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The new T&Cs of Investor Relations:

An open letter to the CFO

The coronavirus pandemic will result in increased scrutiny on how your company treats employees, clients, and the wider community. This scrutiny creates an imperative to embrace new levels of transparency and compassion (T&C) when communicating with your investors.

In this short article, we speculate on the impact of the pandemic on investor relations and make recommendations for how CFOs need to adapt to new socio-economic realities.

The pandemic will revive the triple-bottom-line ideal

A triple-bottom-line refers to the pursuit of profit in a way that also creates value for people and the planet. Going forward, we expect this ideal will resonate with the public to a much higher degree than before. Why? Because conversations on these two topics will be difficult to separate from a discussion about profits in a post-pandemic world. New precedents will be set, and we expect them to have enduring effects.

Your investors will pursue increased ESG compliance

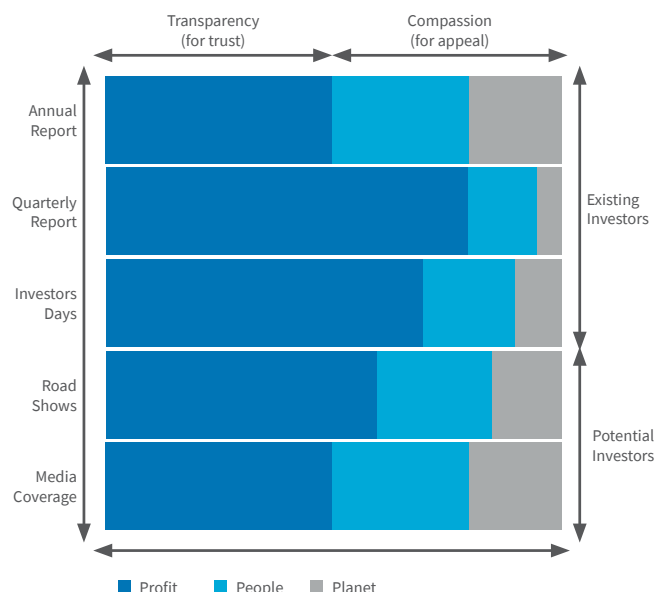
If you are like most CFOs, you'll be skeptical about our claim. And for good reasons: qualified investors have

traditionally relied on decision-making processes that made little or no allowance for environmental, social and governance (ESG) matters. A simple glance at the latest sell-side analyst reports will likely show us a continuation of that approach.

But things are already changing. Even before the pandemic, we've noticed a growing number of institutional investors prioritizing ESG-compliant targets. We've seen retail investors increasingly susceptible to storytelling pouring out of media outlets on these topics. And COVID-19 is only likely to accelerate these trends.

How fast and how profound the change you ask? It will depend on your mix of institutional and retail investors. And in the Middle East, it will also depend on the maturity level of family offices as they transition away from founder-dominated governance towards institutional forms of organization.

You will need a more balanced communication matrix



To adapt to evolving investment criteria, you will need to inspire trust and demonstrate compassion by balancing profit, people, and the planet in your communication with existing and prospective investors. The balance will differ depending on the communication channel we use, as depicted below.

You will aspire to achieve a delicate balance of objectives

The virus affects lives, livelihoods, and the living planet in different ways, exposing several of the trade-offs inherent in our society. In the time of the coronavirus, to pursue profit single-mindedly may come at the cost of lives, not just at the cost of the living environment. And to protect lives and living environment may cost our livelihoods. In your communication strategy, more so than ever before, you must be mindful of such tradeoffs and project an aspiration to achieve this delicate balance.

You will communicate as a unified team

We recommend each of the three bottom lines be championed by a different leader in your organization. This means you will have to recruit more often the participation of the Chief Executive Officer and that of the ESG Director (or equivalent). Drawing on successful communication practices we have observed so far during this pandemic, we make a few general recommendations.

1. PROFIT, TRANSPARENCY, AND THE VOICE OF THE CFO

All matters related to profit and the goal of building trust by demonstrating transparency remain your responsibility

as a Chief Financial Officer.

- Do acknowledge the increase in uncertainty in every aspect of your business, but
- Do not give in to the temptation of using the pandemic as a blanket explanation for substandard performance; it will backfire.
- Work with your IR professionals to create a communication battle plan across all channels; monitor it to anticipate and act on any course correction needs.

2. PEOPLE, COMPASSION, AND THE VOICE OF THE CEO

For matters related to people and the goal of appealing to investors by demonstrating compassion, recruit the gravitas of the Chief Executive Officer. This would complement the CEO’s traditional focus on strategy and culture.

- Do acknowledge the impact of your business practices on all constituencies, but
- Do not demonstrate compassion for investors, rather demonstrate to investors the compassion you have adopted as a company practice in dealing with everyone else.
- Work with your IR professionals to determine which aspects of your company’s culture best lend themselves to export into the wider ecosystem (and vice-versa).

3. PLANET, COMPASSION, AND THE VOICE OF THE ESG DIRECTOR.

For matters related to the planet ensure you have access to a credible voice that is qualified to speak on environmental and sustainability issues, ideally your appointed ESG Director

- Do acknowledge the impact of your business practices on the environment, and
- Do not avoid telling this story just because you may not currently have the internal capabilities to estimate your impact; others will tell it for you.
- Work with your IR professional to identify and emulate best practices in communicating steps you have taken to eliminate or mitigate any negative environmental impact.

In conclusion, dear CFO, your job description just got a little bit more complicated. How enduring the changes and how deep the impact is yet too early to say. But to be on the safe side, do acknowledge the new T&Cs of investor relations and make full use of your IR professionals to better navigate the post-pandemic world.

ANCA CIGHI

Senior Director, Strategic Communications

+971 5 5989 3309

anca.cighi@fticonsulting.com



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