

EBR360°

Enhanced Business Reporting Consortium

Better markets through better information and greater market responsibility

March 1, 2010

Re: Management Commentary Exposure Draft

Dear Sir/Madam:

The Enhanced Business Reporting Consortium (“EBRC”) respectfully submits the following written comments in response to the International Accounting Standards Board (“IASB”) Management Commentary Exposure Draft (“Exposure Draft”). EBRC was founded by the AICPA, Grant Thornton LLP, Microsoft Corporation, and PricewaterhouseCoopers LLP (“PwC”) 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.

The EBRC is aligned with the IASB’s goal to improve the usefulness of the information provided in an entity’s management commentary so that, when used in conjunction with the financial statements, users are better able to make decisions in their capacity as capital providers. It is apparent that more and more people recognize that the financial statements alone do not provide all of the information that users may need to make decisions and therefore may not fully meet the needs of corporate investors and other stakeholders. Only a portion of a company’s market value is attributable to the financial statement disclosures, while a larger portion is derived from the value assessed from other factors (i.e., intangibles created by strategies, product innovation, human capital and customer loyalty). We strongly agree that information included in management commentary is increasingly useful and provides an opportunity to understand management’s objectives, strategies for achieving those objectives and provide users the tools for evaluating an entity’s prospects and risks. The purpose of this letter is to provide our views on the questions posed in the Exposure Draft.

Question 1 - Do you agree with the Board’s decision to develop a guidance document for the preparation and presentation of management commentary instead of an IFRS? If not, why?

We support the decision to provide a framework to guide the preparation and presentation of management commentary and agree that providing this information would be useful for investors and other stakeholders. We believe that this guidance would be a helpful step in the right direction toward establishing a more holistic and integrated corporate reporting model, but it would be premature to propose that it become an IFRS.

The EBRC has worked to collaborate with international partners via the World Intellectual Capital Initiative (“WICI”)¹ network to develop a preliminary, overarching voluntary framework and taxonomy for the disclosure of relevant contextual factors related to business landscape, strategy, resources and processes, and performance which is consistent with the IASB Management Commentary framework. The next step however, is to build out this framework for additional elements and definitions and customize it for industry specific key performance indicators (“KPIs”). WICI is conducting a number of collaborative efforts to research and validate business metrics that are most important to investors, and is developing voluntary standardized KPIs for a number of sectors. When fully developed, the framework will provide structure for the presentation of *non-financial* components of business reports—including key performance indicators—and facilitate greater integration of financial and non-financial components on an industry-by-industry basis.

Question 2 - Do you agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary? If not, how should those content elements be changed to provide decision-useful information to users of financial reports?

We agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary. We noted that the elements were consistent with the EBRC/WICI framework which is a good first step towards a coherent business reporting model (however more work is to be done as noted above). We recognize that the framework could also be expanded to incorporate other elements included in sustainability reports that are relevant to investors such as carbon emissions and other environmental and social factors to advance to a more holistic approach to business reporting. Many initiatives around the globe are working to create reporting models to capture such information, while some regulators already require it. This has resulted in multiple frameworks with disparate definitions and applications that may provide unreliable measurement and disclosure results. We believe an overseeing body is necessary to assemble the various reporting initiatives into a collaborative effort to create an overall framework that could meet the needs of all stakeholders.

Question 3 - Do you agree with the Board’s decision not to include detailed application guidance and illustrative examples in the final management commentary guidance document?

We agree with the Board’s decision not to include application guidance or illustrative examples in the management commentary guidance document due to the fact that it could be interpreted as either a floor (minimum requirements) or a ceiling (the only disclosures for inclusion in management commentary). However, as practice evolves and more companies submit this information we do believe that best practices will emerge and at that time, it may be helpful to provide examples. Other organizations currently provide examples of good corporate reporting. PwC’s Corporate Reporting website² provides examples of enhanced business reporting in

¹ For more information on WICI visit the website at www.worldici.com

² See the PwC Corporate Reporting website at www.corporatereporting.com

practice. Examples available on this site include companies that disclose information that is consistent with PwC's corporate reporting framework, which informed the development of the EBRC/WICI framework.

In Conclusion

On behalf of the Enhanced Business Reporting Consortium, thank you for the opportunity to share our views on the Exposure Draft. Please contact Amy Pawlicki (apawlicki@aicpa.org at 212-596-6083) with any questions or requests.

Sincerely,

The Enhanced Business Reporting Consortium