



Best Practices in Online Corporate Governance Disclosure



A CCBN White Paper by Greg Radner, VP of Marketing

In the wake of numerous accounting and financial scandals and the resulting decline in investor confidence, corporate governance policies and procedures have come under heightened investor scrutiny. The Sarbanes-Oxley Act of 2002 (SOX) reflects a response to this series of highly publicized scandals and aims to prevent these practices in part by revising corporate governance standards and establishing new disclosure requirements. All the major exchanges have proposed corporate governance listing requirements that are currently in the approval process with the SEC.

As a result, corporate governance information has become part of the investment decision at many institutions. According to a McKinsey & Co. Global Investors Opinion Survey conducted in July, 2002, almost two-thirds of investors say that governance considerations may be a trigger to avoid investing in particular companies, and 80% responded that they would pay a premium for companies that are visibly well governed.

Knowing the rules of the road is critical, but even more important is how you communicate issues surrounding your company's corporate governance. To remain credible, companies need to make this information readily accessible and focus their efforts on providing a clear, concise message in the most transparent manner possible.

A New World Order

Before SOX, most companies chose to disclose little if anything about their corporate governance. In fact, a recent study of 135 companies conducted by Blunn & Company found that 84% did not have a corporate governance section on their Web site and only 14% prominently displayed their corporate governance policies.

But SOX has done for the IR Web site what Reg FD did for webcasting. Companies are now getting serious about being open and transparent in this area. Many companies see corporate governance as a way to stand out from the crowd and are making corporate governance a permanent part of their online disclosure strategy by devoting entire sections of their Web site to the topic. Case in point is standard-bearer GE.

Other companies are responding in varying degrees—from just meeting minimum requirements to full-fledged mini sites and everything in between. Wherever your company falls on the corporate disclosure continuum, in today's environment, everyone can benefit from more attention to corporate governance.

As Jane McCahon, Conway Communications and former chairperson of the National Investor Relations Institute suggests, "Nothing gets more personal than the composition of a company's board of directors or its compensation policies, but given the level of cynicism in the marketplace today, we should be taking extra steps to make sure the investment community has easy access to all that information. Companies that proactively disclose such information will be rewarded in the long term; those that don't—or worse yet, attempt to bury corporate governance information—will be punished."

The Web is a great way to bring visibility to your corporate governance policies. An effective IR Web site with a section dedicated to corporate governance can promote corporate integrity and SEC compliance, and potentially help in restoring investor confidence. Below we have highlighted best practices based on our review of thought leaders in this space.

Best Practices: Highlights

CCBN recognizes that corporate governance is not a one-size fits all solution. The key is organizing information into an easy-to-use and easy-to-access format while at the same time providing depth of information.

A good corporate governance section also shouldn't be driven only by what is required by law, but also by what investors want to know. In fact, Standard & Poor's October 2002 Transparency and Disclosure Study suggests that companies that voluntarily disclose more than is required may command a higher stock price and that such additional disclosure may be a best practice.

The unique capabilities of the Web can help you make it easy for investors to find and use information while at the same time meeting proposed requirements. According to Domenic Jones of the IRWebReport, a corporate governance “highlights” page can serve to “headline the key issues for investors and act as a launch pad of links to relevant information.” A highlights section allows you to emphasize the initiatives that illustrate your company’s specific commitment to good corporate governance. Such a section would include links to more information on:

- Board committees (including committee charters and composition)
- Governance guidelines
- CEO/CFO certifications

Companies can use this page to highlight information that is important to them and make it easy for investors to access it. Consider using summary tables so investors can quickly and easily digest this information and quick links so investors can easily find what the information they are looking for and then drill down for more detail. (See Figure 1)

Best Practices: Board Composition

The old days of simply listing your senior management and board directors are long gone. Today’s more content-rich approach includes a full biography and photograph accompanied by the individual’s committee responsibilities, an indication of whether or not they are “independent,” and details of other directorships held. (See Figure 2)

Investors also expect more details, including the board guidelines, its structure and size, and the roles and responsibilities of the members. Key today is the level of independence on the Board in percentage terms. On an individual level, this information should also be added to each director’s biography.

Also Consider: Director & Officer Ownership

Provide visibility into ownership information. Although this information is usually embedded in the proxy statement or similar document each year, consider extracting this information and isolating it to allow investors to get quick access to it.

Insider Ownership and Insider Transactions

Given the attention now being paid to insider trading, consider including information on insider transactions. Section 16 forms now need to be filed with the SEC within two business days of the transaction and soon will be required to be filed electronically with the SEC and published to Corporate Web sites. Make sure to post this information to your site at the same time as it is filed with the SEC. Provide greater visibility with a summary table instead of just a link to the filing.



Figure 1

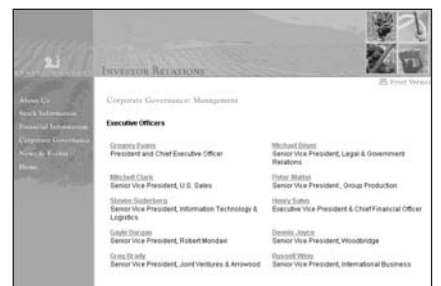


Figure 2

Best Practices: Committee Structure

Illustrate your board composition, level of independence and membership information using a committee composition chart. Instead of making investors dig for this information, you can give them an easy-to-interpret overview that they can then drill into to learn more about your board members and committee roles and responsibilities.

Provide a summary table for each committee (Governance, Audit, Compensation, and others as needed) with links to detailed committee charter information (Web-based disclosure of key committee charters is a proposed NYSE listing requirement). List each member of the committee and indicate if the member is independent or the chairperson of the committee. Disclose the “financial expert” on the audit committee. Individual biography information can also be enhanced to add committee membership information. (See Figure 3)

Provide links from the composition table to more detailed information about the activities and responsibilities of the committees. Describe the committee structure and provide summary membership information for each committee. Consider including the number of times each committee met in the prior fiscal year.



Figure 3

Best Practices: Policies and Procedures

Corporate Governance Guidelines

Provide visitors with a link to your Corporate Governance Guidelines or to a PDF of the document. Include quick links so investors can easily find the information they are looking for. Web-based disclosure of this information is a proposed NYSE listing requirement. (See Figure 4) Also consider posting:

- By-laws and articles of incorporation
- Proxy statement
- CEO/CFO certifications



Figure 4

Code of Conduct

Provide visitors with a link to your Code of Conduct/Ethics Policy or to a PDF of the document. The SEC has proposed that updates to this document and any waivers to the code be posted to your Web site. The NYSE has also proposed making Web-based disclosure of this information a requirement. (See Figure 5)

Corporate Governance FAQ's

Use the FAQ section of your site to address key Corporate Governance issues. Some questions that you might want to consider adding include:

- How are directors compensated?
- What is the level of management ownership?
- What is current management compensation?
- What happens if the management team leaves?



Figure 5

E-mail Alerts

Governance alerts give your investors an easy way to sign up for alerts just in the area of corporate governance and an easy way to notify interested investors when additions or changes occur to this section.

Governance Hotline

Section 301 of SOX requires audit committees to establish procedures for receipt of complaints by employees and the confidential submission of these complaints. An Interactive Voice Response unit can record these submissions and e-mail the audio to a designated member of the audit committee.

Transparency and the IR Web site

The Sarbanes-Oxley Act has created a tremendous need for companies to communicate more effectively with the investment community, thereby elevating the importance of IR in every public company. Today's IROs are faced with greater regulatory demands than ever before but even greater opportunities to present the full picture of their company. By following some of the best practices outlined here, companies can ensure complete and open disclosure of important information concerning their corporate governance practices.

Moving forward, companies can expect even more disclosure requirements to be introduced, including a longer list of events that require real-time disclosure and/or the posting to a company's Web site. The Internet can and will be an extremely useful tool to companies in meeting these new requirements, helping to reduce organizational stress and cost and deliver more timely information to investors.

Corporate Governance Checklist**Links to top-rated sites:**

Director biographies with photos	www.ge.com
Independence indicator	www.pfizer.com
Committee membership	www.gm.com
Financial expert indicator	www.cisco.com
Relevant work experience	
"Director Since" data	
Other Directorships	
Committee composition (Audit, Nominating/Governance, Compensation)	
Committee Charters	
Code of Conduct	
Insider transactions	
Ownership table	
Articles of Incorporation	
By-Laws	
Corporate Governance Guidelines/Policy	
CEO/CFO Certifications	

The CCBN Solution

CCBN is uniquely positioned to help companies with the issues surrounding Sarbanes-Oxley and how Internet technology can help them comply. We are the leading provider of investor-related webcasts, conducting over 4,000 conference call webcasts in a typical quarter, and the leading provider of IR Web sites, with over 3,000 public company clients, including 60% of the Fortune 500. And our Investor Distribution Network delivers company information directly to the desktops of thousands of institutional investors and millions of individual investors.

If you are interested in finding out how CCBN can help your IR online program, please contact us toll free at **866.228.CCBN** or visit **www.ccbn.com**.