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MEIRA WORD, COVID-19: THE GOVERNANCE IMPERATIVE, THIS IS IT!

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Summary

Let's consider two companies. First, one in the manufacturing, dairy and food sector, of course, particularly crucial in times of food safety and security. And the other in the banking sector, again, in many ways, providing the economic lifeblood of funding to regional companies. Both companies represent clear, purposeful, yet nuanced strategic and tactical approaches to the worst global pandemic in our lifetime. To set the scene and better understand the context of the adverse operating and regulatory environment, we asked a leading capital markets lawyer to help us understand the response from regulators in a time of COVID-19. As in all our MEIRA Word articles, the pivotal role of IR will feature front and centre.

Indeed, we are fortunate to have a wholly committed MEIRA Board of Directors who recently contributed to this latest MEIRA Word: Andrew Tarbuck, Partner and Head of Capital Markets at Al Tamimi, as well as Chair of MEIRA; Sofia El Boury, Head of IR at FAB, a perennial IR award winner and Vice-Chair of MEIRA; and Paul Gay, former CFO of Almarai and now C-suite adviser, as well as being another most supportive senior MEIRA Board member.

The IR issues

A key part of IR's role is to maintain and develop the investment story of a company. In today's testing climate, we can argue it is as much a communication imperative as anything else. To begin, however, what have the regulators done to aid public companies? In some ways, the pause in market activity has allowed companies to take a step back and reconsider their processes, systems and governance structure. The regulators too have come out responsively, if not nimbly, and given companies more flexibility in reporting requirements, be it year-end, quarterly or at AGM. Yet, a key IR lesson has been to expect companies to fulfil their continuous obligations of operating in public capital markets where disclosure of material information and transparency are at a premium given the current uncertainty.

Indeed, we rightly expect the integration of more ESG factors into the investment story to be rewarded by an increasingly discerning investment community. It is indeed timely to consider the future-proofing of business. At the same time, SCA in the UAE, for example, recognises the financial stress that some public companies are under. Accordingly, from July 2020, we will see the introduction of a watchlist that seeks to differentiate more vulnerable businesses that may need some breathing space. Importantly, investors need to know this information. For the more resilient businesses, perhaps the correct IR response has been to

face adversity head-on, not just as a crisis situation. For some, it has been an opportunity to re-position the investment story as a sustainable business proposition that will take us well beyond the end of this sorry episode of COVID-19.

Crisis mode: Strategic leadership in action

At Almarai, undergoing management transition, the immediate business response to COVID-19 has been to go into overdrive, into crisis mode. This has been demonstrated by a redefinition of the business. Effectively, this has meant the company leadership focusing primarily on efficiency and simplifying the approach to running operations. In a business that puts much store on safety and food security, this has resulted in concerted action in response to Government plans that naturally prioritise a national response. In many ways, use of IT and leveraging the benefits of digitalisation were already underway. COVID-19 has made management step-up quickly as the complexity and scale of the crisis has unfolded. Scenario planning, based on different economic outcomes over the coming year, has taken centre stage. Will there be a recovery, if so how quickly, or are we potentially facing a full-blown recession? How do you factor all this?

The strategy and IR story of Almarai have remained intact given the importance of the sector. However, it's fair to say that the operational support has gone to another level in response to the overriding objective of securing food supplies to the market. Given 44,000 employees, extensive supply chains and many dependent consumers, Almarai has cut to the chase by re-engineering its business model for the future from bio-secure production at its farms to the shop shelves. Gaps in the operating model have been spotted and food waste has been reduced. The whole notion of sustainability has taken on a new meaning as greater efficiencies have become evident. Clearly, the Almarai plan has needed much ongoing communication, internally to raise awareness among employees and externally, for the benefit of other stakeholders, including investors.

The role of strategic IR: retaining confidence in the worst of times

In a broad sense, COVID-19 hasn't discriminated and the economic well-being of regional markets has been very dependent on money flows. Banks play the key role as the conduit for the Central Banks to ensure that credit remains available to all sectors and the community at large. FAB, the biggest Bank in the UAE, sprung into BCP mode. This has meant quickly moving to ensure that its business continuity planning took immediate effect at a time when the news flow was suddenly magnified, distorted and became a daily deluge. In response, again, the communications functions have been in super-mode as clear, timely and consistent information has made the difference to stakeholders. Above all, co-ordination and collaboration have been the watchwords at FAB as management and the Board have taken a visible lead.

The IR team, like the rest of the Bank, has drawn on digital resources, including cyber-security and IT infrastructure to ensure the integrity of the business. From a communications perspective, the virtual world has arrived as regular face-to-face meetings and even international roadshows have been replaced by digital versions. Above all, for IR, it is all about being present, on the front foot and acting as a conduit between the business and investment community, among other stakeholders. Keeping the faith means

being available, possibly more so, than in ordinary times given the need for regular quality information. Where better than from the company itself? FAB continues to look at ESG factors as an integral part of the long-term investment story. In a way, COVID-19 is simply another catalyst, if not timely confirmation of the need, to accelerate this process towards creating sustainable business models for the future.

Key take-aways

To conclude, it is fair to say that in many ways COVID-19 has confirmed what we need from our public companies. The C-suite and Boards in the region, like everywhere, have had to step-up. This has called for vision, if not always clarity about what's ahead. It has also required strength of purpose, by staying the course and continuing to deliver stakeholder value, the demanding 'S' in ESG. At the same time, as IROs know, as we face change and ambiguity, the commitment of company leadership has never been more important. This includes commitment to continuous open communications, both internally to support employees, as well as to the outside world which needs more reassurance in bad times. In the end, people will remember the IR teams that kept going through thick and thin, the IR teams that enhanced their communication channels and the IR teams that received the wholehearted support of the C-suite and their Boards. In this way, MEIRA companies can showcase the importance of IR, as well as champion best practice in corporate governance, perhaps the more familiar 'G' in ESG, with these lessons:

- > Be part of the **company strategic decision-making** and remember that all your key stakeholders need to be fully considered.
- > IR can and should **lead the communications**, particularly for the investment community.
- > Reach out, **collaborate internally and externally**, we all need help to get through tough times.
- > More fundamentally, adjust and if necessary, recalibrate the business and the supporting investment story so that you play to your strengths for **long-term sustainable success**.
- > Perhaps the biggest take-away is to **stay calm**, focused and keep the faith of your target audiences.

And finally, to put matters into perspective, **a MEIRA Word from Chair Tarbuck**, "I believe that the biggest lesson is that leading regional companies can demonstrate clear affirmation of the value of IR. At a time when the regulatory environment has had to adapt, we would do well to reinforce the prospect of the mandatory role of IR in all listed companies in the region. That time has possibly come. We need IR, coupled with ESG, the pressing need for which has been clearly highlighted by the advent of COVID-19".



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