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The long and the short of it:

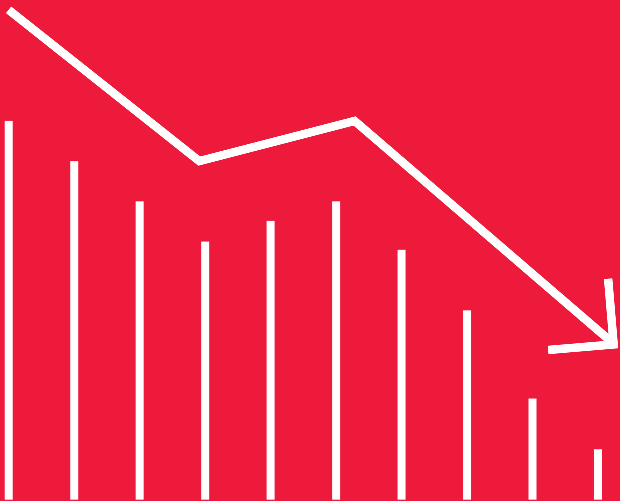
# What COVID-19 means for investor communication and narrative reporting



Radley Yeldar  
April 2020

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# Spooked investors and shortened horizons



The FTSE 100 recorded its worst quarter since 1987 and the FTSE 250 its worse ever as COVID-19 spooked investors and markets nosedived. Time horizons for investors have shortened rapidly as markets try to get to grips with the immediate implications for companies.

Regulators and professional associations including the Financial Reporting Council (FRC), Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Chartered Governance Institute and IR Society joined forces to coordinate a response and issue guidance.

**But what does all this mean?** We've been through it all with a fine-toothed comb. Read on for:

- A quickfire overview on evolving investor priorities
- The latest short and long-term implications for narrative reporting and investor communications
- The key things you need to know about the latest FRC requirements
- What to consider over the next few months...and beyond

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# Short-term investor needs and your communication priorities

An FRC Reporting Lab survey makes the primary concerns of investors clear: **liquidity, viability and solvency**. The availability of cash is key, as is the ability to transfer resources around the group and access existing and potential lines of credit.

Websites are a key communication channel and companies should make sure they include detailed information on loans, debt maturity, associated covenants and liquidity.

**Sell-side analysts** will no doubt be keen to receive new guidance, but companies will resist any temptation to provide new numbers ahead of what they can credibly provide. In these extraordinary circumstances, a panel of experienced investor relations officers (IROs) on an IRS webinar advised that companies should focus quantitative over qualitative information as the worst thing companies can do is provide misleading information. They recommend regular contact with shareholders and keeping the market updated but restricting public announcements to those where there is new information to disclose.

The FRC believes it reasonable for investors to expect companies to be able to articulate their expectations of possible impacts on their business in different scenarios.

**“Time horizons for investors have shortened rapidly as markets try to get to grips with the immediate implications for companies.”**

**FRC: Reporting during times of uncertainty**

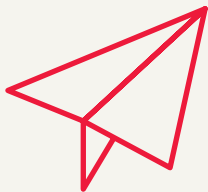
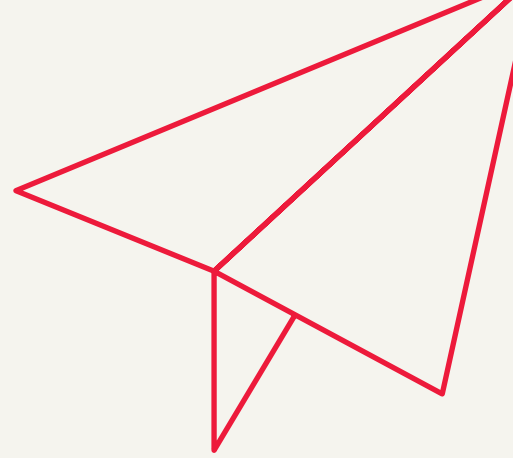
Five common questions of investors

[View infographic](#)

**FRC Company Guidance Update**

March 2020 (COVID-19)

See the latest update [here](#)



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# Priorities for your current report

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The current climate has added a great deal of complexity for reporters, but the 'to do list' for the coming months will look very different depending on whether you're yet to publish this year's report.



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# Investor roadshows, feedback, disclosure and key reporting themes

## Reporters that have published already

Reporters who managed to get their annual report out before the full horror and implications of COVID-19 became apparent are probably breathing a sigh of relief. They're more likely to be meeting investors as part of their roadshows, albeit by video, and wary of selective disclosure when investors are desperate to get a handle on current developments. They will manage their communication carefully, pointing investors to publicly available information. Those companies that invested in their annual reports and can refer to granular information, such as their exposure to badly hit countries or sectors, for example, will benefit.

## Priorities to consider:

- Be wary of **selective disclosure** during roadshows when investors are desperate to get a handle on the current situation
- **Manage your communications carefully:** where possible point investors to existing publicly available information
- If you had information gaps in your annual report, something you wished you were able to point to, make a note and include it in future reports

# Investor roadshows, feedback, disclosure and key reporting themes

## Reporters drafting their current report

For companies with a March year end or later, reporting will have probably slipped down the priority list as they grapple with a range of short-term issues.

As they pick up their pens again, a key consideration will be communicating resilience in the face of uncertainty. Investors will want to understand the assumptions and judgements made by boards when assessing resilience and preparing financial statements. As each company's path will be very different, the FRC wants reporters to be as specific as possible here.

Investor-focused information within your annual report should evolve out of short-term priorities: cash, liquidity and viability. Disclosures to consider include

actions to manage the cost base, capital expenditure adjustments, supplier financing schemes, payments that may be deferred and any changes to pension funding.

We anticipate extended risk reports with a significant section dedicated to COVID-19. Make sure you cover those resources and relationships under the biggest threat and the steps you've taken to protect them.

Elsewhere, reporting on employees will be key. Government measures are intended to support businesses and get them back on their feet as soon as possible: with this in mind, companies should explain how they're retaining and supporting staff to weather the storm and position themselves for when the crisis finally breaks.

Finally: reporters will be poring over their viability statements. The FRC asks boards to draw attention to any qualifications and assumptions and provide as much detail as possible. This should include the limits of the predictions, the level of confidence and, for key assumptions, an explanation of future scenarios.

## Priorities to consider:

- Communicate resilience as well as three short-term priorities: cash; liquidity; and viability
- Focus on being as specific as possible
- Reconsider the shape of your risk report section
- Be clear about how you are supporting all stakeholders in the current crisis

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# What you need to know

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Practical considerations for your report



# Practical considerations for your report

**The COVID-19 crisis has changed the playing field for reporters and, alongside the specifics of disclosure and communications, a number of practical considerations are beginning to emerge around the production and design of annual reports.**

## Key information from the FCA and the LSE:

- [Statement of Policy: Delaying annual company accounts during the coronavirus crisis](#)
- [Delaying annual company accounts Q&A](#)
- [Inside AIM: Coronavirus – Temporary measures for publication of annual audited accounts](#)
- [AGMs and impact of Covid-19](#)

## Reporting extensions

The FCA has granted temporary relief for listed companies (excluding markets not regulated by MiFID such as AIM) allowing an extra two months for them to publish their annual report. Importantly, they have urged markets not to draw undue adverse inferences when companies take advantage of this. This anticipates the natural reaction of companies, which will be wary of negative perceptions given current levels of uncertainty. The London Stock Exchange (LSE) has said that AIM companies can apply for a three-month extension to the deadline for publication of their annual reports.

## Imagery and photography

Social distancing means new photography is ruled out for the foreseeable future, but companies with good libraries will be able to search for older images. Our designers and digital retouchers can refresh them.

## Remote working

On the whole the switch to remote working has been smooth, with tried and tested working methods supplemented by technology. Conference calls have been complemented by video meetings and the vast majority of our clients were already enjoying the benefits of remote editing.

## Planning for the unknown

It's worth considering contingency measures – should a content contributor be taken ill, for example. It may be prudent to roll back ambitions to overhaul some sections of your report to make sure your project plan has additional flexibility and you can focus on the information needs already outlined.



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# Practical considerations for your report

## Print vs. digital

As we write, physical reports continue to roll off the printing presses and our suppliers assure us that paper supplies are holding up (especially as other requirements are cut back). We'd advise making decisions relating to your reporting channels precisely as you normally would: by considering the needs and reading styles of your priority audiences.

## Annual General Meetings

On 17th March The Chartered Governance Institute and FRC issued [guidance](#) on COVID-19 contingency plans. It set out a number of options: delay; postponement; adjournment; and a 'hybrid' AGM, with a virtual webcast working hand-in-hand with the physical meeting. Which option a company takes will depend on what its articles of association allow.

Ten days later, [additional guidance](#) offered suggestions as to how listed companies might implement contingency plans in light of the 'Stay at Home Measures' introduced by the Government.

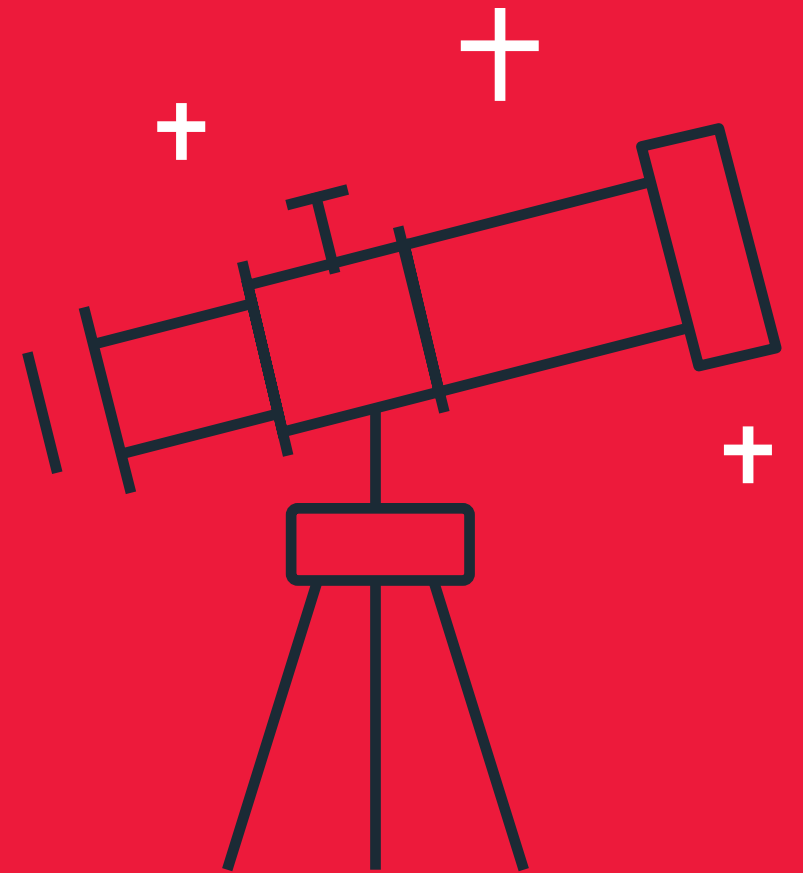
It recommends that companies encourage shareholders to vote by proxy and made it clear that public gatherings of more than two people are not permitted. The guidance aims to strike a sensible balance between conducting general meetings safely and keeping shareholders engaged.

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# Looking ahead

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Longer term considerations



# Longer-term considerations

**When the reporting cycle restarts later this year, COVID-19 will have played its part in redrawing the reporting landscape.**

**Assuming we see off coronavirus and it doesn't return with vengeance in the autumn, we're anticipating a clear set of new themes, trends and requirements to emerge.**

## **Communicating crisis, strategy and change**

We expect to see how companies have adapted their strategy, and in some cases their business model, in the short to medium term. Readers will expect more clarity and context around decisions that originated from the crisis. These could include delays to capital expenditure, cost cutting programmes and sales of assets.

Conversely, we shouldn't forget that some companies will emerge from the crisis in a position of strength and will be sharing plans that seized on opportunities.

## **A focus on stakeholder relationships – and actions**

If ever there was an event that crystallised how interconnected and interdependent companies and their stakeholders are, it is COVID-19. Stakeholder engagement was one of the biggest themes of this reporting season and expectations will be high for further insights into how companies engaged, the issues raised and how boards made the decisions they did. We would argue that the focus on relationships with stakeholders came at the expense of more detail on resources in some of the 2019 reports we've seen, and reporters should also consider all long-term drivers of value including their brands and capital structure. There will be lessons to learn from the experience and companies should be able to say how they will be more resilient in the event of another global crisis.

# Longer-term considerations

## Investment cases and ESG

Many companies have cut dividends and many more will reset their investment case and dividend policy going forward. Environmental, Social and Governance (ESG), which was expected to be the big theme for this year, will return to the fore. It seems likely that social factors will continue to rise in importance when everyone was already looking to climate change.

## Crisis spurring refreshed engagement

A crisis often accelerates innovation and we'll wait to see how investor engagement changes. We'd be surprised if technology doesn't become a bigger feature in AGMs. Having vastly increased their familiarity with video meetings, how many companies will decide that virtual roadshows are the way forward? In both cases, companies should consider how they can improve their websites to support more digital communication.

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We'd love to chat.  
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It feels like the future is fogged by uncertainty, but despite this the world of investor engagement can't stand still.

Hopefully this simple briefing and package of guidance helps you navigate the weeks and months ahead but, if you're looking for help that dives a little deeper, we've been on the reporting scene for more than three decades.

