations Seminar
Addressing Information Gaps in Business and Macro-Economic Accounts to Better Explain Economic Performance

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Bob Laux
Microsoft Corporation
To establish a consortium of investors, creditors, regulators, management, & other stakeholders to improve the quality & transparency of information used for decision-making
EBR Consortium

- EBR Consortium established in 2005
- EBR Consortium currently governed and funded by 4 Charter Members:
  - AICPA
  - Grant Thornton
  - Microsoft Corporation
  - PricewaterhouseCoopers
Framework Development

- EBRC has developed a high-level framework that includes:
  - Relevant contextual factors (business landscape, strategy, and resources and processes)
  - A broader definition of performance:
    - GAAP/IFRS-based financial performance
    - Key Performance Indicators (KPIs)
    - Other relevant performance measures
Enhanced Business Reporting Framework

<table>
<thead>
<tr>
<th>Business Landscape</th>
<th>Strategy</th>
<th>Resources &amp; Processes</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Landscape Summary</td>
<td>Corporate Strategy Summary</td>
<td>Resources &amp; Processes Summary</td>
<td>Performance Summary</td>
</tr>
<tr>
<td>Economic</td>
<td>Vision &amp; Mission</td>
<td>Resource Form</td>
<td>GAAP-Based</td>
</tr>
<tr>
<td>Industry Analysis</td>
<td>Strengths</td>
<td>- Monetary Capital</td>
<td>GAAP-Derived</td>
</tr>
<tr>
<td>Technological Trends</td>
<td>Weaknesses</td>
<td>- Physical Capital</td>
<td>Industry-Based</td>
</tr>
<tr>
<td>Political</td>
<td>Opportunities</td>
<td>- Relationship (Social) Capital</td>
<td>Company-Specific</td>
</tr>
<tr>
<td>Legal</td>
<td>Threats</td>
<td>- Organizational (Structural) Capital</td>
<td>Capital Market-Based</td>
</tr>
<tr>
<td>Environmental</td>
<td>Goals &amp; Objectives</td>
<td>- Human Capital</td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>Corporate Strategy</td>
<td>Key Processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Unit Strategy</td>
<td>- Develop Vision &amp; Strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Portfolio</td>
<td>- Manage Internal Resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Manage Products &amp; Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Manage External Relationships</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Manage Governance and Risks</td>
<td></td>
</tr>
</tbody>
</table>

(* An XBRL taxonomy has been developed)
SEC Advisory Committee on Improvements to Financial Reporting (CIFiR)

- Recommendation
  - The SEC should encourage private sector initiatives targeted at best practice development of company use of Key Performance Indicators (KPIs) in their business reports
    - Encourage private sector dialogue, involving preparers, investors, and other interested industry participants, such as consortia that have long supported KPI-like concepts
    - Understandable, consistent, relevant and comparable KPIs on relevant activity and industry-specific basis
Recommendation

Acknowledge the useful work of those consortia that endeavor to go beyond the limited scope of CIFiR’s recommendations to provide an overall structure which provide a linking of financial information and KPI indicators into a seamless whole.
EBRC-Gartner Initiative

- Market-driven collaboration to establish industry standards for KPIs, led by:
  - Business executives
  - Financial analysts
  - Investors

- Objective is to identify KPIs that are leading indicators of business performance for 3 of the following industry sectors:
  - Insurance
  - Financial Services
  - Pharmaceutical
  - Technology
  - Retail/consumer
Engaging International Participation: World Intellectual Capital Initiative (WICI)

- WICI is a diverse group of international organizations collaborating to promote better corporate reporting in terms of content and format.

- Founded by EBRC, European Federation of Financial Analyst Societies, Japan Ministry of Economy, Trade and Industry, Organization for Economic Cooperation and Development, Society for Knowledge Economics (Australia), University of Ferrara (Italy) and Waseda University (Japan).