

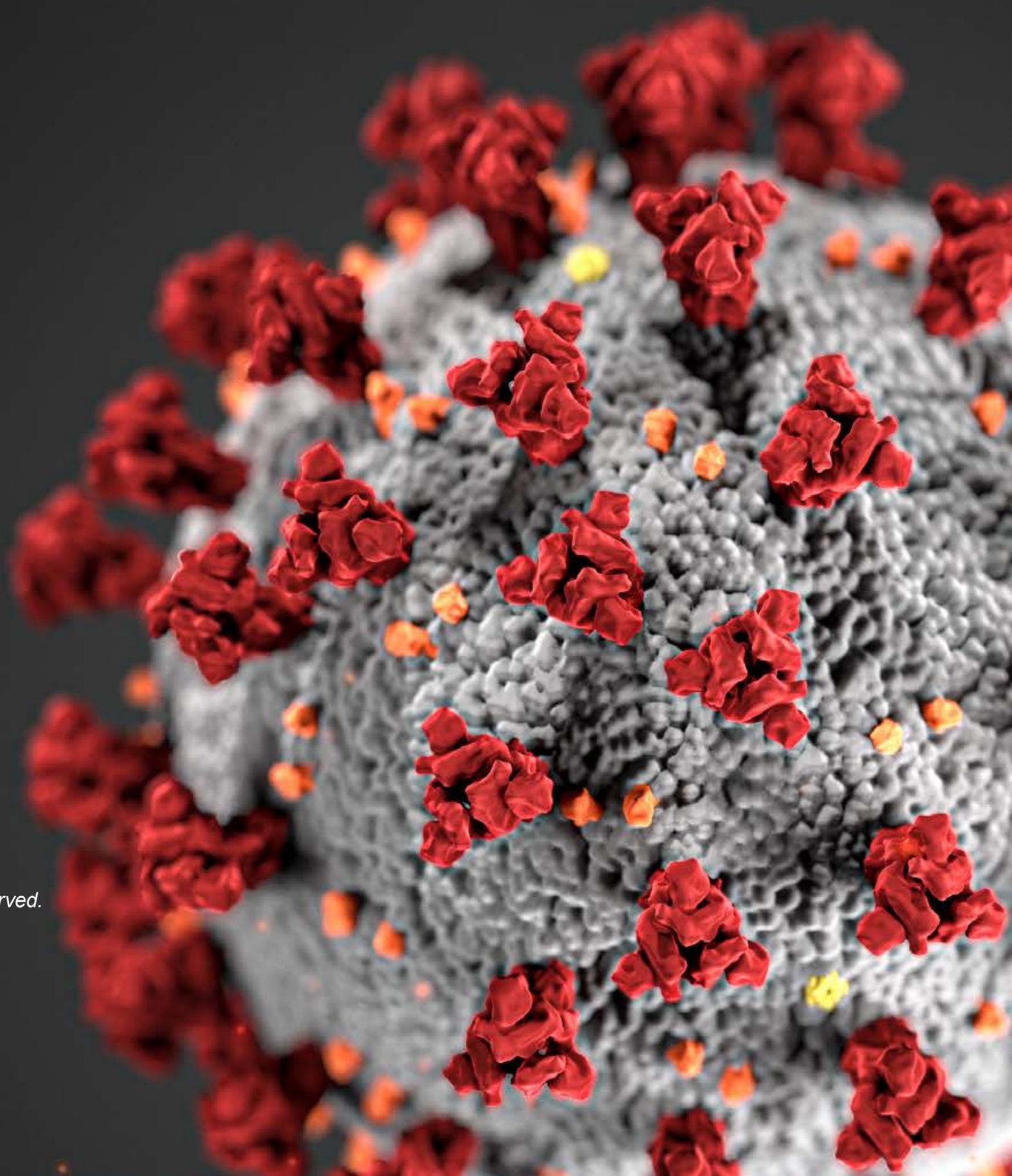


The Global CEO Advisory Firm

Key Considerations for CEOs Navigating COVID-19 & Macro Volatility

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Introduction

Since the outbreak of the COVID-19 pandemic began in January, Teneo has been advising numerous multi-national companies across the globe as they have mobilized to protect their employees, manage their businesses, preserve the value of their enterprises and support public health efforts to stop the spread of the virus. Our firm's competencies span the disciplines of crisis communications, investor relations, government affairs, physical and cybersecurity risk, corporate governance, management consulting, and political and policy risk. With senior advisors who specialize in pandemics/emergency response, infectious diseases and business disruption, Teneo is bringing a unique and integrated approach to helping our clients address the real-time impacts of this crisis, prepare for a range of escalation scenarios and emerge from the crisis stronger and well positioned to succeed.

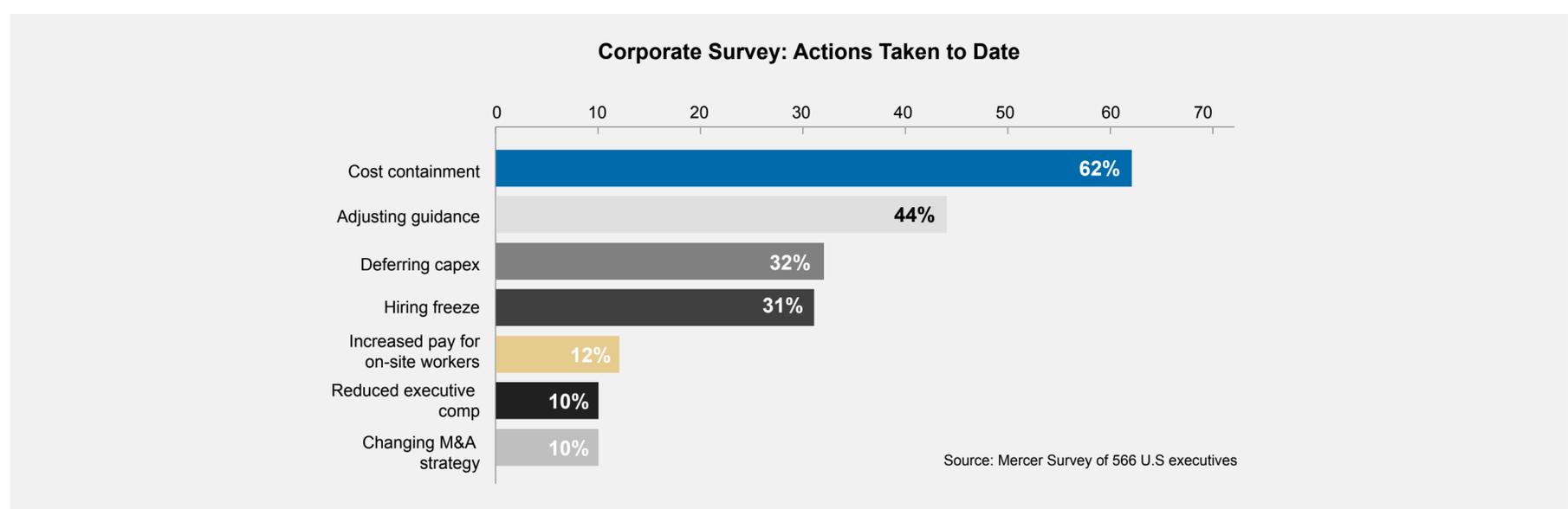
While every industry and company face unique challenges, clients and friends of our firm have asked us to develop an overview on some of the top considerations every CEO should be evaluating at this phase of the crisis. We hope you find this guide helpful.

Risk Mitigation

While the length of government restrictions and the attendant disruption to demand, supply chains and economies is unclear, leadership must evaluate three key phases of this crisis: Prevention, Response and Recovery. Evidence from epidemiological experts and the example of China suggests that the planning horizon needs to extend through at least the next 16 weeks. A comprehensive scenario planning effort should:

Develop and Implement a Response and Recovery Framework: Companies must monitor the course of the pandemic, leveraging public health and pandemic experts to inform the development of operational guidelines to keep employees and customers safe as the virus spreads. Even after infections peak and begin to subside, it is imperative that companies take necessary public health precautions to prevent further spread of the virus and keep ‘front line’ workers safe and healthy. As the pandemic subsides, companies will also need to assess when and how employees can be safely re-integrated into normal business operations, taking into consideration a number of potential recovery scenarios, including one that contemplates a potential return of the virus.

Reevaluate Business Plans: Companies should reassess their short- and long-term business plans to anticipate key opportunities and challenges ahead. This analysis should consider a number of potential outcomes with respect to both the duration of the slowdown as well as the potential shape of the demand curve as the business recovers. Against this backdrop, management and the Board should review efficiency efforts, capital allocation strategies, levels of liquidity, debt offerings, and transformational efforts such as restructuring and M&A.



Ensure Business Continuity: Given the magnitude of risks organizations face in the current environment across geographies, business continuity initiatives and response plans are increasingly relevant. Executives must ensure that continuity plans are robust, and that key decisions makers have stress-tested frameworks that can be quickly deployed.

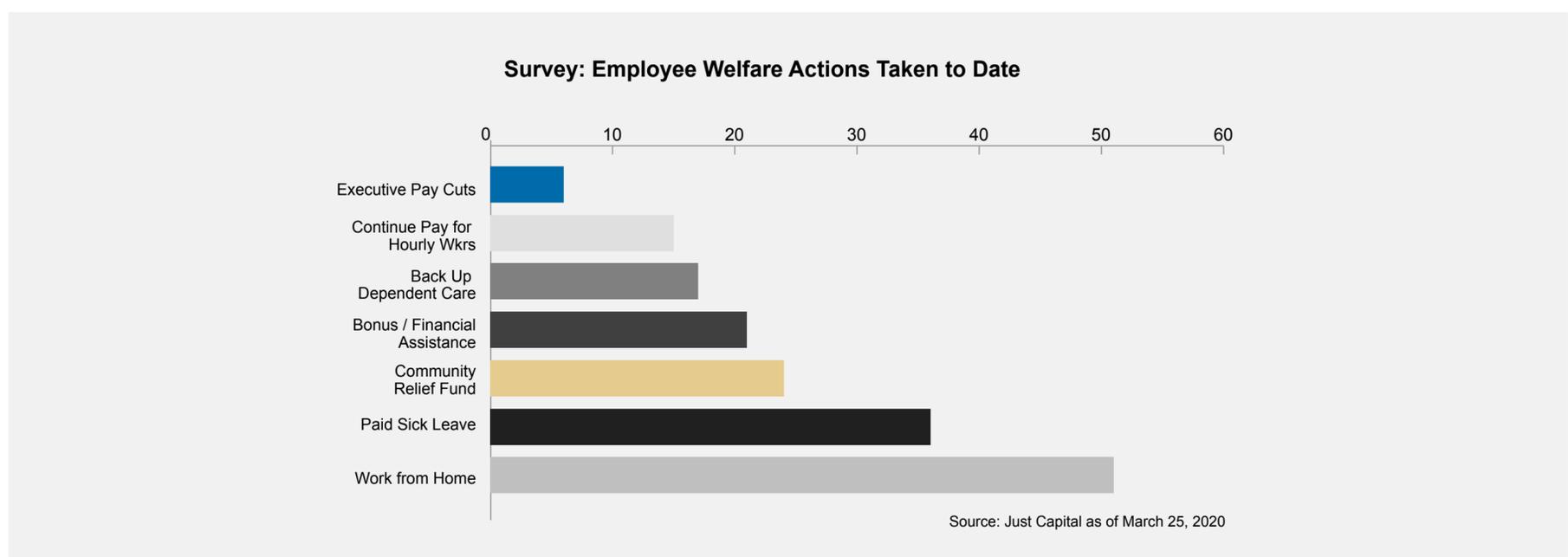
Employee Support and Communications

As the crisis continues in the coming weeks, CEOs will need to ensure their internal communications evolve to meet the growing expectations and needs of their employees with an eye to maintaining safety, morale and productivity while ensuring timely dissemination of new information and tackling difficult decisions that may lie ahead for certain industries.

These times call for a balance of authenticity with optimism. Employees need to hear and understand the acute challenges that almost every business is facing and the resulting ramifications. That said, they also need to hear that near-term decisions are about fortifying the company and taking steps to sustain its operations for the long haul.

For many companies, the new workforce paradigm involves protecting and motivating employees that are on the front lines while keeping employees that are Working From Home (WFH) engaged and productive. It will be important for CEOs and leadership teams to be cognizant of these unique workforce dynamics and take care not to inadvertently create a two-class system of workers. Communications, support, empathy and encouragement are paramount.

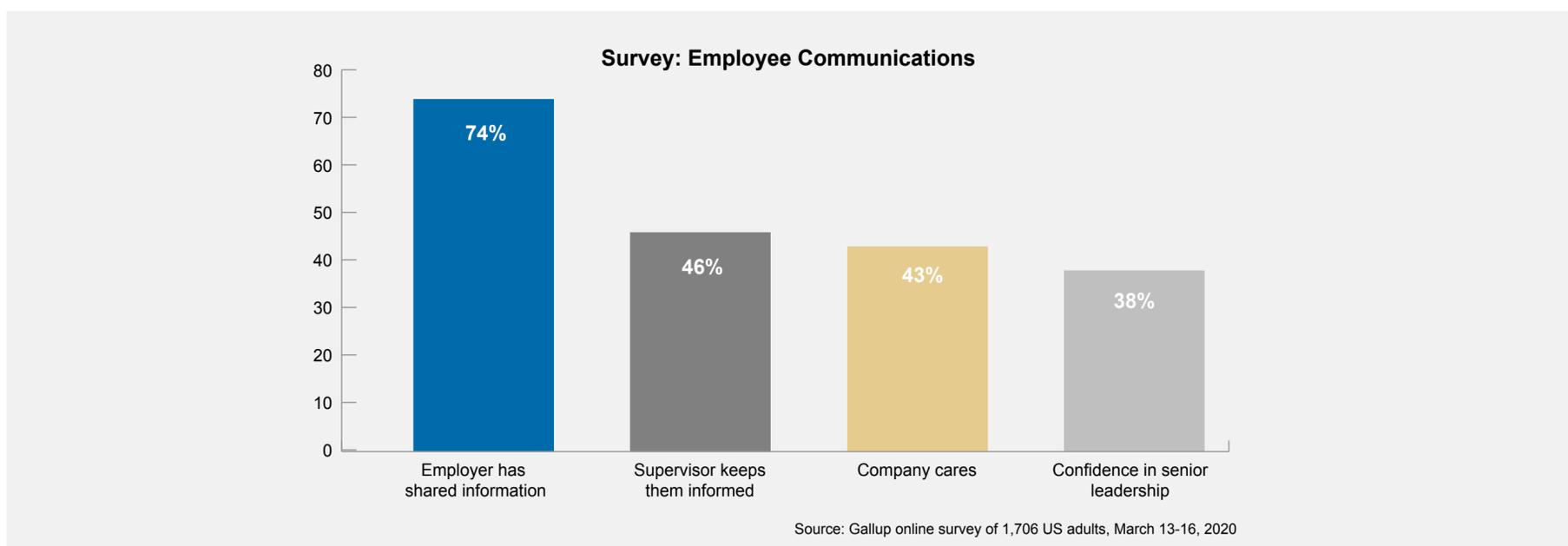
This paradigm shift means corporations will need to completely rethink workforce engagement in an environment where in-person meetings and live, physical proximity to employees is no longer possible. For businesses with frontline employees, it means giving them the assurances, protections and benefits they need to continue to work at a time when other positions are being managed from homes.



Shifting Focus of Leadership Communications: Almost all companies have established a regular cadence of communications from senior leadership to employees, with a focus on communicating changes to policies and procedures to ensure employee safety and maintaining business continuity, as much as possible.

As the crisis extends, the focus of communications will need to shift to:

- Support for physical and mental health of employees, including highlighting existing and newly added services offered to employees.
- Business updates and implications to the company's strategy and priorities.
- Difficult decisions made around staffing and salaries, with a focus on finding creative ways to minimize disruption and negative impact to morale that these types of announcement will naturally create.



Cascade Information Throughout the Organization: In addition to leadership communications, ensuring timely dissemination of information throughout the organization is critical in an environment that is rapidly changing. This is underscored by a recent Gallup survey, which showed that while a majority of Americans say their employer is sharing information with them, the chain of communication is breaking down at the manager level. CEOs must ensure their organization is developing materials and communication guidelines for leadership at all levels to reinforce the core management messages.

Build Stronger Two-Way Dialogue with Employees: It is critical that executives find ways to increase dialogue with employees. Establishing protocols for regular check-ins on employees' well-being and mental health will become increasingly important as the timeline of disruption extends. This includes active listening on social media, where many employees are beginning to air concerns. Failure to do so is already leading to employee walkouts and operational disruption, accompanied by swift and negative follow-on press coverage.

Investor Reassurance

Equity markets have declined 25%-plus since February 15th, leaving institutional investors, as well as the investing public deeply concerned about the underlying value of equities and debt instruments. No asset class is immune, with \$149 billion redeemed from fixed income ETFs in the month of March alone. Uncertainty is the single biggest impediment to investment in the current environment. It is skewing investment decisions and leading to dislocation across debt and equity markets.

Demonstrating a commitment to transparency throughout this crisis and ensuring regular and consistent engagement with investors even when the solutions are still unknown will be critical to stabilizing markets and supporting valuation in the weeks ahead. As plans develop, CEOs need to consider implications for investor engagement, and whether a stepped-up IR team or executive engagement is warranted. In many cases, outreach to shareholders either through virtual equities conferences, special calls or NDRs may prove advantageous.

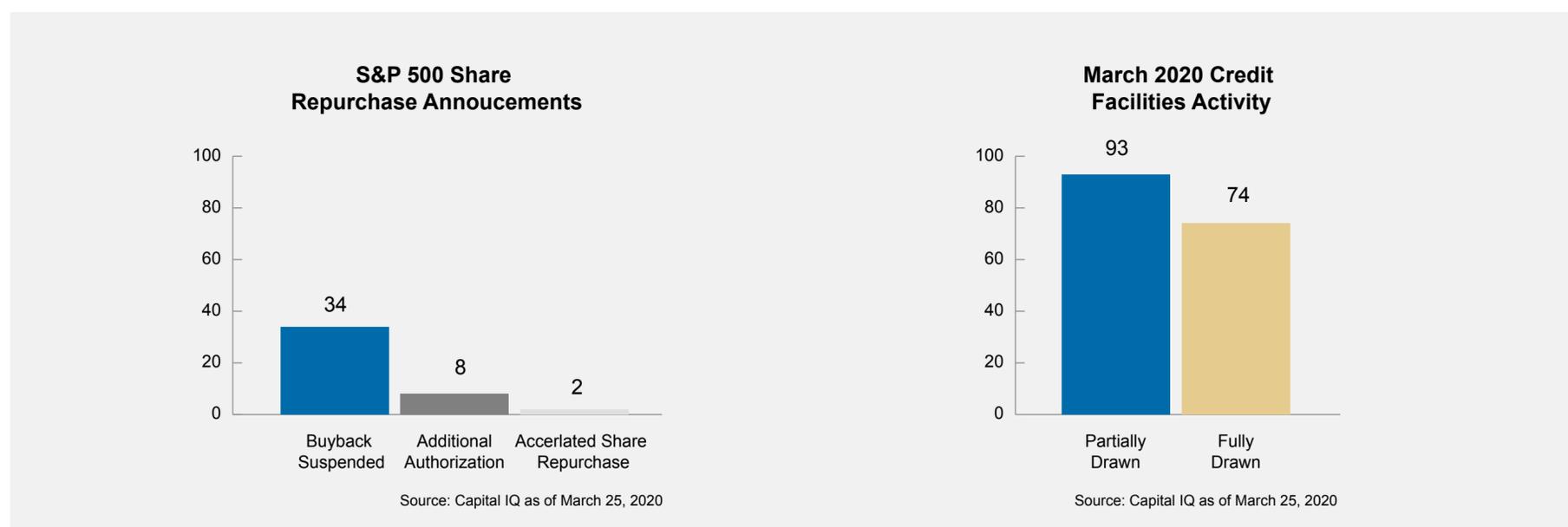
Ultimately, creating stability in markets will require a comprehensive program across industries and companies to reassure both the investment community and the public who are placing extreme strain on already challenged asset managers across four key areas of concern:

Supply and Demand: Investors are unsure as to what the underlying supply and demand environment looks like today, let alone what it will look like in 4, 8, or 12 weeks' time. Providing visibility into the slope of the demand and supply curves is job one for executives when engaging with the financial community, with any visibility at all critical to avoiding a skew to the worst-case scenario.

Cost: It is no secret that the demand environment is declining rapidly across most industries. Finding clear ways to identify cost-containment options in the face of rapidly eroding sales trends is crucial to help investors successfully evaluate downside risk, establishing pricing floors for their investments, and creating the conditions by which value-driven actors will be able to step into markets.

Capital: Investors are deeply concerned that debt markets are exhibiting signs of stress and are increasingly worried that liquidity-enhancing initiatives may become more challenging to implement. The Fed is helping by reintroducing the commercial paper funding facility and offering unlimited quantitative easing, but liquidity remains at the forefront of investor concern. Pre-emptive actions to enhance liquidity including revolver draw-down, suspension of shareholder return programs, and tapping of additional liquidity whenever possible must be considered in this environment, even for companies that are well capitalized and cash rich.

Stakeholder Messaging: In addition to traditional financial metrics, investors will also be focused on how companies are managing ESG risks. Investor governance teams and ESG ratings firms will be scrutinizing company responses to the COVID-19 pandemic in the context of board oversight, executive compensation, human capital management, and environmental commitments. Companies have been updating their ESG messaging in proxy statements and sustainability reports and should continue to do so in any upcoming shareholder engagement materials.



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Media Engagement

Building consensus around the resilience of institutions and industries requires active engagement, with leadership playing a vital role in countering bearish narratives.

A steady drumbeat of direct engagement with financial, trade and mainstream media can help mitigate this risk. In this moment, executive leadership can play an important role in reassuring their stakeholders that management is in control, planning for all contingencies, and doing everything possible to minimize the financial impact of the health crisis and position our economy for a rapid return to normalcy and growth.

Traditional and digital media present another important channel for companies and their leaders to articulate the path forward to a variety of stakeholder groups. These strategies include press releases, filings, media interviews and the development and deployment of original content to help address the priorities of each group.

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Be a Part of the Solution

We view it as increasingly important for companies to step up and apply their capabilities to the health crisis. This includes charitable giving, but also devoting human capital to finding ways that teams can apply their resources and capabilities to addressing the areas of most urgent need.

Mobilize Teams to Support Direct Response: With governmental resources limited and safety nets stretched, corporations are increasingly being called upon to help address the COVID-19 crisis. Identifying ways to re-purpose manufacturing, logistics and distribution capabilities to prioritize healthcare solutions is becoming a necessary consideration across industries.

Reassure the Public: Consumers around the world are operating from a position of fear, not just for their health but increasingly for their economic well-being. Executives can and should extend their leadership responsibilities to include reassurance of the eventual return to normal economic activity and their continued commitment to support the working population, particularly in industries that are less impacted by the health crisis.

Lead Through Philanthropy: Companies across industries are increasingly donating or finding ways to help those impacted by COVID-19 from both a health and economic perspective –ranging from financial support for employees, to philanthropic efforts aimed at aiding governments, global institutions and local health authorities dealing with the pandemic. CEOs should consider all opportunities for their company to be part of the solution, with a particular focus on leveraging any unique capabilities, materials or technology that could be brought to bear in support of these efforts.

It is important to consider contributions carefully, particularly hard dollar contributions, in light of actions that impact the company's own workforce. Decisions to make sizable charitable contributions while downsizing or reducing compensation of thousands of front-line workers are likely to be met with skepticism from employees and ultimately the general public.

Engage Employees in Charitable Giving: Donation matching programs will give employees a sense of ownership in how the company delivers on its charitable mission and presents an opportunity to increase engagement and a unified sense of purpose across the company.

Remove Philanthropic Approval Barriers: Moving quickly and decisively is the single biggest challenge when it comes to a company's charitable initiatives. Leadership should consider how they can streamline the process or remove barriers to enable speedy decision making.

Customer, Partner and Community Outreach

As with employees, ongoing dialogue with customers and business partners is critical to ensuring timely updates with respect to key announcements from the highest levels of the organization. In addition, CEOs should consider a number of additional activities to increase engagement across customers, partners and communities, including:

Capitalize on Evolving Partner Needs: Engage current partners in conversations to understand evolving needs and how the company can help address them. Similarly, engage in conversations with potential partners to understand how the current environment presents opportunities for new relationships.

Re-purpose Marketing Efforts: Consider leveraging marketing efforts and funding to convey the actions the company is taking to support consumers who are struggling with uncertainty and / or highlight a company's philanthropic activities and, as relevant, actions the company is taking to leverage its unique capabilities to support broader COVID-19 support efforts (re-purposed manufacturing facilities, donation of supplies, etc.).

Mobilize Public Personalities: Find creative ways to leverage spokespeople and other public figures to acknowledge the broader efforts the company is undertaking to contribute to supporting COVID-19 mitigation efforts.

Industry Alignment and Government Mobilization

Trade and government affairs teams must be mobilized and integrated into strategic planning processes to ensure that trade organizations as well as legislators at the local, state and national level can quickly identify the right solution while minimizing partisan rancor. Related efforts should include:

Industry Alignment: While it is prudent to remain mindful of competitor's actions, in moments like these, common ground across peers must be found. To this end, ensuring alignment of priorities with leaders of key competitors may prove critical, whether through direct engagement or via the intermediary of trade associations and lobbying groups.

Understanding Legislation at all Levels of Government: Relevant teams must understand both existing legislative actions and implementations. In addition to considering newly available options for assistance, leadership can serve as a resource for employees with questions about how new laws may impact them and their families. Furthermore, lawmakers have already signaled that the historic \$2 trillion stimulus passage enacted in March will not be the last, nor will the state and local mandates on essential workforces. Companies will need to secure a full understanding of existing provisions, the pace of implementations and potential ways forward to successfully navigate future legislative discussions.

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Teneo is the global CEO advisory firm.

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Integrating the disciplines of strategic communications, investor relations, digital advisory, diversity & inclusion, management consulting, physical & cyber risk advisory, financial advisory, corporate governance advisory, political risk advisory, and talent advisory, Teneo solves for the most complex business challenges and opportunities.

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