The Essential Guide to an Effective Corporate Governance Section on a Website

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After the numerous market scandals and overvaluation of many companies during the dotcom era, the European Union sought to provide a united standard for organisational governance that would protect the shareholders and key stakeholders in them. This idea of corporate governance began a process in which organisations started to focus more on how companies are directed, governed, and controlled. It defined relationships between a company's management, its board of directors, its shareholders and other stakeholders[1]. As Ann Crotty of Business Day explains it: *"It is essential that the activities of corporate executives are under constant, vigorous and public scrutiny, because those activities are crucial to the economic well-being of society. If anything, developments both locally and internationally during 2001 have emphasised the need to continuously update and upgrade corporate governance standards."*[2]

The Sarbanes-Oxley Act of 2002 in the United States was enacted as a preventative measure to the repeat of the many different financial scandals of the time and resulting in a sharp drop in investor confidence. Europe too sought to raise investor confidence via corporate governance laws in the EU Action Plan of 2003, and later Europe 2020, the 10-year strategy of the EU[3].

Essentially, *the goal of corporate governance was to make organisations accountable to stakeholders and other key players in the organisation*[4]. One of the main methods organisations had to communicate their new accountability would be through the corporate governance section of their websites. This guide will take you through a list of what must be communicated to have an effective corporate governance section of your website and demonstrate this accountability.

5 Characteristics of an Effective Corporate Governance Section

A corporate governance section of a website is created with the specific intent to help the organisation communicate with its investors, shareholders, and any other interested parties. As a section of your website, it should also have a part of sharing your corporate vision, though it might focus specifically more on the financial aspects. It should be the first sources the above parties turn to to learn more about your organisation.

Organisations should consider publishing a wide variety of content on their corporation governance that includes[5]:

- **Company news (including relevant press releases)**
- **Financial information such as: share forecasting, earnings materials, annual reports, and analyst forecast data**
- **Documents related to management such as: corporate governance charters, committee charters, ethics documents, and the process for which boards of directors are hired as well as the policies regarding their activity**[6]

Engaging

In addition to supplying these materials, however, organisations should strive to deliver them in an engaging and consumable way, with interactive content such as video or audio, rather than the usual PDF documents. Interactive and engaging content has a higher chance of being consumed by the interested parties and enabling better relationships with investors, shareholders, and interested parties. Whether this type of communication becomes a series or is more infrequent, be sure to archive it on your website[7].

For example, The Linde Group, a German multinational chemical company, broadcasts its corporate story prominently with engaging video content in its video library.

Relevant

Since one of the primary goals of corporate governance sections of websites is to increase investor confidence, it is important that the corporate website section provides the relevant financial information about the organisation, including but not limited to annual report archives and earnings releases. In a survey of financial investment professionals, over half stated that providing historical stock data from the last five years would be the single most important information they could make accessible on their website, as it would give them key insights into whether and how much to invest in the organisation[8].

For example, the corporate governance section of the BASF website has an extensive selection of financial information for investors which includes share prices, American Depositary Receipts (ADRs), both annual and quarterly estimates from analysts, dividends, and the shareholder structure. It is particularly helpful to investors if the website provides alerts when new financial information is added to the website[9].

Another way corporate websites can maintain relevance for shareholders is by sharing information directly related to the governance and board of directors. Effective corporate governance sections on corporate websites should include a list of the members of the board of directors with short biographical details, including whether or not they serve independently or not, or have executive or non-executive positions. In addition, the section should include a description of how these directors are appointed and the terms and conditions of their appointment. When done correctly, the description of the board should broadcast confidence to investors and potential investors that the board and team has the experience necessary in order to succeed[10].

Airbus, a European aerospace company with headquarters in France, includes the members of the board on their website along with a detailed explanation of the board committees.

Timely

Even if information on a corporate website is engaging, relevant, and effectively communicates the company's vision, if the content isn't timely, it's quite possibly doing more harm than good. It is important to conduct reviews of corporate content to verify how accurately it reflects the current state of affairs. At a minimum, website content should be reviewed before preliminary results and the annual report [11].

As mentioned, your goal is for investors and shareholders to view the corporate site as the main source for latest company news, including press releases, annual reports, share forecasting, etc. Reporting this information in a timely manner is essential since it can greatly influence the economic decisions taken by shareholders or others with access to this information [12]. Organisations should consider automated posting for timeliness purposes and avoid premature posting of news to the public [13].

Accessible

Your website could have engaging and relevant content, but if it isn't easily accessible and navigable, no one will find it. It is preferable to place the corporate governance section in the main navigation of the investor section of your website, which should include relevant and timely information, including statements about compliance with the EU, US, or any other countries with whom the organisations conducts business[14].

A survey of research habits found that investors, analysts, and journalists alike spent very little time reading financial information available on websites, but spent considerable time looking at and clicking on the links between documents. For best navigation, a standard information architecture is recommended to facilitate private investor research[15].

Make sure you optimise your website's usability by ensuring that all pages are clearly labeled, and that the same terminology is used throughout the website to prevent confusion among investors[16]. Minimize navigation clicks necessary to arrive at the content investors would most likely be interested in viewing, such as any mandatory financial filings and the latest press releases. Provide multiple formats of documents in HTML or PDF since these formats can be easily indexed and are easily downloadable[17].

A good example is the mobile site of Novo Nordisk, a Danish pharmaceutical company. They enable investors to quickly scan and view documents published on the site, arranged in chronological order.

In addition, make sure your web host is reliable[18]. Any corporate website must be accessible 24/7 to both analysts and investors, able to support a large amount of web traffic, and available to those with a visual or audio disability[19].

Transparent

Corporate governance in and of itself is not a goal, but merely a system of rules, practices, and procedures. Instead, organisations implement corporate governance policies to demonstrate transparency and accountability. These should be stated clearly on the website. Volkswagen's website is a good example of demonstrating transparency to its shareholders, with its clear sections communicating more information about its executive bodies, Declaration of Conformity, remuneration, practices of the board and supervisory board, and compliance and risk management.

They can achieve this in part by being careful to report accounting accurately, which includes the need to disclose information about related-party transactions[20]. Related-party transactions are business deals between two parties with a pre-existing special relationship. For instance, if a company accepts a proposition to decorate the company's offices from a major shareholder, this would be a related-party transaction. These types of transactions, along with any other conflicts of interests involving either board members, executives and senior management should be announced in a timely manner as they can greatly affect investor decision-making.

In Germany, for example, German car manufacturer Daimler has a supervisory board that made the decision that the chair would resign by the end of the year, and a new chair would begin to serve. Although the chair had made his decision in April 2005 and announced it to the board a month later, the *"presidential commission"* of the supervisory board approved the decision two months later. Following the public announcement of the presidential commission, the prices of Daimler shot up, causing some shareholders to complain that they were at a disadvantage for receiving important news about the board late.

Daimler shareholders went so far as to sue the organisation for damages, and the European Court of Justice then confirmed that intermediate steps of a process could be seen as inside information. To prevent a repeat of the Daimler case, European-listed companies were cautioned by the European Court of Justice to monitor this type of information much more carefully in the future. At present, many European organisations have an extensive process for related-party transactions, requiring the use of an internal control or audit committee[21]. These procedures ultimately benefit the organisation in the long term. As Mervyn King, former Governor of the Bank of England, explains: *"Good corporate governance is about `intellectual honesty' and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance."*[22]

The Role of Digitisation in Corporate Governance

Not only is it important that information is communicated in a relevant, timely fashion, but it must be understood that corporate governance officers and other governance practitioners such as Company Secretaries, General Counsels and other assistants all share different information with various parties in distinct ways. There are two factors which influence this communication. First, boards and management have different roles in organisations, with boards being in charge of high-level policy decisions and management in charge of running the company. The challenge is that both parties must be informed enough to carry out their duties without interfering in the other's responsibilities[23]. In response to this challenge, Europe has started to separate the role of the board chair and CEO completely, stating a conflict of interest if one individual holds the same role[24].

The second is digitisation. Digitisation has enabled organisations not only to provide information to shareholders in a more interactive and engaging way, but it has also made the dissemination of different information to separate roles in the company much easier. As Gartner research and advisory company states: *"Digitisation is the process of employing digital technologies and information to transform business operations"*.[25] Password-protected sections of the site, personalised emails, and timely information related to price shares, meeting frequency and duration, are now commonplace in corporate governance websites and part of the process of digitisation. In addition, board software greatly assists in meeting preparation, meeting management and meeting follow-ups for the board, or other senior executives. It also allows the control of the dissemination of parties, in addition to the ability to communicate information more clearly and quicker. As digitisation continues to influence the European market, we will see it become the essential process that continues to maximise effective communication to the different related parties, as well as play a key role in corporate governance.[26]

It is, therefore, essential that each organisation ensure that their corporate governance section encompasses the five characteristics summarised in this guide for proper communication of the company vision, growth, and financial future. *Engaging, relevant, timely, transparent and accessible* content is essential for developing trust in relationships between the organisation and investors, shareholders, and other parties. In addition, it must communicate its compliance with any and all corporate governance policies, both in Europe and abroad.

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