


## SPECIAL GUIDANCE

# Disclosure and Transparency In Crisis

Increasing Resilience  
and Building Trust  
During and After  
COVID-19



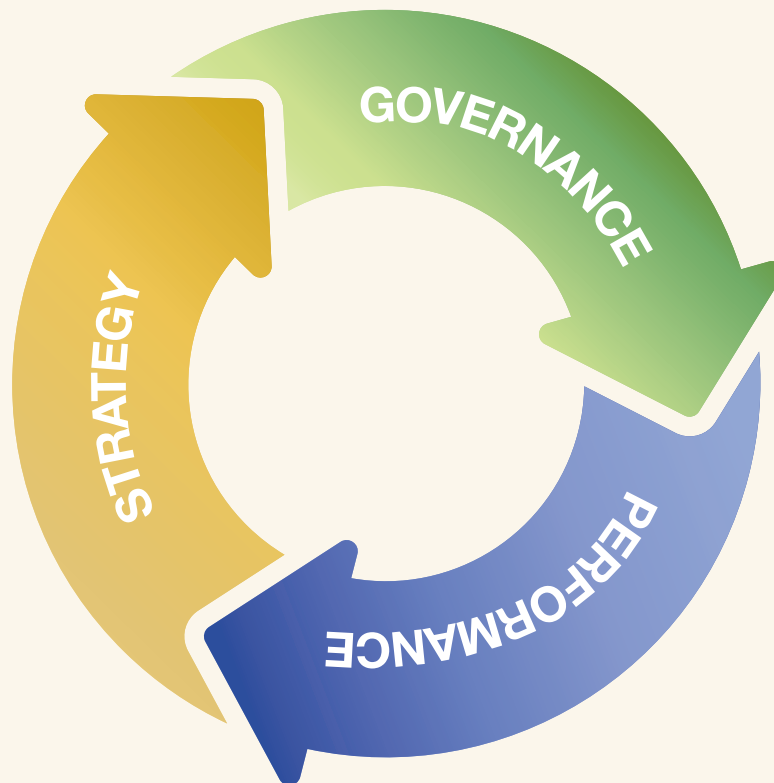


*IFC's Disclosure and Transparency Framework can help companies effectively communicate their strategic responses to the pandemic with investors and other stakeholders.*

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## Using IFC Transparency & Disclosure Framework During and After COVID-19



- ▶ **Strategy.** How companies are adapting their strategies to the crisis, both long and short-term, and what changes they are making to products and services, operations, and supply chains; how they are managing the social impacts of the pandemic.
- ▶ **Governance.** How companies can use governance structures to oversee and monitor management's response to the crisis, and its impact on stakeholders.
- ▶ **Performance.** How the crisis affects both financial and non-financial performance, and the measures some companies are taking to adapt financial resources and manage sustainability outcomes.

# Introduction

For most businesses around the world, this is the first encounter with a global pandemic and there is no playbook on how to respond. While guidelines and best practices are emerging, businesses are having to experiment and constantly adapt their responses as countries refine their understanding of the pandemic and how to contain it.

In addition to managing the health and economic impacts during periods of lock down, businesses must put in place longer-term measures to operate in a “new normal”. For many industries, this new normal requires new approaches to business models and supply chains. Companies must adapt their strategies and operations to remain robust and viable.

In this period of high uncertainty, it is **important for businesses to proactively communicate how they are responding to the crisis** to their investors and stakeholders—including their employees, their customers, and the communities in which they are operating.

Whether in their annual reports, quarterly financial reports, or interim reports, companies have a duty to provide timely information on the impact of the pandemic to investors and stakeholders and explain how they are responding in the short-term and adapting their strategy in the medium- and long-term.

## The Importance of Disclosure and Transparency

Disclosure and transparency are critical to demonstrate how companies:

- Respond to the crisis by reevaluating and adjusting their business practices
- Respond to new and pressing expectations from stakeholders

- Seize opportunities for products, services, or solutions in response to the pandemic
- Mitigate health and economic impacts on employees and communities

This Special Guidance is designed to help **both listed and privately-owned companies** disclose what they are doing to manage the economic, environmental, and social impacts of the pandemic, using [IFC’s Disclosure and Transparency Framework](#), which is focused on strategy, governance, and performance.

The guidance promotes the issuance of standardized corporate reports and data – and provides investors and key stakeholders with the information they need to assess company resiliency, preparedness, and continued management of material environmental, social, and governance (ESG) issues both during and after the crisis. It can also provide guidance for stock exchanges and regulators who are adapting their disclosure and transparency framework during COVID-19.

**Keywords:** IFC, Environmental, Social and Governance (ESG), disclosure and transparency, sustainability reporting, annual report, integrated reporting, COVID-19, crisis response, governance of stakeholder engagement, sustainability risks and opportunities, materiality, strategy, corporate governance, financial and non-financial performance, board of directors, control environment, health and safety.

**STRATEGY**

The pandemic is changing the operating environment – and sometimes the business model – of companies everywhere. It therefore requires an assessment of new risks and opportunities for businesses, and how they will impact stakeholders. Companies should disclose information about the new operating environment and any changes to their business model, strategic objectives, and management of sustainability issues.

<p><b>OPERATING ENVIRONMENT</b></p>	<p>Does the company disclose how the pandemic is impacting its operating environment, including:</p> <ul style="list-style-type: none"> <li>• Shifts in consumer demand;</li> <li>• Supply chain disruption;</li> <li>• Labor constraints and restrictions;</li> <li>• Changes in the regulatory and/or competitive environment.</li> </ul>
<p><b>BUSINESS MODEL</b></p>	<p>Does the company disclose changes – positive and negative – to their business model for developing, distributing, or delivering products and services, and meeting their clients’ needs based on the new operating environment created by COVID-19 (including financial model, labor structure, customer preferences)?</p>
<p><b>STRATEGIC OBJECTIVES</b></p>	<p>Does the company disclose changes to its strategy in order to maximize opportunities and minimize the downside of pandemic-related disruptions and resource reallocation such as:</p> <ul style="list-style-type: none"> <li>• Adapting products and services to meet new demands and to protect consumers (e.g. changes in hotel, airline, and restaurant seating and accommodations);</li> <li>• Alternative use of idle assets or strategies in order to maximize existing assets and/or to address new demands;</li> <li>• Balancing short-term cost-cutting measures with longer-term operational requirements;</li> <li>• Addressing the technology needs for changes in logistics (e.g. changes in work arrangements, production, and supply chain).</li> </ul> <p><b>Tip:</b> Companies should also disclose any new strategic objectives and key performance indicators (KPIs) adopted in response to the pandemic.</p>
<p><b>RISK ANALYSIS AND RESPONSE</b></p>	<p>Does the company assess and disclose how resilient it is in this new environment; and the measures it is taking to ensure business continuity and to mitigate the impact of the pandemic on operations and the supply chain, including:</p> <ul style="list-style-type: none"> <li>• Scenario planning for the most likely outcomes and resolutions of the crisis;</li> <li>• Creating or updating business continuity plans, and setting up crisis response capabilities;</li> <li>• Building redundancy and dependability in business processes and supply chains.</li> </ul>
<p><b>STAKEHOLDER ENGAGEMENT</b></p>	<p>Does the company proactively engage with stakeholders regarding the operational and strategic changes resulting from the pandemic?</p> <p><b>Tip:</b> Stakeholder engagement can help companies co-create health and economic solutions for employees and communities and ensure that new risks and impacts from the crisis are appropriately detected and remediated. Companies should disclose how they are engaging with stakeholders and should create a dialogue about the most appropriate ways to respond to the crisis.</p>

STRATEGY (Cont.)

<p><b>MATERIALITY ASSESSMENT</b></p>	<p>Does the materiality assessment reflect the new risks and opportunities the company is facing?  <b>Tip:</b> <i>The pandemic is changing the operating environment of every company, and thus requires a new assessment of the material risks and opportunities for every business and its stakeholders. This includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Updating the likelihood and magnitude of ongoing risks and sustainability issues the company is facing;</i></li> <li>• <i>Assessing new types of risks and sustainability issues that may arise as an immediate result of the pandemic and the disruptions it is creating.</i></li> </ul>
<p><b>SUSTAINABILITY RISKS &amp; OPPORTUNITIES</b></p>	<p>Does the company disclose how it manages material sustainability issues during the crisis, including:</p> <p><b>Mitigating the impact on the workforce and the community:</b></p> <ul style="list-style-type: none"> <li>• Protecting employees and contract workers by focusing on health issues, and by protecting jobs and vulnerable workers, including providing decent work and identifying new forms of discrimination (Table 1);</li> <li>• Protecting customer health through the introduction of new safety protocols;</li> <li>• Managing impacts on communities, including vendors, from disrupted or discontinued operations.</li> </ul> <p><b>Creating solutions to new health and social issues arising from the pandemic:</b></p> <ul style="list-style-type: none"> <li>• Providing continued access to essential products and services, including healthcare, finance, food, energy, technology, and industrial manufacturing;</li> <li>• Mitigating the impact on already impoverished or marginalized communities by ensuring fair access to products and services (Table 2).</li> </ul> <p><b>Continuing to manage long-term environmental and social issues:</b></p> <ul style="list-style-type: none"> <li>• Mitigating and adapting to ongoing environmental issues, including climate change, protecting ecosystems, and preventing pollution;</li> <li>• Responding to existing social issues that may be exacerbated by the economic and social impacts of the crisis.</li> </ul>

**Table 1. Workers' Health and Well-being, Decent Work**

<p><b>WORKERS' HEALTH &amp; SAFETY</b></p>	<ul style="list-style-type: none"> <li>• Personal protection equipment for frontline employees, at-risk populations</li> <li>• Working arrangements for long-term safety</li> <li>• Working conditions in supply chains</li> </ul>
<p><b>JOBS &amp; BENEFITS PROTECTION</b></p>	<ul style="list-style-type: none"> <li>• Accommodations for workers who work from home</li> <li>• Alternatives to redundancy (remote work, paid leave, reduced working hours)</li> <li>• Skills upgrading for low-skilled and temporary workers</li> <li>• Employee training for new required skills</li> </ul>
<p><b>DECENT WORK</b></p>	<ul style="list-style-type: none"> <li>• Protecting against discrimination in the new work environment</li> <li>• Equal treatment of employees diagnosed or treated with COVID-19</li> <li>• Mitigating impacts on the most vulnerable workers (frontline activities, childcare)</li> </ul>



STRATEGY (Cont.)

**Example 1: Singtel Group's COVID-19 Response**

**TURNING UNCERTAINTY INTO SAFETY, RESILIENCE, AND OPTIMISM FOR OUR STAKEHOLDERS**

Our communications network services and solutions play a crucial role in times of crisis and a pandemic like COVID-19. We help businesses, communities, and people stay connected and have access to the latest news updates wherever they are.

**EMPLOYEE HEALTH, SAFETY, AND WELL-BEING**

As part of our business continuity plan, we assembled a management-led Pandemic Control Committee and appointed floor and health staff representatives across our various offices as early as January 2020. Standard operating procedures were drawn up in response to COVID-19 scenarios and disseminated. We issued regular communications and advisories to the staff to keep them posted on the latest developments in Singapore and Australia and our work arrangement plans.

We reviewed our business operations and implemented measures to ensure staff and customer safety and well-being. For example, we issued hand sanitizers and masks to our staff, installed thermal scanners at our offices and stepped up cleaning services of common office areas and our retail shops.

**SUPPORTING BUSINESS CUSTOMERS**

We also wanted to help our small and medium sized enterprise (SME) customers whose sales were affected due to social distancing and lockdown measures. In Singapore, we gave free access to Singtel's 99sme.sg e-marketplace and six months free usage of productivity, collaboration, and security tools to these customers. Similarly, we provided a free trial SMB product, Loop Live, to help enterprise customers stay connected in Australia.

*Singapore Telecommunications Limited | Sustainability Report 2020*

**Example 2: Nedbank's Response To The COVID-19 Pandemic – Governance And Strategic Tilt**

**Our primary focus is on the health & safety of our staff, continuing to serve our clients as banking is an essential service & supporting clients as they manage their finances through this difficult period**

Current focus	Transitional focus	Future focus
Pivot our strategy to increase focus on: <ul style="list-style-type: none"> <li>managing liquidity, capital, market &amp; credit risk</li> <li>scenario modelling &amp; stress testing</li> <li>optimising costs</li> </ul>	Planning how we reintegrated staff & business functions in a phased manner (in line with government guidelines).	Strategise for 'the new normal', competitive advantage & grow the business

**Group Executive steering committee** oversees our actions & management of the unfolding risks, supported by: Covid-19 Pandemic Steering Committee (operational matters), Liquidity Steering Committee (maintain our strong liquidity profile) & Credit Steering Committee (manage credit risks & client support).

NEDBANK GROUP LIMITED – April 2020



STRATEGY (Cont.)

**Table 2. Disclosure Examples: Strategic Responses To New Health, Social And Economic Issues Caused By The Pandemic**

	<b>HEALTHCARE</b>	<ul style="list-style-type: none"> <li>• New approaches to serving patients in order to accommodate new access and safety considerations</li> <li>• R&amp;D for tests, vaccines, and medications intended to combat the virus and its symptoms</li> <li>• Telemedicine and remote healthcare services to ensure fair and equal access to treatment</li> <li>• Pricing for COVID-19 treatment that maximizes public health and provides incentives for innovation</li> </ul>
	<b>FOOD</b>	<ul style="list-style-type: none"> <li>• Changes in food production to address new patterns of consumption and to ensure access to essential products</li> <li>• Solutions for actual or potential disruption in the food supply chain (for example, using locally- produced foods)</li> <li>• Safety of workers and customers through the entire food production and distribution process</li> </ul>
	<b>FINANCE</b>	<ul style="list-style-type: none"> <li>• Accelerated digital access, with a focus on remote and rural customers (for example, smallholder farmers)</li> <li>• Special credit lines and relaxed terms for at-risk populations and businesses</li> <li>• Loans, import/export financing, and working capital for small businesses that are negatively impacted by economic restrictions, and for companies providing essential services during the pandemic</li> </ul>
	<b>TECHNOLOGY</b>	<ul style="list-style-type: none"> <li>• Online substitutes for essential services (education, telemedicine, and online shopping)</li> <li>• Ensuring fair access to essential online services (finance, health, and education)</li> <li>• Anonymous data-gathering on people's movements and infections to contain virus spread</li> </ul>
	<b>INSURANCE</b>	<ul style="list-style-type: none"> <li>• Accelerated payments of short-term disability and unemployment benefits for employees and other workers affected by the pandemic</li> <li>• Joint solutions with healthcare providers to alleviate the financial burden for patients in critical care</li> <li>• New products to protect from new risks from the pandemic (such as international travel)</li> </ul>
	<b>MANUFACTURING</b>	<ul style="list-style-type: none"> <li>• Greater reliance on robots and automation</li> <li>• Solutions for supply chain disruption (such as shifts towards shorter supply chains)</li> <li>• Mitigation of economic and social impact of any temporary or permanent factory closure</li> <li>• Supplying critical services (hospitals, utilities, and responders), including safety equipment</li> </ul>
	<b>INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>• Changes in transport infrastructure (airports, trains, and roadways) to accommodate new travel patterns and safety</li> <li>• Changes in logistics infrastructure (such as ports) to address shifts in global demand and supply chains</li> </ul>
	<b>MEDIA</b>	<ul style="list-style-type: none"> <li>• Ensuring of access to accurate and timely news and information on the epidemic</li> <li>• Maintenance of journalistic integrity and ensuring of accurate and fair information (including preventing disinformation)</li> </ul>
	<b>TOURISM &amp; HOSPITALITY</b>	<ul style="list-style-type: none"> <li>• Lodging solutions with reduced occupancy or capacity—accommodating safety of customers</li> <li>• Strategies to maximize local or regional customers and reduce reliance on international travel</li> </ul>

## GOVERNANCE

Companies should disclose how governance mechanisms are being deployed to ensure an effective response to the crisis, including by: clearly defining roles and responsibilities; communicating effectively; and focusing on mitigating the impact of the crisis on employees, the community, and business continuity.

<p><b>COMMITMENT TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE</b></p>	<ul style="list-style-type: none"> <li>• Is there new commitment from the top to manage both the short-term and long-term sustainability impacts of the crisis, and increased stakeholder expectations?</li> <li>• Does the company disclose changes in commitments such as:             <ul style="list-style-type: none"> <li>- managing both the short-term and long-term sustainability impacts of the crisis, and increased stakeholder expectations;</li> <li>- resulting changes to articles, codes, policies, and practices.</li> </ul> </li> <li>• Is the new commitment reflected in company articles, codes, policies, and practices? Is it publicly disclosed?</li> </ul>
<p><b>STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS</b></p>	<p>Does the company disclose how the board is adapting its structure and functioning due to the crisis, including:</p> <ul style="list-style-type: none"> <li>• Board oversight of crisis management, including the focus and oversight role of any crisis committees;</li> <li>• Changed focus of existing board committees;</li> <li>• Ensuring board competencies for crisis management, including outside expertise in pandemic management (for example, regarding issues and techniques of decontamination);</li> <li>• Changes to the frequency of board or committee meetings to ensure adequate response to the crisis;</li> <li>• Redirecting dividend funds to cover COVID-related costs</li> </ul>
<p><b>CONTROL ENVIRONMENT</b></p>	<p>Does the company disclose how the control environment is adapted to the new operating environment, including:</p> <ul style="list-style-type: none"> <li>• Risk Management: Risk assessment for the short- and long-term implications of COVID-19;</li> <li>• Internal Controls: Business continuity plans (BCPs) and information technology (IT) controls related to telecommuting, workplace safety, product safety, and procurement during the pandemic;</li> <li>• Compliance: Compliance with relevant codes, policies, and procedures for business continuity, IT and safety controls, and new regulations related to COVID-19;</li> <li>• Internal Audit: Alternate capacities and procedures for continued auditing work, including the assessment of BCPs, and advising on deficiencies and corrective action.</li> </ul>
<p><b>TREATMENT OF MINORITY SHAREHOLDERS</b></p>	<p>Does the company disclose its efforts to protect minority shareholders during the pandemic, including:</p> <ul style="list-style-type: none"> <li>• Timely communication with all shareholders, and their support of important decisions regarding material shifts in the short- and long-term strategies of the company?</li> <li>• Protection of minority shareholders in case of financial distress, debt renegotiations, and equity dilution;</li> <li>• Adjustment to executive compensation policies, including provisions for performance-based compensation;</li> <li>• Alternate mechanisms for annual shareholder meetings, including virtual meetings and distance voting.</li> </ul>
<p><b>GOVERNANCE OF STAKEHOLDER ENGAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• Does the board have the skills, capacity, and continued oversight of stakeholder engagement that are needed in a crisis environment?</li> <li>• Does the company disclose its response to the crisis to stakeholders in a timely and understandable way?</li> <li>• Are there appropriate reporting mechanisms for concerns of employees, suppliers, and clients related to the pandemic, including grievance mechanisms for workers and the community?</li> </ul>

## SUGGESTIONS FOR ADAPTING GOVERNANCE FRAMEWORKS TO COVID-19

In many countries and companies, the pandemic requires businesses to adapt their corporate governance frameworks and practices for short-, medium-, and long-term impacts of COVID-19. The table below provides specific examples of how companies may revise, adapt, or recast their corporate governance practices in light of the pandemic.

<b>COMMITMENT TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE</b>	<ul style="list-style-type: none"> <li>• Expand focus on workplace health and safety, especially for home-based working and safe distancing</li> <li>• Demonstrate support for employees, suppliers, and customers</li> <li>• Continue focus on on-going ESG matters, such as climate change strategies</li> <li>• Continue commitment to full, fair, and continuous disclosure of all material events or changes</li> <li>• Consider possible director or chair tenure extension to prevent disruptive change in a time of crisis</li> <li>• Enhance focus on company resilience</li> <li>• Ensure directors will continue to consider long-term interests of the company in decision-making</li> </ul>
<b>STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS</b>	<ul style="list-style-type: none"> <li>• Increase regular communications with stakeholders, including discussions on required disclosures</li> <li>• Conduct more frequent board and board committee meetings; directors commit to increased time</li> <li>• Establish board crisis committee to oversee management's response</li> <li>• Increase board and management flexibility and agility to address change velocity</li> <li>• Provide a new focus in board committees and functional areas, including the following: <ul style="list-style-type: none"> <li>– HR Committee: Provide oversight of government-funded employee support; improve treatment of redundant and furloughed workers; emphasize health and safety of continuing workers (staff morale and mental health)</li> <li>– Audit committee: Review issues with company viability as a going-concern, liquidity, oversight of interrupted revenue streams, cash flows, bank relations, recapitalization, debt compliance, continuing management and financial reporting, reviews of fair value estimates and impairments, and disclosure of limitations on forecasts and material uncertainties</li> <li>– Remuneration committee: Review executive remuneration/pay cuts in the context of layoffs</li> <li>– Risk Committee: Review probability and magnitude of existing and new risks (as part of a separate committee or as part of the Audit Committee).</li> </ul> </li> <li>• Recognize the challenges of decision-making in a period of uncertainty with imperfect information and the difficulty of performing due diligence of continuing transactions</li> <li>• Change accepted practices as necessary, for example on payment of dividends, and on reporting and audit processes</li> </ul>
<b>CONTROL ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Utilize risk management principles to accomplish the following: explain how to address and mitigate the impacts of the virus; undertake disaster recovery; review the risk appetite; increase the speed and impact of changes requiring scenario planning; focus on the impact on company reputation; recommend changes to internal controls for the possibility of IT and financial overrides; develop new regulations to comply with; review the levels of authority to reflect changes in circumstances; review board and management for the likelihood of individuals contracting COVID-19.</li> <li>• As the COVID-19 crisis has increased reliance on digital technologies, companies should re-examine their business models and control environment.</li> </ul>

**SUGGESTIONS FOR ADAPTING GOVERNANCE FRAMEWORKS TO COVID-19 (Cont.)**

<p><b>TREATMENT OF MINORITY SHAREHOLDERS</b></p>	<ul style="list-style-type: none"> <li>• Preserve all shareholder rights to attend, vote, and ask questions at the annual general meeting (AGM); facilitate virtual or hybrid AGMs; address the difficulty of passing resolutions at AGMs</li> <li>• Ensure compliance with changes in securities and banking regulations, especially regarding raising capital</li> <li>• Allow as much as possible minority shareholders' participation in raising capital to avoid dilution</li> <li>• Consider the impact of changing practices regarding dividend policy, payments, and buybacks</li> </ul>
<p><b>GOVERNANCE OF STAKEHOLDER ENGAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• Increase communications with all stakeholders on the impact of COVID-19 on the business, including significant adverse or positive developments</li> <li>• Establish a cross-function communications team and leverage a wide range of tools, platforms, and technologies to communicate effectively with all stakeholders</li> <li>• Ensure timely communications with employees</li> <li>• Communicate applications for public or government support measures, disclosing the nature, amounts, and conditions of such assistance</li> <li>• Disclose renegotiation or loss of major contracts</li> </ul>

**Example 3: Governance and Leadership During COVID-19 -- BlackRock**

**GOVERNANCE AND INSPIRING LEADERSHIP**

The leadership and strategic guidance of BlackRock’s Board of Directors and Global Executive Committee have been critical to BlackRock’s ability to navigate the financial, operational, and human complexities arising from the pandemic.

Our Board of Directors has been receiving weekly strategic, financial, and operational updates. In March, BlackRock held a previously scheduled Board of Directors meeting virtually. While many of the agenda topics that were scheduled prior to the crisis were covered as planned, we also adapted the agenda to focus attention on the most crucial developments in our operating model.

The Global Executive Committee – BlackRock’s leadership team comprised of the firm’s most senior leaders – is meeting daily by videoconference to keep the firm operating effectively, to monitor the well-being of our employees and their families, and to continue to deliver for clients. We have prioritized clear and frequent communications from senior leaders, as well as a range of internal Communications, to help employees stay connected and informed.

In April, over 100 BlackRock leaders came together at our first ever virtual Global Leadership Summit to set our direction as we contemplate the implications of the pandemic and what comes next.

*Excerpt from “Sustaining BlackRock through COVID-19, 27 May 2020”.*

## PERFORMANCE

Companies should provide investors with timely information on any material changes in the expected financial and operational performance resulting from the pandemic, including sustainability targets and KPIs. Companies can use IFC's Disclosure & Transparency Framework to disclose any such changes in their operational and financial situation.

<b>MANAGEMENT REPORT</b>	<p>Has management provided an update of the company's financial and nonfinancial performance and general position in the context of the crisis, and explained the circumstances of the results and projections? This should include:</p> <ul style="list-style-type: none"> <li>• Scenario planning for the most likely resolutions and outcomes of the crisis;</li> <li>• The probability and magnitude of any possible impacts;</li> <li>• The timing of expected impacts (short-, medium-, and long-term);</li> </ul> <p><b>Tip:</b> Management should also address any changes or challenges to existing investments and initiatives, as well as any new investments and how they will be financed in the new environment.</p>
<b>FINANCIAL RESOURCES</b>	<p>Does the company provide updates on its financial position in terms of liquidity and solvency? Has it disclosed how the company is adapting its financial resources to the new environment, including by addressing:</p> <ul style="list-style-type: none"> <li>• Emergency financial resources and short-term mitigation measures to respond to temporary disruptions and loss of business (for example, the suspension of dividends);</li> <li>• Measures to maintain essential capital (including human capital), and to enable recovery;</li> <li>• Availability of financial resources to aid in medium-term recovery and the return to capacity;</li> <li>• Access to government grants and any related constraints.</li> </ul>
<b>FINANCIAL PERFORMANCE</b>	<p>Is the company disclosing and providing updates on its actual and projected financial results, including:</p> <ul style="list-style-type: none"> <li>• How recent events may impact financial management estimates (inventory obsolescence, receivables collectability, asset impairments, financial viability thresholds);</li> <li>• Debt management, intangibles and their valuations, going-concern assumptions;</li> <li>• Financial KPIs.</li> </ul>
<b>SUSTAINABILITY PERFORMANCE</b>	<p>Is the company disclosing its performance on both short-term and longer-term sustainability issues, including:</p> <ul style="list-style-type: none"> <li>• Mitigating the impact of the pandemic on the workforce and the community;</li> <li>• Providing solutions to the health, social, and economic issues created by the pandemic;</li> <li>• Any changes in expected performance on long-term sustainability issues, including KPIs.</li> </ul>
<b>KEY PERFORMANCE INDICATORS</b>	<p>Are the KPIs being reevaluated to make sure that they reflect new strategic priorities?</p> <p><b>Tip:</b> This may include focusing on fewer and shorter-term KPIs, and on KPIs related to financial and operational resilience, as well as those that pertain to the health and safety of employees and communities.</p>

## PERFORMANCE (Cont.)

### Materiality

The pandemic is changing the operating environment of every company and requires a new assessment of the material risks and opportunities for the business and its stakeholders. This includes:

- Updating the likelihood and magnitude of ongoing risks and sustainability issues facing the company
- Assessing new types of risks and sustainability issues that can arise as an immediate result of the pandemic and the disruptions it creates

In updating their materiality assessment, companies can follow a simple four-step process:

- Identify relevant matters
- Assess the importance of relevant matters and prioritize these matters
- Respond to material issues
- Use material issues to shape disclosure

To determine whether a specific issue is material in the new context of the global pandemic, companies can use a five-factor test developed by the Sustainability Accounting Standards Board (see below).

#### Five-Factor Materiality Test (SASB)

- Direct financial impacts and risks
- Legal, regulatory, and policy drivers
- Industry norms, best practices, and competitive drivers
- Stakeholder concerns and social trends
- Opportunities for innovation

### Key Performance Indicators (KPIs)

KPIs are critical to measure the effectiveness of the company strategy and to evaluate financial, operational, and sustainability performance.

During the crisis, KPIs should be reevaluated to make sure they reflect new strategic priorities. This may include focusing on fewer, shorter-term KPIs, and focusing on KPIs related to financial and operational resilience and those pertaining to the health and safety of employees and communities.

### Sourcing Sustainable Finance

Disclosure and transparency on their responses to the pandemic can help companies attract the growing ranks of investors looking to contribute to sustainable development and the Sustainable Development Goals (SDGs). Following best practices set by IFC's own Social Bond Program (see below), companies can issue social bonds, loans, and other innovative financial products to raise capital in support activities that address health, social, and economic issues created by the pandemic, including those listed in Table 2 on page 7.

#### Example 4: KPIs for COVID-19

##### FINANCIAL

- Operational cash flow
- Liquidity (working capital, quick/current ratio)
- Solvency (debt and interest coverage ratios)

##### OPERATIONAL

- Capacity utilization
- Productivity per employee
- On-time delivery
- Inventory turnover

##### HEALTH AND SAFETY

- Ratio of employees who are working remotely
- Number of locations operated and number of employees in each location
- Percentage of employees with sick-pay leaves
- Composition of workforce by risk exposure levels

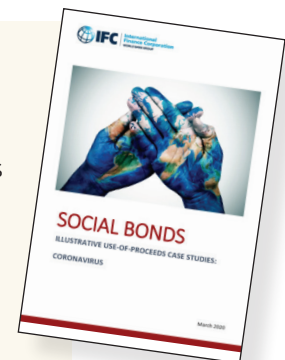
Source: IFC

## PERFORMANCE (Cont.)

**RESOURCE:****Social Bonds for COVID-19 Case Studies**

A recent IFC case study illustrates how the proceeds of Social Bonds can be used for activities that address social issues created by the pandemic.

- **Pharmaceutical:** Research and development of COVID-19 tests, vaccines, and/or other medications intended to alleviate symptoms of the virus
- **Finance institutions:** Loans to small businesses negatively impacted by the economic slowdown from COVID-19
- **Manufacturing:** Increased manufacturing and production of health safety machines, equipment, and hygiene supplies, including modification of existing machines and equipment.

**RESOURCE:****Guidance For Financial Reporting During COVID-19**

**The International Federation of Accountants (IFAC)** provides a range of resources for financial reporting during COVID-19 and points to the following considerations for management and the board of directors:

- Balancing the timeliness of reporting against the reliability and integrity of reported information that appropriately incorporates managements' best judgments and estimates.
- Appropriately assessing going concerns and disclosures of substantial doubt/ material uncertainty when it exists.
- Providing a fair view and presentation of the performance and position of the entity, which is likely to require comprehensive disclosure of forward-looking information and cash flow impacts.
- Maintaining an environment of integrity and transparency as the basis for trustworthy and ethical decision-making across the organization.
- Ensuring effective internal controls over financial reporting and emerging risks, and taking advantage of extended reporting deadlines, as needed.

**The European Securities and Market Authority (ESMA)** recommends that issuers provide detailed and entity-specific information in their interim management reports on:

- The impact that the COVID-19 pandemic has had on their strategic orientation and targets, operations, financial performance, financial position and cash-flows;
- Measures taken to address and mitigate the impacts of the COVID-19 pandemic on their operations and performance and their progress/state of completion; and
- Where available, the expected future impact on issuers' financial performance, financial position and cash-flows, related risks and contingency measures planned to mitigate the expected future impact and risk and uncertainties identified.



## PERFORMANCE (Cont.)

**Example 5: Statement of Philips CEO on the COVID-19**

The start of 2020 was marked by the COVID-19 outbreak, and we have mobilized our resources since January to address this unprecedented challenge. At Philips, we are focused on our triple duty of care: meeting critical customer needs, safeguarding the health and safety of our employees, and ensuring business continuity. I am very proud of the commitment, hard work, and resourcefulness of our employees to keep Philips fully functioning, and I would like to thank them for that.

COVID-19 significantly affected our results in this quarter. There was increased demand for our professional healthcare products and solutions, with comparable sales and order intake growth for the Connected Care and Diagnosis and Treatment businesses. Comparable order intake grew 23 percent, most notably in diagnostic imaging, hospital ventilators, and patient monitors. We are investing more than EUR 100 million to steeply ramp up our production volumes, in close collaboration with our suppliers and partners. At the same time, there was a significant decline in demand for our Personal Health portfolio and we saw Image-Guided Therapy procedures trending down as the quarter progressed. This resulted in a 2 percent comparable sales decrease and an Adjusted EBITA margin of 5.9 percent for the Group.

The impact of COVID-19 gradually increased in the course of the first quarter, initially affecting our businesses in China and Asia Pacific starting in late January, and subsequently affecting our businesses in the rest of the world from March onwards. On that basis, we expect that all our geographies will be impacted throughout the second quarter. This is expected to result in a steep revenue decline for our Personal Health businesses and a sizable high-single-digit decline for our Diagnosis and Treatment businesses, partly offset by a significant increase in revenue of our Connected Care businesses.

Assuming we can convert our existing order book for the Diagnosis and Treatment and Connected Care businesses as planned, elective procedures normalize, and consumer demand gradually improves, we aim to return to growth and improved profitability for the Group in the second half of the year. Consequently, for the full year 2020 we aim to achieve a modest comparable sales growth and Adjusted EBITA margin improvement. Given the current uncertainty and volatility, we will not provide more specific guidance for 2020 at this time.

Excerpt from Message from the CEO, Philips NL, [Q1 Report - Short Term Impact of COVID-19 Access 2019 Philips Annual Report](#)

## RESOURCES

### **IFC'S DISCLOSURE AND TRANSPARENCY PROGRAM**

This program – which is aligned with IFC 3.0 – plays a vital role in building investor confidence and unlocking private-sector investments in emerging markets. Responding to the growing demand for higher standards of corporate disclosure and transparency, it provides practical tools and advisory services for companies, stock exchanges, and regulators in emerging markets to bring about integrated corporate reporting that addresses environmental, social, and governance matters.

### **IFC CORPORATE GOVERNANCE METHODOLOGY**

[IFC's Corporate Governance Methodology](#) is

an approach to evaluate and improve the corporate

governance of a company—including the governance attributes of key environmental and social policies and procedures—around six key parameters:



1. Commitment to Environmental, Social, and Governance
2. Structure and Functioning of the Board of Directors
3. Control Environment
4. Disclosure and Transparency
5. Treatment of Minority Shareholders
6. Governance of Stakeholder Engagement

### **Model Structure of An Annual Report**

#### **1. STRATEGY**

- Business Overview
- Stakeholder Engagement
- Strategic Objectives
- Risk Management and Material Issues
- Key Performance Indicators

#### **2. GOVERNANCE**

- Commitment to ESG
- Board of Directors
- Control Environment
- Treatment of Minority Stakeholders
- Governance of Stakeholder Engagement

#### **3. PERFORMANCE**

- Management Report
- Financial Statements
- Sustainability Statements

### **OTHER IFC RESOURCES**

[Tip Sheet for Company Leadership on Crisis Response: Facing the COVID-19 Pandemic](#)

[Interim Advice for IFC Clients on Supporting Workers in the Context of COVID-19](#)

[Interim Advice for IFC Clients in Preventing and Managing the Health Risks of COVID-19 in the Workplace](#)

[Interim Advice for IFC Clients on Safe Stakeholder Engagement in the Context of COVID-19](#)





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*Creating Markets, Creating Opportunities*

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