

“ Today’s Challenges and Opportunities with XBRL ”

**Louis M. Thompson, Jr.
President & CEO
National Investor Relations Institute
American Enterprise Institute
May 30, 2006**

- **The use of XBRL is in its infancy, but offers both challenges and exciting opportunities for companies, analysts and investors.**
- **Among the challenges:**
 - **As with any new concept, there will be some early adopters, but the majority of companies may take a “wait and see” approach until they see the value, then more will sign on. Early adopters include Microsoft, Morgan Stanley and Reuters.**
 - **Once analysts and investors recognize the value of XBRL, the market will provide the incentives for companies to adopt the new system.**
 - **If not, the SEC may provide the “incentive.”**
- **Among the opportunities:**
 - **Most of the discussion on the use of XBRL focuses on tagging financial information.**
 - **Yet, XBRL provides the opportunity for companies to tag non-financial information.**

- **What are we talking about? There are common non-financial factors within specific industry groups that are seen as key value drivers. Let's take the biotech industry, for example.**
 - **Research and development expenditures**
 - **Alliances and business relationships**
 - **Business strategy**
 - **Specific product progress in FDA approval process**
 - **FDA approvals**
 - **Patents**
 - **Intellectual property**
- **The XBRL International not-for-profit coalition comprised of 250 companies and agencies is working with the recently formed Enhanced Business Reporting Consortium (of which NIRI is a strategic partner) to foster inclusion of non-financial value drivers into the reporting models.**
 - **The EBRC will be identifying common non-financial value drivers for specific industries to enhance the business reporting system.**
 - **On June 29, 2005 NIRI co-hosted with the CFA Institute a symposium at Baruch College in New York on "The Future of Corporate Reporting" moderated by AEI's Peter Wallison.**
 - **There was extensive discussion on need for and potential use of non-financial factors in providing a more complete valuation model for companies.**
 - **There was a virtual consensus among the participants, including the FASB representative, that GAAP falls short in providing an accurate means of assessing corporate performance –**

largely because GAAP reporting is largely based on estimates.

- **The symposium participants representing the accounting profession, FASB, analysts and investors, the investor relations profession, the XBRL coalition and the EBRC, concluded that the future of corporate reporting will go beyond financial reporting to encompass relevant non-financial factors.**
- **XBRL benefits include:**
 - **Companies can publish a single set of tagged financial results using multiple channels – SEC filings and interactive Web sites to allow investors and analysts to make comparisons across selected companies.**
 - **It also allows companies to make comparisons with peer companies. Bench-marking using today’s methods involves considerable speculation and is largely done manually.**
 - **The users – analysts, investors and companies – can access and drill down into the financial and non-financial information that they want to see and using the means they want to use.**
 - **Users can develop their own software for this analysis. This software can automatically identify a variety of information.**
 - **Companies control the scope and amount of detailed information they report using the XBRL system and using their own distribution systems.**
 - **This means companies have greater control of the information they communicate without relying on**

third parties interpreting and repackaging the corporate information.

- **This information can be imported into any XBRL-enabled software.**
- **PR Newswire, Business Wire, Thomson Financial and other information distributors are developing distribution means for company information.**
- **XBRL offers companies an opportunity to move from a compliance mode evolving from SOX to one of offering greater information transparency through a royalty-free, open standard for tagging financial and non-financial information.**
- **Complete XBRL reporting, coupled with the efforts of the EBRC, offer the potential of a revolution in corporate valuation whereby the emphasis will be on longer-term corporate performance, away from the short-term focus on quarterly earnings.**
- **Thus, companies will benefit. Analysts will benefit and Investors will benefit. NIRI views XBRL as a “win-win” opportunity.**