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Necessity is the mother of invention as companies re-evaluate how they communicate with investors

Strategic Communications

Listed companies globally are having to re-evaluate how they communicate with their stakeholders during the uncertainty of the Covid-19 pandemic. Temporary precedents have been set as a necessity to help accommodate these exceptional circumstances. But some of these changes implemented for the short-term actually have long-term relevance as businesses look to the future.



In these unprecedented times where events are moving apace, the steps taken by our own JSE to make changes to the AGM platform by launching a virtual alternative to both enable and maximise shareholder engagement and voting are sensible and innovative.

For example, results and their sign-off have been postponed, integrated annual reports are being delayed and annual general meetings are being held in virtual environments as companies and their constituents are forced to “self-isolate”.

Many jurisdictions have made provisions to allow for a delay in reporting deadlines. For instance, the U.S. Securities and Exchange Commission has offered an extension of disclosures in the intensive quarterly reporting cycle; and the European Securities and Markets Authority advised national regulators to give issuers flexibility to delay publication of financial reports beyond the statutory deadline.

Covid-19 may be expediting the temporary demise of the physical financial calendar meetings, whether AGMs or results presentations, but the death knell has been ringing on these for years. This is a debate that has long occupied businesses with many moving to more innovative and technology-based formats for their interim and full year results, particularly as companies prove they are “walking the walk” in embracing digitisation. Many would argue that a more dynamic and innovative format should have been adopted along time ago where the C-suite can still maintain critical, interactive relationships with their stakeholders, but without a static, somewhat archaic format.

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There are many unknowns regarding Covid-19 and how it will ultimately play out, but what is clear is that this is a useful inflection point in investor communications.”

The question, however, turns to how this will fundamentally change the way companies interact with their stakeholders in the future while still upholding legal validity.

As always, the priority is to maintain the integrity of the capital markets. Providing investors with as much certainty and clarity as possible, even when accommodating delays in disclosure, whilst demonstrating business resilience and sustainability beyond the present once lockdowns around the world begin to ease is critical. Companies obviously still need to fulfil their obligation to engage with shareholders, but these new steps demonstrate agility to a situation that has no parallel.

In planning for these contingencies, whether to take advantage of a relaxation of the reporting timetable or the use of alternative platforms and protocols, there can be no compromise of standards. Companies would be well advised to ensure they remain compliant with relevant corporate governance codes and listing rules, regulatory guidance and dictates of the company's own articles.

Despite changes to reporting requirements and protocols during the lockdown, the fundamental principles of financial reporting cannot be compromised, such as access to information from results presentations the importance of shareholder participation in the AGM process. Regular updates should be issued as circumstances change and new information arises which would have an affect the company to ensure maximum transparency.

The turbulence of markets will make the forthcoming reporting cycles more complicated than ever and the ability to make authentic, accurate predictions on outlook will be a severe test for listed companies. Clear communication with investors is key at this time and management must take every opportunity to continue to build trust and transparency during this period. Now more than ever, a balance between the need for pragmatism to protect the wellbeing of shareholders and employees, whilst avoiding the pitfalls of selective disclosure will directly influence the long-term ability of a business to survive this.

These are supposed to be short-term measures although their duration is still unknown, but some of the adopted changes to protocols are welcome and overdue. Moreover, they can have longevity long after we remerge from Covid-19 lockdown.

The catalyst for these changes is grounded in today's need to maintain business continuity, but also has the potential to become widely accepted, helping evolve processes and protocols to be fit for purpose in the future. The opportunity is there for greater transparency and more interactive connectivity with stakeholders in the future if we take some of the learnings from these temporary measures and make them a permanent reality as we adjust to our new normal.

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