



Why we must develop a 21st century business reporting model

WICI-Japan

Open meeting at KPMG AZSA

February 27, 2009

Mike Krzus

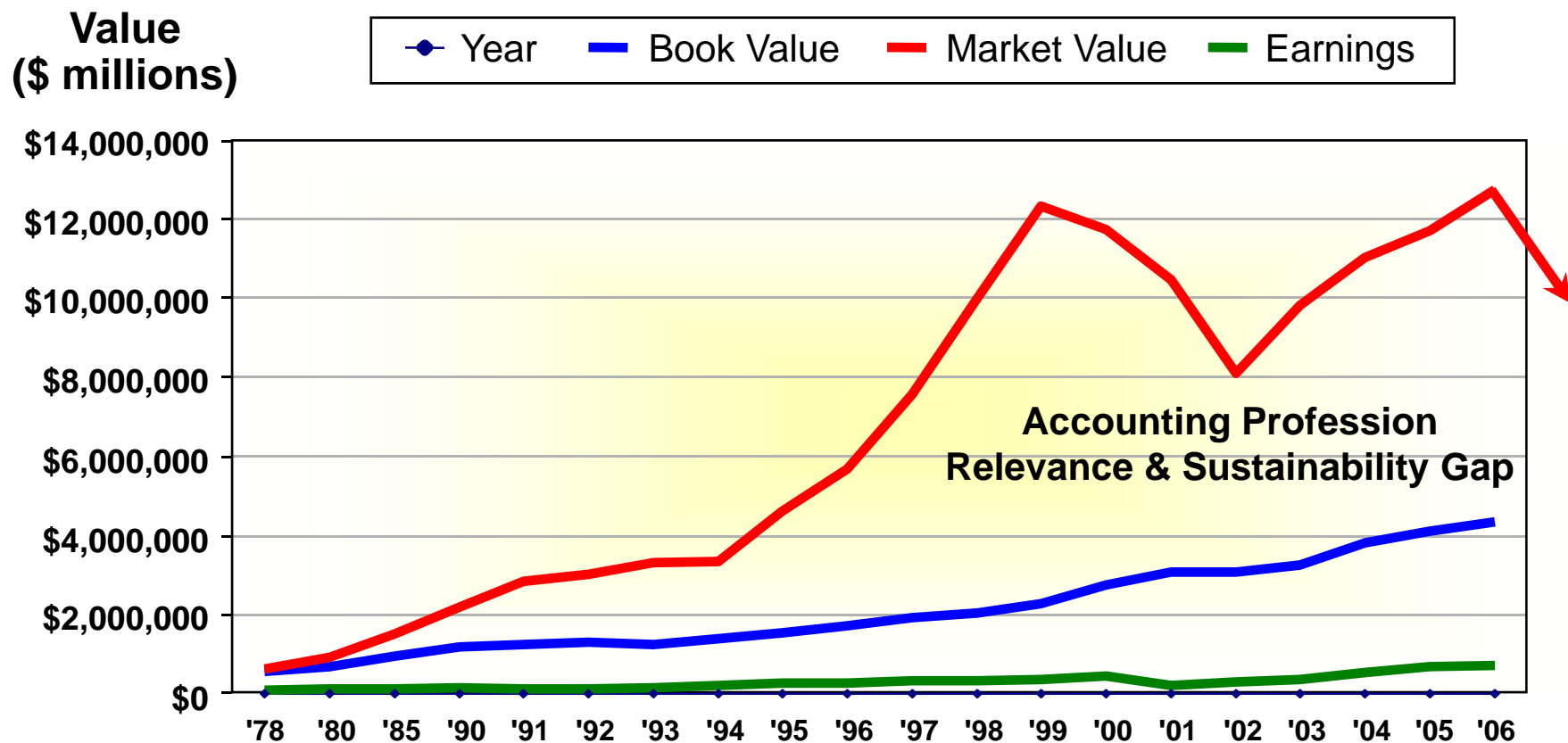
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What's wrong with today's financial reporting model?

- Not enough focus on investor, analyst, stakeholder information needs
- Financial reporting not relevant (linked) to internal management reporting and decision-making
- Information difficult to prepare (disparate internal systems), understand (opaque, complex) and access (dense, paper-based)
- Boilerplate discussion of strategy, plans, opportunities, risks
- Limited disclosure of KPIs
- Little or no focus on ES&G

The capital markets need more relevant information

Book-to-Market Value S&P 500



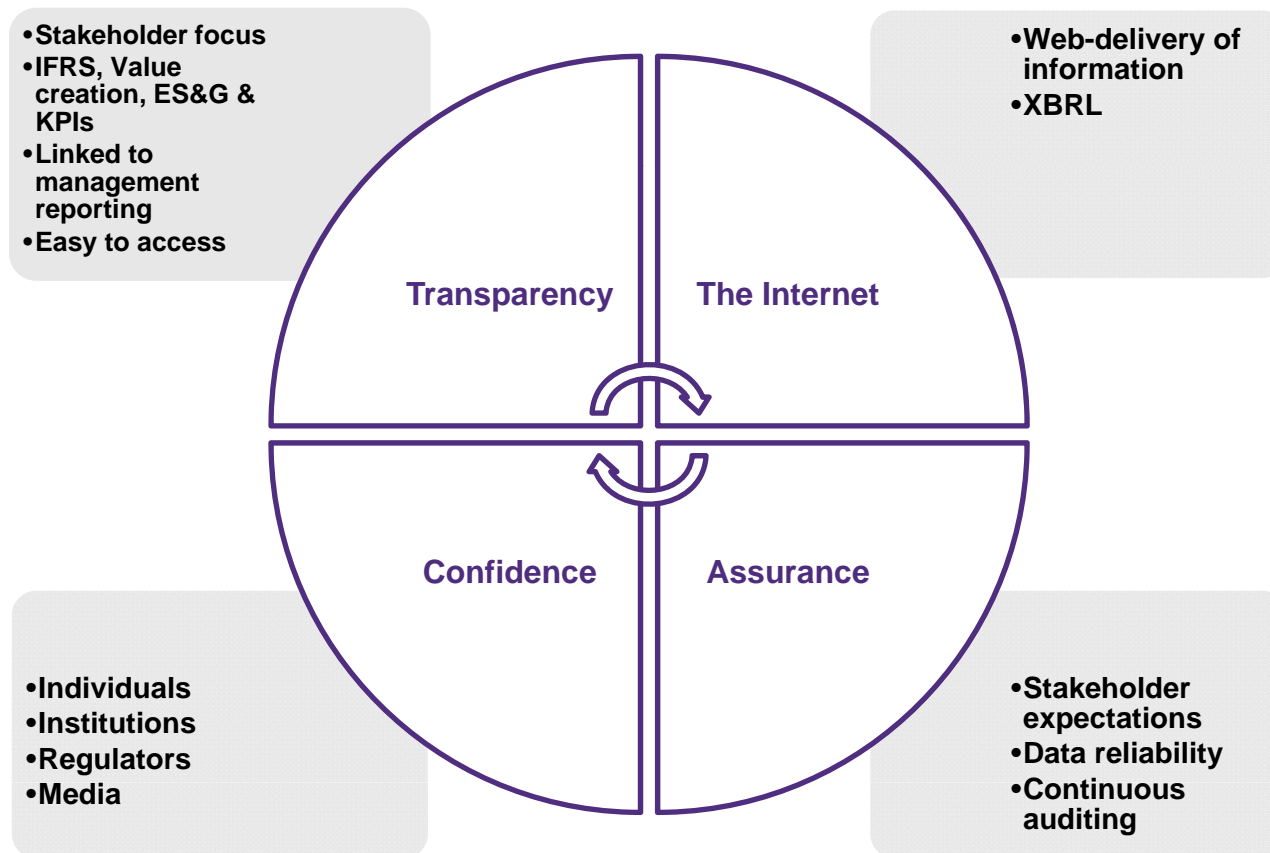
The forces of change

- **Convergence in accounting standards**
 - Convergence of U.S. GAAP and IFRS the first step in convergence of corporate reporting more broadly under a principles rather than rules-based approach
- **Demands for information on ES&G issues**
 - NGOs and others are increasingly effective in making clear what type of information they want from companies which broadens their external reporting requirements
- **Rising expectations of all stakeholders**
 - The size of the world's largest global companies has turned them into institutions that are important to society in general and their obligations to responsibly fulfill this role are increasing
- **Growth of the Internet and XBRL**
 - Companies and regulators are increasingly relying on the Internet to report and collection information and adoption of XBRL is growing

The current crisis

- The collapse of the financial markets
 - Lack of underlying information on certain types of transactions (e.g., subprime mortgages and credit default swaps) a major cause of this collapse
 - Short-term earnings are an especially unreliable guide in the current economic environment and so investors are looking for other measures of performance
- The critical question
 - Given the cumulative societal cost of the credit crisis; can we afford to ignore the possibility that a new, more transparent business reporting model might contribute to restoring trust and confidence?

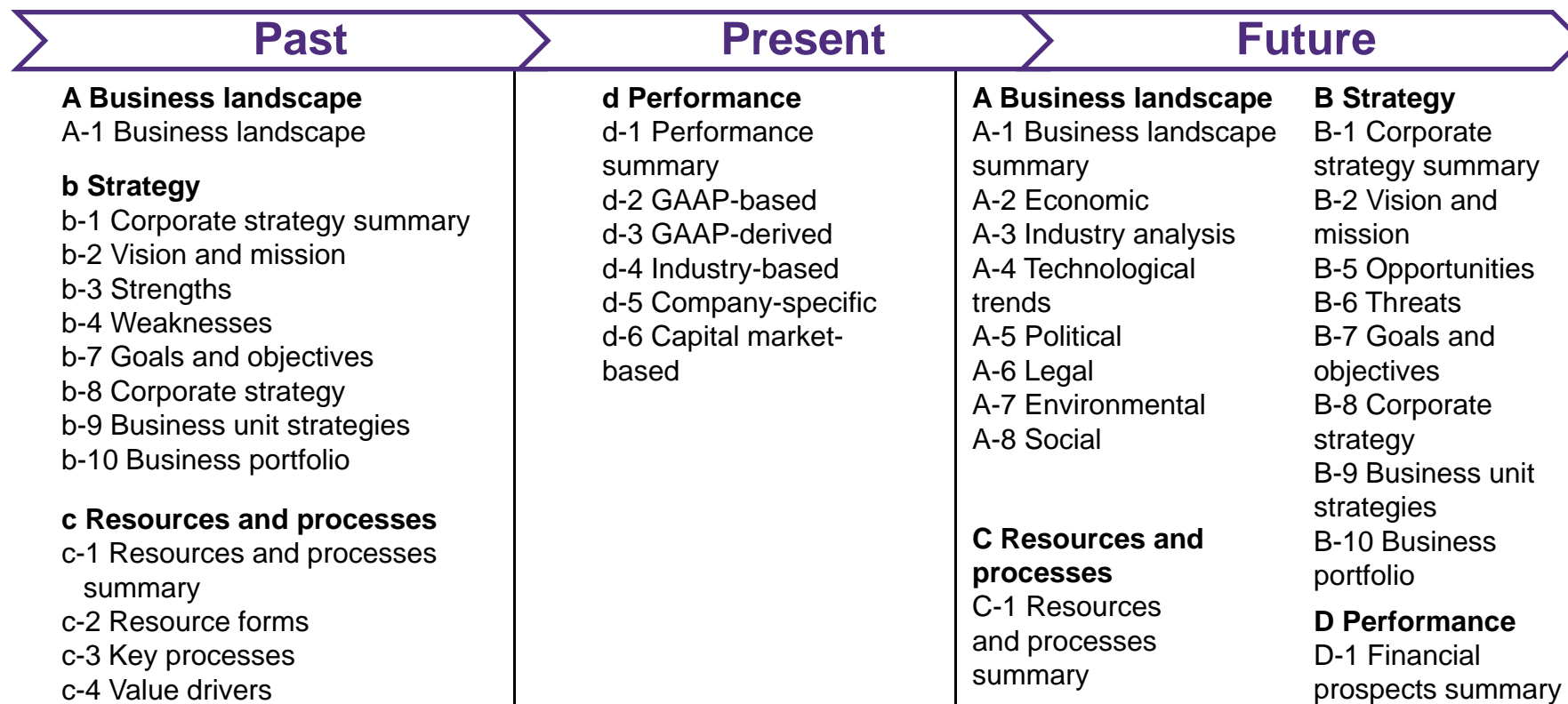
Restoring trust in the global financial system



WICI Framework V1.0

0 Corporate profile and business attributes

- 0-1 Industry overview
- 0-2 Duration and results per business unit
- 0-3 Business cycle per business unit
- 0-4 Competitive analysis



Change is never easy, but it does happen

- The Americas
 - Nike, Sun Microsystems, Timberland
- Asia-Pacific
 - BHP Billiton, Infosys, Ricoh
- Europe
 - Allianz, BMW, Novo Nordisk



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