

# DISCLOSURE AND TRANSPARENCY DURING COVID-19

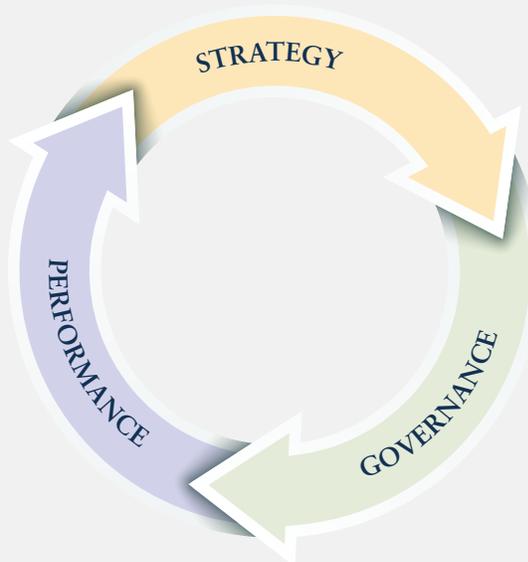
## Increasing Resilience and Building Trust During and After the Pandemic

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

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.

This tip sheet provides **guidance for both listed and privately-owned companies on how to 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. This framework 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.

### Using the IFC Transparency & Disclosure Framework During 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.

## IFC'S DISCLOSURE & 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.

## 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](#)

## IFC DISCLOSURE & TRANSPARENCY FRAMEWORK | COVID-19

### 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.

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|------------------------------|---|
| <b>Operating Environment</b> | <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>   |
| <b>Business Model</b>        | <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>   |
| <b>Strategic Objectives</b>  | <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 (for example, through 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 (for example, 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> |

| STRATEGY (CONT.)                              |  |
|---|--|
| <b>Risk Analysis and Response</b>             | <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>  |
| <b>Stakeholder Engagement</b>                 | <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>   |
| <b>Materiality Assessment</b>                 | <p>Does the materiality assessment reflect the new risks and opportunities the company is facing?</p> <p><b>Tip:</b> The pandemic is changing the operating environment of <i>every</i> company, and thus requires a new assessment of the material risks and opportunities for every business and its stakeholders. This includes:</p> <ul style="list-style-type: none"> <li>• Updating the likelihood and magnitude of ongoing risks and sustainability issues the company is facing;</li> <li>• Assessing new types of risks and sustainability issues that may arise as an immediate result of the pandemic and the disruptions it is creating.</li> </ul>  |
| <b>Sustainability Risks and Opportunities</b> | <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, decent work, and vulnerable workers, including by 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 and Safety</b></p>   | <ul style="list-style-type: none"> <li>• Protection 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 and 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>• Impact on 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>• Fair treatment for sick workers</li> <li>• Mitigating impacts on the most vulnerable workers (frontline activities, childcare)</li> </ul>  |

**TABLE 2. DISCLOSURE EXAMPLES: STRATEGIC RESPONSES TO NEW HEALTH, SOCIAL, AND ECONOMIC ISSUES CAUSED BY THE PANDEMIC**

|  |   |
|--|---|
| <p><b>Healthcare</b></p>  | <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> |
| <p><b>Food</b></p>      | <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>  |
| <p><b>Finance</b></p>   | <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>        |

## 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? Is it publicly disclosed?</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>   |

## Resource: 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

### 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.

|                                     |  |
|-------------------------------------|--|
| <p><b>Management Report</b></p>     | <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>         |
| <p><b>Financial Resources</b></p>   | <p>Does the company provide updates on their 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> |
| <p><b>Financial Performance</b></p> | <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>  |

| PERFORMANCE (CONT.)               |   |
|-----------------------------------|---|
| <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>   |

### Resource: ESMA – COVID-19 Interim Reports

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.

### Examples of 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

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