



The Role of Lawyers and PR Advisers in Market Disclosure

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Some time ago, it was remarked that both lawyers and public relations advisers impede listed issuers from providing better information flow to the market. This article is in response to that claim.

By working closely with an experienced lawyer and PR adviser, issuers can add real value to their market disclosure and craft compelling stories that engage the investor community and promote their true market value.

Many listed issuers feel they are at a disadvantage compared to their unlisted competitors and will issue bland releases to the market in an effort to keep their competitive edge and protect confidential information. They misunderstand that continuous disclosure does not mean completely open

disclosure and that there is scope to protect trade secrets whilst communicating on a regular basis. With continuous disclosure, as with any obligation it helps to take advice early.

Rather than alerting their lawyer or PR adviser after a disclosure has been or is about to be released to the market, issuers should seek legal and PR advice early in the drafting stage of any communication. Experienced lawyers and PR advisers will have



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been intimately involved in the transaction, will know their client and will understand disclosure obligations. Issuers are missing a great

opportunity to protect and enhance their business by failing to recognise that their legal and PR advisers can work together as a team with them to communicate information to the market in a positive and accurate way. Often by acting independently, they limit the value of communications.

Another common reason given by issuers for restricting the delivery of information is that issuers fear disappointing the market. They are concerned that every piece of information causes an upward or downward effect on the share price. They would rather the share price remained stable. While it is clear that the market does not like surprises, equally, the market dislikes a vacuum. Issuers must be careful that they are not quick to release good news and





slow to release bad news.

This is the very thing that causes fluctuations of the share price, as good news is followed by bad news. Issuers must expect that the market will reflect what buyers and sellers perceive to be the underlying value, however irrational that may appear to an issuer. Issuers must embrace the vagaries of the market and exploit the opportunities. Issuers are sometimes criticised for being reluctant or slow to disclose negative earnings information until the last moment. It is in fact good public relations practice to go to the market as early as possible and quickly and confidently address the issues.

The experience in Australia, where continuous disclosure was adopted earlier than in New Zealand, provides some useful insights to how things will change here. Initially, Australian issuers were very cautious about their obligatory communications, but the market leaders soon realised that voluntary disclosure was as much an opportunity as it was a means by which they could communicate with their audiences and differentiate themselves. Better disclosure became a badge of honour for leading Australian

issuers.

At the moment there is very little proactive or voluntary disclosure within the New Zealand market. In most instances, issuers communicate in a reactionary manner. They are driven by transactions or events, but do not communicate between transactions. This lack of communication is a missed opportunity to inform and engage customers, suppliers, staff, shareholders, the market and the media, all of whom are the issuer's stakeholders.

When communicating with shareholders, issuers need to look beyond the traditional channels such as the annual report

and annual meeting. NZX as a listed issuer has itself recognised the importance of stakeholder engagement and has changed the format of its annual meeting to provide more information to shareholders and the market about its future direction. As well as annual events, shareholders should be considered in all marketing and publicity strategies, and this should include disclosure communications.



Savvy shareholders are information hungry, they desire diverse communication from the businesses they have invested in and often think that "no news is bad news". By engaging with shareholders on a regular basis, the issuer is saying "you are important to our business". This maintenance of regular communication will increase the shareholder's sense of confidence in their investment and positive word of mouth.

Continuous disclosure can be one of a business' greatest opportunities to enhance market value. A listed issuer can gain a competitive edge, by actively and intelligently communicating with all of its stakeholders. Yet many issuers are overly sensitive about information and communicate in a manner that neither informs nor interests the market. Far from recommending that less disclosure is the best action, lawyers and public relations advisers working together with listed issuers should be embracing continuous disclosure as an opportunity for innovation. ¶