



Financial and Business Reporting on the Internet

A Discussion Brief



Financial and Business Reporting on the Internet

A Discussion Brief

PREFACE

The Discussion Brief *Financial and Business Reporting on the Internet* is a joint publication from the Canadian Performance Reporting Board (CPRB) of the Canadian Institute of Chartered Accountants and the Canadian Investor Relations Institute (CIRI).

The CPRB's mandate is to advance the measurement and reporting of organizational performance matters other than financial statement reporting. In fulfilling its mandate, the CPRB publishes guidance documents and awareness raising reports. CIRI is dedicated to advancing the practice of investor relations, the competency of its members, and the stature of the investor relations profession. The CPRB and CIRI mandates result in a close alignment of interests with respect to financial and business information that should be reported on the internet.

Investors want information as soon as possible after an event. As well, distributing paper-copies of reports through the postal mail has become increasingly unpopular. Accordingly, the internet is becoming a major communications conduit for financial and business information. Despite this increase in usage of the internet for communicating such information, there is little guidance about what to report on an investor relations page of a website or what features make the site more effective and useful for investors.

This Discussion Brief has been prepared after reviewing leading companies' web reporting practices that are judged each year in CICA's Corporate Reporting Awards contest. The Discussion Brief raises awareness of the matters to be considered when designing the investor relations page of a website. Under the strategy it advocates, the investor relations page of the website is a key conduit for communicating information to investors.

The Discussion Brief also provides practical guidance for the content and organization of the investor relations section of the website. As well, the brief discusses the attributes that need to be present to facilitate the usability and navigability of the site, for example easily and quickly downloadable files, and pages that link to each other without difficulty. For convenience, the brief includes a checklist of items to consider in each of these areas.

We hope this publication will be useful for both CFOs and investor relations officers. We welcome comments about the material. These should be sent to either the CICA or CIRI contacts noted below.

Chris Hicks, CA
Principal
Knowledge Development
CICA
277 Wellington Street West
Toronto
M5V 3H2
e-mail: chris.hicks@cica.ca

Ian Bacque
President and Chief Executive Officer
CIRI
201, 1470 Hurontario Street
Mississauga
L5G 3H4
e-mail: ibacque@ciri.org

March, 2008

TABLE OF CONTENTS

Introduction	1
Overall Objectives of Web Reporting	2
Unique Issues in Web Reporting	2
Regulatory and Legislative Background	3
Content of Investor Relations Section	3
Corporate Overview	4
Corporate Governance	4
Financial Information	4
News Releases	4
Presentations and Events	4
Share Information	4
Environmental and Social Responsibilities	4
Other	5
Navigation	5
Usability	5
Corporate Disclosure Governance	6
Conclusion	6
Examples of Prize Winning Investor Relations Sites	7
Bibliography	7
Checklist For Reporting On The Internet	8
A. Content of Investor Relations Section	8
Corporate Overview	8
Corporate Governance	8
Financial Information	8
News Releases	8
Presentations and Events	8
Share Information	8
Environmental and Social Responsibilities	8
Other	9
B. Navigation	9
General	9
Linking	9
C. Usability	9
D. Overall Effectiveness	10



INTRODUCTION

The internet has become widely acknowledged as a key medium for communicating business and financial information, principally through the investor relations sections of corporate websites. Investors, analysts and others have become accustomed to using these sites to obtain the information they need.

The internet represents an opportunity to provide layers of increasingly detailed information on the company's operations, financial performance and the industry as a whole, enabling investors to search for and obtain the information they need for their particular purposes. It also offers an opportunity for companies to use technologies effectively in disclosing information. In this environment, companies must evaluate what information to provide online, how to use technology in providing it, and, most importantly, how to organize their websites so that users can easily find and use the information they need.

This paper has two objectives.

- (1) To identify the core components of financial and business disclosure on the internet.
- (2) To recommend practices and disclosures when reporting financial and business information on the internet.

OVERALL OBJECTIVES OF WEB REPORTING

Business and financial reporting information provided on a website needs to be relevant, current, complete, clear, and well-organized. This is a strategic issue and requires the same degree of deliberation as any other strategic area of a business. Developing a good strategy involves giving careful thought to how to effectively present information for an online audience. It is important that companies incorporate electronic disclosures in their overall policies with regard to corporate disclosure of information to investors.

To be most effective, the investor relations section of a website should be regarded as the entity's main conduit for communicating information to investors and planned as such to include information specifically intended for it. This means it should be more than a repository of information available elsewhere; more than an internet bulletin board.

The investor relations site should contain enough overview and strategic information to give a clear indication as to why the user should invest in the company. The information should convey a message consistent with the actual financial performance, important transactions, and issues and difficulties experienced by the company during the year. But the information should also have a forward-looking orientation, showing the growth strategy and future of the industry and the company, competitive/industry issues and appropriate legal disclaimers.

As with all reporting, information presented must be timely, complete and up-to-date. It helps in this respect if the date of the posting of the information is disclosed. Moreover, it is critical that investor information be clearly separated from marketing information and that the site not be overly promotional.

The presentation of information on a website involves not only the information being given, but the use of technology. This needs to be recognized and taken into consideration in developing website strategy. The effective use of technology should make the information visible and easy to access without overwhelming the user.

There should be contextual information within the investor relations site. In other words, sufficient information should be easily available to enable the information to be interpreted in context, without having to link back and forth to other sections of the website.

UNIQUE ISSUES IN WEB REPORTING

A great volume of information can be presented on the web, and this raises the issue of information overload. Companies can have libraries of abundant, excellent information of significant importance to an investor, but it is important that consideration be given to how it will be accessed and used. It can also be difficult to tell what is new, or what has been added or changed. Planning the architecture is the most time consuming but important part of establishing an effective website. This activity provides the foundation that ensures information is organized and presented in such a way that users can easily navigate the site, and find and use the information they need for a particular purpose.

Information is only valuable if it is kept up to date. Accordingly, it is essential that a reliable process exist for monitoring website content and providing updates as soon as new information becomes available.

It can be difficult to determine where a particular type of information ends, because of the use of hyperlinks. In a set of financial statements, for example, if there is a link to a document on inventories, it may not be clear whether the document is part of the financial statements and whether or not it is audited. When links from audited material to unaudited material are included, there should be a clear warning to the user that he or she is moving to unaudited material.

Links can also be inserted to the websites of other organizations. Then it may not be at all clear who has provided the

information and what responsibility the company takes for it. Accordingly, it is helpful if the site flags changes like this, by inserting a warning that the user is leaving the company's website.

Web disclosure also offers the opportunity for users to download selected information for their own analysis models, a practice that will become common-place as XBRL becomes more generally accepted. Therefore, there is a shift of activity in the reporting process away from reports pre-formatted by the preparers to custom user-prepared reports. This changes the manner in which information might be perceived and used. One approach to this issue is to include footnotes and messages on the site that remind users that the company does not take responsibility for the modification or use of information beyond its original form as presented in the website.

REGULATORY AND LEGISLATIVE BACKGROUND

Various regulators and some legislation have accepted web filing as a substitute for paper reports. For example, the SEC, TSX, NYSE and Canadian Securities Administrators all accept web-filed reports. In some cases, legislation requires reports to be issued very quickly—establishing deadlines that companies can most easily meet by using the internet.

It should be noted that, under Canadian Securities Administrators National Policy 51-201, Disclosure Standards, disclosure in websites alone does not necessarily meet legislative requirements for general disclosure. Their concern was that internet access is not universal and, also, that disclosure on the internet is not of a push variety, meaning investors would need to go to the website to find it.

When information is disclosed in a website as well as in other media, it is, of course, important to ensure that there is consistency between the information on the website and in other disclosure documents.

CONTENT OF INVESTOR RELATIONS SECTION

The content of the investor relations sections of corporate websites has changed and improved dramatically over the past few years. Where the sites were once focused on narrowly defined financial information, they have now evolved to include a range of information, some of which was not previously disclosed to the general population of investors.

A broad outline of the information included would look like the following

- Corporate Overview—general information about the company, its environment, industry, major markets, organization, value proposition, and other general information
- Corporate Governance—information about the governance structure, board of directors, board committees
- Financial Information—annual and quarterly reports, including MD&A, financial history, and key performance indicators
- News Releases—press releases and other news items
- Presentations and Events—presentations by key officers at various corporate events, the information presented at the annual general meeting of shareholders, transcripts, audio files and webcasts to record the proceedings of analyst conference calls
- Share Information—information about share prices, transactions and dividend payment schedules
- Environmental and Social Responsibilities—details of this information varies, depending on the type of business and industry, but is widely considered very important by a variety of stakeholders

This classification of information is similar to that in a typical annual report. However, the information provided in the websites tends to be more detailed and comprehensive. As noted, this raises the issue of information overload that needs to be addressed by careful attention to organization, usability and navigability of the website, all of which are considered below.

Corporate Overview

Since one of the prime reasons for investor relations information is to satisfy the needs of investors, a clearly marked area that describes the company and outlines its investment proposition is very useful. This means there would be a review of the entity's strategy to increase shareholder value and a description of the leadership team and its ability to execute the outlined strategy. This information could be disclosed under or along with information on the corporate mission and goals. The discussion of goals could also include a summary of achievements compared to previously published goals.

In the corporate overview, it is suggested that the industry information include links to relevant sources for understanding the industry. This might include industry associations, competitors, major market participants and summaries and/or illustrations of products and services within the industry and offered by the company.

Corporate Governance

Entities will want to disclose sufficient corporate governance information to enable a reader to understand the entity's governance processes. Providing only a list of the board of directors is insufficient. Instead, the governance section is recommended to include at least corporate independence guidelines, the board and committee mandates, the corporate code of conduct/ethics, a record of board compliance, etc.

Financial Information

The normal financial information, such as interim and annual financial statements, and MD&A is gradually extending into such information as key performance indicators. In addition, many entities provide supplementary information that has been requested by analysts.

News Releases

Stakeholders are usually interested in current information, making news releases critical. An important aspect of this information is completeness—providing the bad with the good. Also, the existence of an e-mail alert capability to which stakeholders can subscribe could be very helpful.

Presentations and Events

Shareholders and potential investors are normally interested in a calendar of investor relations events for the year, and copies of presentations, including annual general meeting information.

Webcasts have become an important part of investor relations sites. These include webcasts of analyst conference calls, shareholder meetings, executive speeches and presentations and other investor conferences. Analysts have said that for such items as conference calls, audio or video files are not enough because they are difficult to analyze. Instead, they need transcripts so they can go through them more meticulously. Some sites offer live webcasts of various events as well. This is particularly useful when the information is time-sensitive. As well, it is useful to have available well-organized archives that can be retrieved and searched. Finally, hyper links to related materials, such as news releases, MD&A, conference call scripts, FAQs, etc. add to the usefulness of the webcast materials.

Share Information

Communicating share information is an important aspect of the investor relations section of a website. In addition to information about current stock prices, investors seek other share price information that will provide insight to them about the price of their investment, including history, averages, and highs and lows. As well, this section of the site could provide dividend payment histories and a history of share transactions, such as stock splits, and dates and numbers of shares issued and repurchased.

Environmental and Social Responsibilities

Some companies include in their investor relations sections information on environmental or social responsibilities. Others include it in a separate section and even in a completely separate and comprehensive report. It is usually

beneficial to disclose some information in the investor relations section, as it shows the concern of the company for environmental and social issues, which are becoming increasingly important to an entity's reputation and its long-term financial health. If there is a separate section for this information, a cross link would be appropriate.

Other

Other items often found on investor relations websites include links to regulatory materials, analyst listings, fact books/sheets on selected information about the company and glossaries of terms.

NAVIGATION

At least as important as the actual content of a site is the ability of users to find the information they want with as few clicks as possible. Of course, the look and feel of the site should be pleasing and conducive to easy navigation (i.e. uncluttered, with clear typefaces and graphics that are appealing but not distracting).

Users often go to a site to find specific information. The generally accepted guideline for websites is that people should be able to find what they want in three clicks. To achieve this, navigation throughout the site should be consistent and there should be more than one way to navigate the site to find a particular piece of information. A good search tool and site map can usually be helpful. Also, the navigation can be structured to highlight the most commonly requested pages (i.e. stock quotes and charts should rarely if ever be the first item in the navigation menu, yet many sites do this). As well, visitors should be able to return to the investor relations site quickly once they go to another part of the corporate site.

Sometimes sites have numerous navigation bars for finding information. This can be confusing to users, so if possible, there should only be a single navigation bar. Links to major parts of the site should be visible without the need for mouse action, should be clearly identified and well organized to facilitate easy and meaningful navigation of the site. Good navigation requires that the links take the user from one page to another without difficulty (i.e. no blank screens). Finally, hyperlinks should be provided between the website and other useful third-party sites, such as SEDAR, industry associations, newswire services and stock quote services. The site should use different colours for visited and unvisited links.

USABILITY

The usability of a site is clearly related to the ease and consistency of its navigability. However, usability is a broader concept that incorporates navigability but extends beyond that into any other features of a site that make it easier to use. For example, the speed with which the site loads is a factor in its usability as is the linkage of financial statement items to the related notes and MD&A abstracts. Information needs to be presented concisely, and in a helpful manner, for example, by date, topic, etc. When files, such as presentations, need to be downloaded, the file sizes should be listed.

Financial statements contained in the website should be easily downloadable. To be most useful and convenient to users, this would mean that the downloads should not be overly large. Large PDF files take a long time to download and it is difficult to find specific information in them. The best sites usually offer the financial statements in several formats (such as spreadsheets and HTML), giving the users a choice as to which they would like to use. Some also offer the financial statements in text that can be cut and pasted. And others make the financial statements available in XBRL format. If PDF files are used, then the financials should be broken down into reasonably sized pieces, so they can be handled conveniently by the users.

Many users like to print certain documents for purposes of analysis and making notes. Therefore, website documents should be formatted to provide print friendly formats—for example pages with dark fonts and light background.

A useful home page of the investor relations section helps establish confidence in the usability of the site. The usefulness of the investor relations home page is enhanced when it immediately addresses the users' primary needs. These include presenting an introduction to the company; providing financial highlights and including a relevant update of current events. It should be easy to identify "what's new" in the section.

Easy access is the essence of usability. For example, users appreciate a site that offers an easy process for setting up e-mail alerts and ordering information. The names, direct phone numbers and e-mail addresses for specific investor relations contacts also add considerably to the usefulness of the site.

The investor relations homepage should have a proper "meta page title" which includes the name of the company followed by the words investor relations. This is important for bookmarking the site, making it easier to find.

CORPORATE DISCLOSURE GOVERNANCE

Most public companies will have established policies with regard to the process to be followed before the release of information to the public. This will include due diligence involving review by such groups as the disclosure committee, audit committee, board of directors, etc. For example, established procedures of this type are normally in place for press releases. It is important that the established policies with regard to the release of public information be followed for information being presented on the website. The policies should distinguish between information that has already been released (and therefore properly approved) and new information that will not have been subjected to the due process for public release.

CONCLUSION

The internet offers a clear opportunity for companies to enhance their reporting to investors and other stakeholders. There are opportunities for presentation of more information for better analysis. There is also an opportunity to make use of different technologies to present information in new and meaningful ways. On the other hand, there are risks of information overload, confusion to site users, and frustration. Seizing the opportunities and minimizing the risks require careful planning, management and maintenance.

A well-planned and managed investor relations section of a website should enhance the attractiveness of the entity to the investor community. It should provide easy access to enough information for an investor to be able to understand the investment proposition. As well, it should help investors by providing easy and timely access to the corporate information they need when evaluating an entity's performance.

EXAMPLES OF PRIZE WINNING INVESTOR RELATIONS SITES

Nexen Inc — <http://www.nexeninc.com/Investors/landing.asp>

Potash Corporation — http://www.potashcorp.com/investor_relations/

BMO Financial Group — <http://www2.bmo.com/ir/0,1232,langId-1,00.html>

Bell Canada Enterprises — <http://www.bce.ca/en/investors/>

BIBLIOGRAPHY

International Accounting Standards Board (IASB) — Electronic Business Reporting, Lyman, Debreceeny, Gray and Rahman, July, 1999.

Canadian Institute of Chartered Accountants — Research Study — The Impact of Technology on Financial and Business Reporting, Principal Author — Gerald Trites. FCA, August, 1999

US Financial Accounting Standards Board (FASB) — Electronic Distribution of Business Reporting Information, January, 2000

PricewaterhouseCoopers, “Online Reporting — Practical Proposals for Reporting Corporate Performance Online”, 2007.

CHECKLIST FOR REPORTING ON THE INTERNET

A. Content of Investor Relations Section

Corporate Overview

- Corporate strategy and goals
- Overview of the industry, issues and opportunities
- Strategy to increase shareholder value
- Description of the leadership team and its ability to execute the outlined strategy
- Summary scorecard of achievements compared against previously published goals
- Summaries and/or illustrations of products and services
- Industry information/links

Corporate Governance

- Names and backgrounds of board members and year appointed to board
- Board and committee mandates
- Corporate code of conduct
- Independence guidelines
- Record of board compliance
- Shareholder meeting dates

Financial Information

- Financial highlights
- Quarterly and annual financial report, including MD&A
- Annual information form or link to SEDAR
- Proxy circular or link to SEDAR
- 5 years archival information
- Fact books/sheets

News Releases

- Earnings press releases
- Other press releases

Presentations and Events

- Live webcasts and transcripts of conference calls and investor conferences
- Audio/video and transcripts of annual general and other meetings
- Calendar of investor relations events

Share Information

- Contact information for investors to communicate with the investor relations group
- Share price information and history (plus extent of tools available)
- Dividend payment history
- Description of any available DRIP
- Share transaction history
- Analyst listings

Environmental and Social Responsibilities

- Highlights of CSR report
- Cross reference to CSR report

Other

- FAQs
- Glossaries of terms
- Material complies with all relevant legislative and regulatory requirements

B. Navigation**General**

- Information is easy to find (no excessive scrolling to find information)
- Multiple ways exist to navigate the site/access information
- Navigation is consistent throughout the site
- The investor relations pages of the site can be accessed quickly from any part of the corporate site
- There is a useful search tool or site map
- Information is clear and logically organized (e.g. date, topic, uncluttered, with clear typefaces and graphics that are appealing but not distracting)

Linking

- Different colours identify visited and unvisited links
- Links to major parts of the site are visible without mouse action
- A single navigation bar provides access to all parts of the site (i.e. some sites have multiple navigation bars which make navigation more difficult)
- The navigation is structured towards the most commonly requested pages
- Hyperlinks are clearly identified and well organized to facilitate easy and meaningful navigation of the site
- Pages link to one to another without difficulty (i.e. no blank screens)
- Hyperlinks connect the website with other useful third-party sites, such as SEDAR, industry associations, newswire services and stock quote services
- There are quick links to related content (i.e. news releases, MD&A, conference call scripts, FAQs etc.)
- Notes to financial statements and MD&A abstracts are linked to the financial statements

C. Usability

- Information is presented concisely
- The site loads and links with reasonable speed
- File sizes are listed and presentations are easily downloadable
- Material printed from the site is easily readable
- Investor relations information is easily located on the website and the investor relations home page immediately addresses visitors' primary needs (find specific information; introduce the company; update)
- The investor relations homepage has a proper "meta page title", which includes the name of the company followed by the words investor relations (this is important for bookmarking)
- The financial statements are structured to facilitate easy online access
- Financial statements are available in standard text that can be cut and pasted or spreadsheets are available to download
- Analytical (spreadsheet) tools are provided
- XBRL is used for delivering financial and business information
- It is easy to identify "what's new"
- All content items are dated
- Archived webcasts are segmented by speaker

- Large PDF files are broken down into usable sections and clearly identified as PDFs with file sizes indicated
- There is a summary of all PDF documents, especially as it relates to financial documents
- The site offers an easy process for setting up e-mail alerts and ordering information
- The names, direct phone numbers and e-mail addresses for specific investor relations contacts are available

D. Overall Effectiveness

- The website is treated as a communications vehicle in its own right (it is not merely an internet bulletin board)
- Information is easy to access
- The presentation is clear, well organized, intuitive and attractive
- Technology is used effectively
- Information is presented in a timely fashion, is complete and up-to-date
- Competitive/industry issues are separately shown in HTML
- Appropriate disclaimers are included (e.g. a warning screen when a user leaves a site or when the nature of the material is changing)
- Information is archived (historical information is accessible to the user)
- Investor information is clearly separated from marketing information and the site is not overly promotional
- There is effective use of multimedia, photographs, charts and graphics to enhance the site
- Information has a forward-looking orientation, shows growth strategy and future of the industry and company
- The site presents a message consistent with actual financial performance, important transactions, and company difficulties during the year
- The investor relations site contains enough overview and strategy to give a clear indication as to why a reader should invest in the company

