Executive Communication, Negotiation and Influence

MODULE SUMMARY

This module treats the communication skills that decide whether good analysis is acted upon. It covers board storytelling with the answer first, investor narratives and the explanation of misses, a structure for difficult conversations with scripted examples, negotiation with a Python verified covenant range, persuasion with numbers and honest framing, conflict resolution, executive presence, written communication, crisis communication, and the ethics of influence including Regulation FD. Links to Modules 7, 9, 12 and 13 are also included throughout. A fictional guidance decision, boardroom questions, an answer first board outline, a conversation preparation sheet and a ten question self assessment follow.

MODULE AT A GLANCE

Core question	How does a CFO make sure that sound analysis is understood, believed and acted upon by boards, investors, lenders and auditors, with candor and composure when the news is bad?
Why it matters to the CFO	A CFO is judged by the decisions that follow the analysis. Credibility is built over many quarters by consistent, candid and accurate communication.
Key sources	SEC Regulation FD release (2000); Deloitte (2026); EY (2025); KPMG (2025); BDO USA on non-GAAP interpretations (2022); Harvard Program on Negotiation; a secondary page on the Pyramid Principle.
Executive artifact	An answer first board presentation outline and a difficult conversation preparation sheet, each completed for a fictional company.

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1. Executive overview and learning objectives

A note on Pillar IV. Module 13 treated the CFO as an enterprise leader and partner of the chief executive, Module 14 the finance workforce and Module 15 change and culture. This module, the last of the pillar, treats the skill on which each of the others depends, which is the ability to make other people understand, believe and act. A CFO may hold the right numbers and the right judgment, and still fail if the board does not follow the argument, the bank does not agree to the amendment, the investor loses trust after a missed quarter or the chief executive hears bad news too late and from someone else.

The core question. How does a chief financial officer make sure that sound analysis is understood, believed and acted upon, and do so with candor and composure when the news is bad, when the other party has a different interest, or when the audience is hostile? The question is practical and not rhetorical. Most of the decisions that matter to a company are taken in a room by people who have limited time, many competing claims on attention and varied backgrounds, and they are taken on the strength of what those people understood and trusted. A CFO who communicates well shortens the path from analysis to decision, while a CFO who communicates poorly wastes good analysis and, worse, spends credibility that took years to build.

Why this matters over the next five years. The materials read for this module point in one direction, though they are advisory and not empirical, and they should be taken as a description of expectation and not as proof of results. Deloitte, in a CFO Insights article dated February 18, 2026, argues that finance leaders must turn numbers into narratives so that boards, teams and investors can grasp what matters and act, and it offers a three part structure of takeoff, turbulence and touchdown. EY, in an article of December 8, 2025 by two of its leaders, describes the relationship of the CFO with the audit committee as strategic and lists the questions that a CFO should expect on uncertainty, controls, disclosure, artificial intelligence (AI) and cybersecurity. KPMG, in its Board Leadership Center publication of December 5, 2025, urges audit committees to work closely with the CFO, to maintain candid communication with the external auditor and to probe control deficiencies and not accept explanations at face value. Each of these pages places the burden of clarity and candor on the CFO. As automation takes over more of the preparation of numbers, which Modules 1 to 3 describe, the part of the role that remains most plainly human is the part in which a person explains, persuades and takes responsibility for a message.

Terms used in this module. The **pyramid principle** is a method of structuring a message so that the answer comes first and the supporting arguments follow in logical groups, a method credited to Barbara Minto of McKinsey and Company. **Situation, complication, question and answer** (SCQA) is a way of opening a message by stating what is agreed, what has changed, what question that raises and what the answer is. An **equity story** is the account that a company gives investors of why it will create value, supported by the evidence that it will report. **Guidance** is a forecast of results that a company gives to investors. A **BATNA**, the best alternative to a negotiated agreement, is what a party will do if the negotiation fails, and the **reservation point** is the least favorable outcome that a party will accept. The **zone of possible agreement** (ZOPA) is the range of outcomes that both parties would prefer to their alternatives, and **anchoring** is the pull that the first number named exerts on later numbers. **Interests** are the needs behind a stated demand, which is the **position**. **Regulation FD**, where FD stands for fair disclosure, is the rule of the United States Securities and Exchange Commission (SEC) that limits selective disclosure of material nonpublic information. Other terms are defined where they first matter.

What the module covers. Section 2 sets out the concepts: the audiences of a CFO, the structure of a board presentation, the equity story, a structure for difficult conversations, the vocabulary of negotiation, the types of conflict, the habits of executive presence, the written forms that executives read, and the ethics and the law of influence. Section 3 supplies tools verified in Python, a programming language widely used for financial modeling: a worked before and after of a board slide, a guidance record and the explanation of a miss,

scripted difficult conversations with a chief executive, a board member, a direct report and an auditor, a negotiation of a bank covenant amendment with a verified range, a worked example of honest and misleading framing of the same data, question banks for an audit committee and an earnings call, a one page memo and a crisis communication plan. Section 4 places a fictional CFO before a guidance decision on which the chief executive and an audit committee chair disagree, Section 5 prepares the boardroom, Section 6 supplies the executive artifact, and Section 7 reports the research that was read.

How the module connects to the others. Module 7 treats capital markets and investor relations, and the investor narrative of this module is the discipline of speaking to the market consistently. Module 9 describes the board and the audit committee, which are the audiences of the board storytelling and of the Q and A preparation here. Module 12 treats crisis management, and the communication plan of Section 3 is its communication layer. Module 13 treats the partnership with the chief executive, including the protocol for disagreement, which the scripted conversations here put into words. Readers who wish to go further should consult the Master Classes in this series on Investor Relations as a CFO Discipline and on Crisis Finance and the CFO Under Pressure. Nothing here is accounting, tax, legal or securities advice. The reader must consult qualified professionals, above all securities counsel on disclosure, before acting on any matter in this module that touches a public statement, a covenant, an employment decision or a communication with auditors.

Learning objectives. After completing this module the reader should be able to do the following. Each objective is tested by the self assessment in Section 8.

1. Structure a board presentation with the answer first, using the pyramid principle and the sequence of situation, complication, question and answer, with one decision for each slide, and convert a descriptive slide into an action slide.
2. Build and maintain an investor narrative that is consistent across quarters, keep a record of guidance against results, and explain a miss with cause, consequence, remedy and timing.
3. Prepare and deliver a difficult conversation with a chief executive, a board member, a direct report or an auditor using the sequence of preparation, facts, impact, options and ask.
4. Prepare a negotiation by determining the alternative, the reservation point and the zone of possible agreement, by separating interests from positions, and by planning the first offer and the pattern of concessions, with the arithmetic verified.
5. Use numbers persuasively and honestly by choosing the right metric, avoiding misleading charts and comparisons, and stating the ethical limits of framing, and mediate a disagreement between a chief executive and a director.
6. Show composure under hostile questions, prepare for the audit committee and the earnings call, write the one page memo, the email that gets read and the board pre read, communicate in a crisis, and apply the ethics of influence, including Regulation FD at a high level.

2. Conceptual foundations and frameworks

Start with the audience. A CFO addresses at least six audiences, and each has a different task, a different tolerance for detail and a different way of judging the speaker. The board decides on matters reserved to it and judges whether management is candid. The audit committee oversees reporting, controls and the auditor, and judges whether the CFO can be trusted on the numbers. The chief executive carries the company and judges whether the CFO is useful and loyal to the company. Investors and analysts price the company and judge whether management says what it will do and does what it says. Lenders protect their capital and judge whether the borrower is predictable. The auditor forms an opinion and judges whether management is open.

The finance team and the rest of the organization carry out decisions and judge whether the CFO is fair and clear. Exhibit 1 states for each audience the decision it takes, what it needs and the usual error.

Exhibit 1 The Audiences of a CFO: What Each Needs

Audience	Decision it takes	What it needs from the CFO	Fitting format	Usual error
Board	Approves matters reserved to the board, challenges strategy and plans	The answer first, the reasoning, the alternatives, the risks and a clear request	Pre read sent in advance, short deck, time for discussion	Presenting information when a decision is needed, or burying the request
Audit committee	Oversees reporting, controls, the auditor and risk	Candor on judgments, errors and weaknesses, and early warning	Written paper, private sessions, direct access to the CFO	Defending the numbers instead of describing the uncertainty in them
Chief executive	Sets direction, decides, speaks for the company	Bad news early and in private, a view of the economics, options	Conversation first, then a short note	Surprise in a meeting, or a softened message
Investors and analysts	Buy, hold or sell, and form a view of management	A consistent story, reliable guidance, a clear explanation of results	Prepared remarks, press release, filings, Q and A	Changing the story each quarter, or answering a different question
Lenders	Extend, price, amend or call credit	Forecasts, covenant headroom, early notice of a problem	Compliance certificate, lender call, short memo	Approaching the bank after the breach and not before
External auditor	Forms an opinion on the statements and on controls	Full and timely information, honest account of judgments and errors	Direct conversation and written representations	Withholding or shaping information, which is never acceptable
Finance team and organization	Carries out decisions and gives effort	A clear direction, reasons, fairness, candid feedback	Team meetings, one to one conversations, short written notes	Silence during uncertainty, which others fill with rumor

Source: author's synthesis from general practice, stated from the author's own knowledge. The audit committee and external auditor rows draw on the themes of the EY (December 2025) and KPMG (December 2025) publications listed in Section 7, which stress candid communication and probing of control matters.

The answer first and the pyramid principle. Executives read as they listen, in a hurry and with other matters on their minds, so the structure of a message must serve a reader who may stop after the first paragraph. The pyramid principle, credited to Barbara Minto, who is described on a secondary page read for this module as the first female post-MBA hire at McKinsey and Company, places a single main point at the top, supports it with a small number of arguments that are distinct from one another and together sufficient, and supports each argument with data. The page that was read states the rule plainly, which is to lead with the main takeaway before any background or analysis, and general practice confirms it, since a director who learns in the first minute what is asked will read everything that follows as evidence for or against, and a director who learns it in the last minute will have spent the meeting guessing. A related device opens the message with four elements: the **situation**, which is the shared starting point; the **complication**, which is the change that creates the need for a decision; the **question** that the complication raises; and the **answer**, which is the recommendation. In a board paper the answer should in fact appear before the situation, so that the four elements serve as the order of the argument and the answer is stated twice, once at the top as a request and once as the conclusion.

A structure that fits a board. Deloitte's CFO Insights article of February 18, 2026 offers a similar three part structure that it calls takeoff, turbulence and touchdown. Takeoff opens with the most critical insight for the audience, turbulence explains what happened, its effect and what management is doing differently, and touchdown closes with a summary and a call to action. The article also advises pairing data with detail, dialogue and drama, and it observes that generative AI can help to synthesize insights while the leader must still supply the elements that make a story credible. The article gave no statistics. Exhibit 2 combines these ideas into the structure used in the rest of this module. The rule of one decision for each slide deserves emphasis, because a slide with two decisions invites a discussion of the wrong one, and a slide with none invites a discussion of everything.

Exhibit 2 Structure of an Answer First Board Presentation

Element	What it contains	Test of quality	Relation to other frameworks
Answer first: the ask	The decision requested, in one sentence, with the amount, the date and the consequence of not deciding	A director who read only this sentence could vote	Pyramid top. Deloitte takeoff
Situation	What the board already knows and accepts	Every statement is uncontroversial	SCQA situation
Complication	What has changed, with the size of the change	A number and a date, not an adjective	SCQA complication. Deloitte turbulence
Question	The question that the complication forces the board to answer	The question is the one the board would ask	SCQA question
Supporting arguments	Three reasons at most, each distinct and together sufficient	Removing one weakens the case, and no two overlap	Pyramid second level
Evidence	The data for each argument, with source, assumption and range	Each exhibit supports one argument and carries an action title	Pyramid third level
Options and risks	The alternatives considered and what would change the view	At least one real alternative, and a stated reversal trigger	Decision quality, Module 13
Call to action	Who does what by when if the board approves	Names, dates and amounts	Deloitte touchdown

Source: the answer first rule and the three level structure follow a secondary web page on Barbara Minto's Pyramid Principle (Management Consulted, undated, opened for this module). The takeoff, turbulence and touchdown structure is from the Deloitte US CFO Insights article of February 18, 2026. The tests of quality are the author's own.

The investor narrative. An equity story is a promise about the future that is checked every quarter. Its strength lies not in its eloquence but in its consistency, in the sense that the same few claims are made in the same terms, are supported by the same measures, and are reported honestly when the measures move against the company. Module 7 treats the market side of this matter, and the CFO's part here is the discipline of the message. Three elements make a story credible. The first is a small number of claims, usually three, that explain why the company will create value. The second is a fixed set of measures that prove or disprove each claim, defined in the same way each quarter, so that investors can follow the trend and are not forced to guess whether a definition changed. The third is a record of forecasts against results, which is the evidence of whether management knows its business. Exhibit 3 sets out the elements and a test of consistency for each.

Exhibit 3 **The Elements of an Equity Story and a Test of Consistency**

Element	What it says	Proof that investors can check	Consistency test across quarters
The claims	Two or three reasons the company will create value, for instance recurring revenue growth, margin gain from mix, disciplined capital use	Reported measures tied to each claim	Are the claims the same as last quarter, and if one changed, was the change explained?
The measures	The few numbers that prove each claim, with a stable definition	Definitions in the filing, and reconciliation to reported results	Has any definition changed, and is the prior period restated for comparison?
The record	Guidance and targets set, and results delivered	A table of guidance against actual for several quarters	Does the hit rate support the confidence of the language?
The capital plan	How cash will be used: investment, debt reduction, returns to owners	Cash flow statement, capital spending, leverage	Does what was done match what was said about priorities?
The risks	What could go wrong and what management will do	Risk factors, sensitivity ranges, covenant headroom	Is a risk mentioned only after it becomes a problem?

Source: author's framework, stated from the author's own knowledge. Module 7 treats investor relations and valuation. Statements to investors are subject to securities law, and counsel must review them.

Difficult conversations. A difficult conversation is one in which the message is unwelcome, the stakes are high and the relationship matters. The common failure is to delay, to soften until the point is lost, or to deliver the verdict without the facts, and each of these costs more than the unwelcome message itself. The structure of five steps used in this module is the author's own, compiled from general practice: preparation, facts, impact, options and ask. In **preparation**, the CFO settles the purpose, checks the facts, anticipates the reaction and chooses the time and the place, which should be private and early. In stating the **facts**, the CFO says what is known, what is not known and how the facts were verified. In stating the **impact**, the CFO shows what the facts mean for the other person and for the company, in numbers where possible. In setting out the **options**, the CFO shows at least two ways forward, including the one that the CFO recommends. In the **ask**, the CFO says exactly what is needed from the other person, and by when. The sequence matters, because a person who hears the facts and the impact before the ask is more likely to see the ask as a consequence and not as a demand. Exhibit 4 sets out the structure with the principal pitfall at each step. Scripts for four counterparties appear in Section 3, and each is an example and not a formula.

Exhibit 4 **A Five Step Structure for Delivering Bad News**

Step	Purpose	What the CFO does	Principal pitfall
1. Preparation	Be clear and be ready	States the purpose in one sentence, checks every fact, predicts the reaction, picks a private time soon after the news is known, and plans the first sentence	Waiting until the news is stale, or improvising the opening
2. Facts	Establish a shared base	Says what is known, what is not, how it was verified and what is still being checked	Opinion offered as fact, or facts so qualified that no one can tell what happened
3. Impact	Show why it matters	Gives the effect on results, covenants, people, the plan and the other person's own commitments	Understating the impact to protect the relationship, or overstating it to force action

Step	Purpose	What the CFO does	Principal pitfall
4. Options	Widen the choice	Sets out at least two courses with their consequences, and gives a recommendation and reasons	Presenting a problem without a path, or a single option as if it were a choice
5. Ask	Obtain a decision or an action	States the request, the owner and the date, and agrees how the matter will be followed up	Ending with a general discussion and no request

Source: author's structure for teaching, stated from the author's own knowledge. The five steps are the author's compilation of common practice, and no empirical validation is claimed.

Negotiation: the vocabulary. Negotiation is a decision made jointly with a party who has a different interest, and its quality is determined mostly before the meeting. The Harvard Program on Negotiation, on a page read for this module, defines the BATNA as the best alternative to a negotiated agreement, says that knowing it allows a party to walk away from a deal that is worse than the alternative, and describes the reservation value as the lowest value deal that a party is willing to accept. It advises the reader to consider the other party's BATNA as well. The page did not mention the zone of possible agreement, which the author adds from general practice. The zone of possible agreement exists only if the reservation points of the two parties overlap, and when it exists, the negotiation is a contest over how the surplus within it is divided. A skilled negotiator does four things in advance: improves the BATNA, estimates the reservation point of the other side, finds the interests behind each position, and decides the opening offer and the pattern of concessions. Exhibit 5 defines each concept with the preparation question that it raises.

Exhibit 5 The Vocabulary of Preparation for a Negotiation

Concept	Meaning	Question to answer in preparation	Illustration
BATNA	The best alternative to a negotiated agreement, which is what the party does if the talks fail	What is our best alternative, what does it cost us, and how certain is it? What is theirs?	A term sheet from another lender, or a second supplier
Reservation point	The least favorable outcome that a party would accept, set by comparing the deal with the BATNA	At what point does walking away become better than agreeing?	The most the company would pay to amend a covenant before refinancing is cheaper
Target	The outcome that a party hopes to reach, better than the reservation point	What is a good result, and what is a realistic one?	A fee and margin step that costs less than the midpoint of the range
Zone of possible agreement	The range between the two reservation points, when they overlap	Is there a range, how wide is it, and where is its midpoint?	A cost to the borrower that lies above the lender's minimum and below the borrower's maximum
Interests and positions	A position is the demand, and an interest is the need behind it	Why do they want this? What would meet the need at lower cost to us?	The bank asks for a high fee because it needs to show a return for added risk, which a shorter tenor may also satisfy
Anchoring	The first number named pulls later numbers toward itself	Who should speak first, and what is a justified opening figure?	An opening figure supported by evidence tends to hold better than an extreme one
Concession pattern	The sequence and size of the moves a party makes	How large is each move, what do we ask in return, and what does the pattern signal?	Concessions that shrink with each round signal approach to a limit

Concept	Meaning	Question to answer in preparation	Illustration
Multi issue trade	Trading across several terms that the parties value differently	Which issues matter more to them than to us, and the reverse?	Paying more fee at signing in return for a margin step that ends early

Source: the definitions of BATNA and reservation value follow the Harvard Program on Negotiation page BATNA 101 (undated, opened for this module). The other concepts, the questions and the illustrations are the author's own, stated from the author's own knowledge. The effects of anchoring and the signals of concession patterns are general experience and not findings of that page.

Conflict resolution. Conflict among executives is normal and in moderate amounts useful, since it exposes assumptions that agreement would hide. The CFO should expect four types, and each calls for a different response. A conflict about **tasks**, for instance the size of a budget, is settled by evidence and by clear decision rights, as Module 13 shows. A conflict about **process**, for instance who approves what and when, is settled by writing the process down. A conflict about **relationships**, for instance a clash of style or a slight, needs a direct and private conversation, and a conflict about **values**, for instance a disagreement about how far to go in presenting results, may need escalation to counsel or to the audit committee. The usual ladder of escalation has four rungs: the two parties speak directly, a trusted third party helps, the common superior decides, and, where the matter touches law, the accuracy of the accounts or a duty to the board, the audit committee or counsel is informed. Exhibit 6 sets out the types and the responses, and includes the situation of a CFO who stands between a chief executive and a board member.

Exhibit 6 Types of Conflict and Fitting Responses

Type	Example in finance	Response	Escalate when
Task	Sales and finance disagree on the size of a discount budget	Agree the evidence and the decision rule, name the decider, record the reasoning	The decider cannot be agreed, or the dispute repeats
Process	Operations and the controller disagree on the close calendar	Write the process, test it for a quarter, fix the owner of each step	A control is at risk because a step is skipped
Relationship	A peer feels that finance reviews proposals only to find fault	Speak privately and directly, ask for the other view first, agree on a change of conduct	The conduct continues or affects the work of others
Values	A manager wishes to present results in a way that the CFO regards as misleading	State the principle, offer a legitimate alternative, involve counsel if the matter touches disclosure	At once, if accuracy of the accounts or of disclosure is involved
CEO and a board member	The chief executive wishes to hold a forecast and a director wishes to revise it	Separate positions from interests, agree an evidence based rule, give each a fair hearing, keep each informed of what the CFO tells the other	The matter concerns disclosure, and then counsel and the audit committee chair are involved

Source: author's synthesis from general practice, stated from the author's own knowledge. The four types follow a common classification in management writing. Duties of escalation depend on law and the charter, and counsel must advise.

Executive presence. Executive presence is the impression of steadiness, clarity and command that makes others willing to follow. It is not a gift of personality, since most of it is a set of habits that can be learned. The habits that matter most to a CFO are four. **Composure** is the ability to keep a steady tone and pace when challenged, which lets the audience see that bad news is under control. **Listening** is the practice of hearing the question that is asked, and the one behind it, before answering. **Brevity** is the discipline of answering in the time that the listener can give, and an answer of sixty seconds at a speaking pace of about 130 words a minute is about 130 words, while ninety seconds is about 195, figures that serve as an illustration and not as a

rule. **Candor under pressure** is the willingness to say that the answer is not known, to give the date by which it will be, and then to do so. Exhibit 7 lists the habits, the practices that build them and the traps.

Exhibit 7 Habits of Executive Presence

Habit	In practice	How to build it	Trap
Composure	Slower pace, lower voice, a pause before a hard answer	Rehearse the three worst questions aloud, with a colleague who interrupts	Rushing, or becoming defensive and detailed
Listening	Repeats the question briefly, asks what is behind it when unclear	In each meeting, note what the other person asked and what they meant	Answering a prepared question and not the one asked
Brevity	Answer first, one reason, one example, then stop	Write answers to expected questions in 130 words and cut them again	Filling silence, which invites more questions
Handling a hostile question	Acknowledges the concern, answers the question, gives the fact, and does not argue about tone	Prepare the facts that make the hostile question answerable, and a bridge back to the central message	Attacking the questioner, or evading, which is remembered longer than the question
Candor about limits	Says what is not known and when it will be	Keep a list of open items with owners and dates, and report it	Guessing in public, or promising a date that cannot be met
Q and A preparation	Question bank, ready facts, a rehearsed answer for each hard question, and a rule on what will not be discussed	Hold a mock session with an independent challenger one week before the event	Preparing the presentation in detail and the questions not at all

Source: author's synthesis from general practice, stated from the author's own knowledge. The speaking pace of about 130 words a minute is an illustrative figure from the author's own knowledge and varies by speaker and setting.

Written communication. Much of a CFO's influence travels in writing, which is read at the reader's speed, forwarded to people the writer never met and kept as a record. Three forms deserve particular care. The **one page memo** states a decision request, the reasons, the options, the recommendation and the next steps, in a form that a busy director can read in three minutes. The **email that gets read** has a subject line that states the action and the date, a first sentence that states the ask, no more than one request, and a length that fits a phone screen. The **board pre read** is the paper sent before the meeting, which should be short enough to be read and complete enough that the meeting can be spent on discussion and not on presentation. Exhibit 8 sets out the three forms with a test for each.

Exhibit 8 Three Written Forms That Executives Read, and One More

Form	Purpose	Structure	Length and timing	Test
One page memo	Obtain a decision or inform a decision maker	Heading, decision requested, why now, options, recommendation, risks, next steps	One page, about 300 words, sent with the request	Could the reader act after the first two lines?
Email that gets read	Obtain an action or an answer	Subject line with action and date, ask in the first sentence, three facts, a deadline	Under 150 words, one request per email	Is the subject line enough to know what to do?

Form	Purpose	Structure	Length and timing	Test
Board pre read	Prepare directors for discussion and decision	Cover note with the ask and the recommendation, the answer first outline, exhibits with action titles, an appendix	Cover of one or two pages, sent several working days ahead	Would a director who read only the cover know what is asked and why?
Update note to staff	Explain a change and reduce rumor	What happened, what it means for you, what is not yet known, when the next note comes	Under 250 words, issued the same day as the news	Does it say what is not known and when it will be?

Source: author's synthesis from general practice, stated from the author's own knowledge. The lengths are suggestions and not standards.

The ethics of influence. Persuasion is legitimate when it helps the other person to reach a better decision with more accurate information, and illegitimate when it works by hiding, distorting or exploiting. A CFO has a special duty here, since the numbers that the CFO presents are taken as fact by people who cannot check them. Four principles set the limits. **Candor** means saying what the audience would want to know. **Accuracy** means that every figure is true, defined and comparable. **No spin** means that the framing must not lead a reasonable listener to a conclusion that the CFO knows to be false. **Consistency** means that the same facts are told to every audience, with differences only in detail and not in substance. A useful test is to imagine the listener reading the whole file a year later, with hindsight, and asking whether the message was fair. Exhibit 9 distinguishes honest framing from spin in common situations.

Exhibit 9 Honest Framing and Spin: Where the Line Lies

Situation	Honest framing	Spin	Test
Reporting a missed quarter	States the miss, the cause, the amount and the remedy, and reports the measure in its usual definition	Leads with an adjusted figure that excludes the item that caused the miss, or changes the measure	Would the usual reader of the report reach the same view as the CFO?
Choosing a time window	Shows the period that reveals the trend and states why it was chosen	Chooses the start date that gives the most flattering change	Would the picture look different with the period of the prior report?
Choosing an average	States the median or the average with the distribution when a few large items dominate	Reports the mean and leaves out that one item drives it	Does the figure describe the typical case?
Drawing a chart	Starts the vertical axis at zero for bars, labels the scale and shows the same scale across periods	Truncates the axis so that a small change looks large	Does the change in the picture match the change in the data?
Presenting a forecast	Shows a range, the assumptions and the record of earlier forecasts	Shows a single point with the language of certainty	Does the audience know how wrong the forecast could be?
Answering a hard question	Answers it, or says that the answer is not known and when it will be	Answers a different and easier question	Would the questioner agree that the question was answered?

Source: author's synthesis, stated from the author's own knowledge. The treatment of prominence and of non-GAAP measures follows the principles reported by BDO USA (December 20, 2022) on SEC staff interpretations, as described in Section 7, and counsel and accounting advisers must be consulted on public disclosure.

Regulation FD and disclosure, at a high level. The rule that most directly shapes how a CFO of a listed company speaks to investors is Regulation FD of the SEC. The SEC release that adopted it, number 33-7881, was read for this module in part, namely the first 100,000 of about 129,000 characters, and the points below

come from that portion. The rule, with an effective date of October 23, 2000, bars an issuer, or a person acting on its behalf, from disclosing material nonpublic information to certain persons without making public disclosure of the same information. The persons covered include broker-dealers, investment advisers, investment companies and hedge funds, and any holder of the issuer's securities where it is reasonably foreseeable that the holder would trade on the information. For an intentional disclosure the public disclosure must be simultaneous, and for a disclosure that was not intended it must be prompt, which the release defines as as soon as reasonably practicable and no later than the later of 24 hours or the start of the next New York Stock Exchange trading day after a senior official learns of it. Public disclosure may be made by filing or furnishing a Form 8-K or by another method or combination of methods that is reasonably designed to provide broad, non-exclusionary distribution to the public. Persons who owe the issuer a duty of trust or confidence, such as attorneys, investment bankers and accountants, and persons who expressly agree to keep the information confidential, are among those excluded. The text read is the 2000 release, and the rule may since have been amended, so counsel must confirm the current rule. Exhibit 10 restates the points that matter most to a CFO in practice. Nothing here is legal advice, and the CFO of a listed company must consult securities counsel before any statement that could be material.

Exhibit 10 Regulation FD at a High Level (Counsel Must Confirm the Current Rule)

Topic	What the SEC release says (as read)	Practical meaning for a CFO
What is prohibited	Selective disclosure of material nonpublic information by an issuer, or a person acting on its behalf, to covered persons without public disclosure of the same information	A private conversation with a large holder or analyst is not the place to reveal a change in outlook that has not been made public
Who speaks for the issuer	A senior official, such as an executive officer, a director or an investor relations officer, and others who regularly communicate with covered persons	Limit who may speak with investors, train them and review scripts and meeting notes
Timing of the cure	Simultaneous for an intentional disclosure. Prompt for one not intended: as soon as reasonably practicable, within the later of 24 hours or the next trading day after a senior official learns of it	If an inadvertent slip occurs, tell counsel at once, because the clock is short
Methods of public disclosure	Filing or furnishing a Form 8-K, or another method reasonably designed to provide broad, non-exclusionary distribution	Plan the release, the filing and the call as one sequence, with counsel
Excluded recipients	Persons with a duty of trust or confidence, persons who expressly agree to keep information confidential, and some others	A confidentiality agreement is an express step and not an assumption, and counsel should confirm its scope

Source: SEC, Final Rule: Selective Disclosure and Insider Trading, release 33-7881 (effective October 23, 2000), first 100,000 of about 129,000 characters read. The right hand column is the author's own interpretation of practice and is not legal advice. The rule may have been amended since the release, and securities counsel must be consulted.

Communication under crisis. Module 12 describes how a company meets a liquidity shock, a fraud or a supply failure, and communication is part of the response and not an addition to it. Three rules guide a CFO in a crisis. The first is speed with accuracy: say what is known now, say what is not, and say when the next update will come, since silence invites rumor and a wrong early statement is costly to correct. The second is sequence: the people who bear the greatest consequence, such as the board, the lenders and the auditor, should hear before the market and before the staff, within the limits of law and of the rule on selective disclosure. The third is a single set of facts: one person owns the facts, and every audience receives the same account with differences only in detail. The communication plan of Section 3 shows how these rules apply to the first hour, the first day, the first week and the following weeks.

3. Practical applications and tools

The tools of this section are worked on three fictional companies. Halden Marine Systems is a listed maker and servicer of marine equipment with quarterly revenue of about 100 million dollars, and it supplies the board slide, the guidance record, the memo and the case of Section 4. Larkfield Components is a borrower with net debt of 110.0 million, and it supplies the covenant negotiation. The recurring service revenue series and the customer revenue figures used to show honest and misleading framing also belong to Halden. All amounts are in millions of dollars unless stated, the companies, their executives and their figures are fictional, and every calculation was made in Python and checked by assertion. The scripts and the wording are examples and not formulas, and each reader must adapt them to the person, the company and the law.

A. Board storytelling: a worked before and after. The management of Halden proposes to spend 12.0 million on warehouse automation. The first draft of the slide, written by a careful analyst, is titled Capital Projects Update and describes the project, the vendor and the schedule, and a director must read to the last line to learn that approval is sought. The revised slide states the decision in its title and the evidence in its body. The arithmetic behind it is simple: savings of 3.5 a year for eight years against an outlay of 12.0 give a simple payback of 3.43 years, and at a discount rate of 10 percent the present value of the savings is 18.67, for a net present value of 6.67. The CFO also tests the case when savings reach only 70 percent of plan, which gives a payback of 4.90 years and a net present value of 1.07, still positive, and tests liquidity, since cash of 58.0 less the outlay leaves 46.0, which is 6.0 above a policy floor of 40.0, before counting any operating cash flow of the period, a deliberately conservative test. Exhibit 11 sets the two versions side by side.

Exhibit 11 A Board Slide Before and After: Warehouse Automation at Halden (Fictional, Millions of Dollars)

Element	Before: a descriptive slide	After: an answer first slide
Title	Capital Projects Update	Approve 12.0 million for warehouse automation: payback in 3.4 years, and cash stays above the 40.0 million floor
Opening line	Management has reviewed several capital projects and provides an update on the automation initiative.	The board is asked to approve 12.0 million for automation of the main warehouse, to be spent over two years.
Evidence on return	The project is expected to deliver significant savings and improve efficiency.	Savings of 3.5 million a year for eight years. Present value 18.7 million at 10 percent. Net present value 6.7 million.
Evidence on risk	Some risks exist and are being managed.	If savings reach only 70 percent of plan, payback is 4.9 years and net present value is 1.1 million, still positive.
Evidence on cash	Cash is adequate to fund the project.	Cash of 58.0 million less 12.0 leaves 46.0 million, 6.0 above the 40.0 policy floor, before any operating cash flow.
Ask and follow up	Next steps to be determined.	On approval, the head of operations and the CFO report each quarter on savings against the 3.5 million a year target, with a stop rule if savings fall below 70 percent.

Fictional. Computed in Python. Payback is 12.0 / 3.5 = 3.43 years. Present value of eight annual savings of 3.5 at 10 percent uses the annuity factor 5.3349, giving 18.67 and a net present value of 6.67. At 70 percent of savings (2.45 a year) payback is 4.90 years and net present value 1.07. Savings are assumed at the end of each year and the outlay at the start, and taxes are ignored.

What changed and why it works. The second slide begins with the request and carries the three arguments that a director will ask for, namely return, risk and cash, each in a number that can be challenged. It ends with a follow up rule that tells the board how it will know whether the decision is working, which is the habit that Module 13 recommends for recording decisions. It also shows the adverse case unprompted, and that candor

is a form of persuasion in its own right, since a director who sees the downside stated by the sponsor tends to trust the upside more. The same method applies to a deck of twenty slides: the first slide holds the ask, each following slide carries an action title that states its conclusion, and the title of each slide, read in sequence, tells the story of the whole.

B. The investor narrative: a record, and the explanation of a miss. The cheapest way to build credibility with investors is to keep a record of what was said against what happened and to be honest about it. Exhibit 12 shows the revenue guidance of Halden for six quarters. The company met its range in 5 of 6 quarters. The mean error against the midpoint was -0.25, showing no systematic bias toward optimism or caution, and the mean absolute error was 1.52, about 1.5 percent of a quarter's revenue. A record of this kind supports a measured tone on the call, while a record with five misses in six quarters would require a different one.

Exhibit 12 Halden Guidance Against Results: Quarterly Revenue, Six Quarters (Fictional, Millions of Dollars)

Quarter	Guidance range	Midpoint	Actual	Actual less midpoint	Percent of midpoint	Within range?
1	96.0 to 100.0	98.0	99.1	+1.1	+1.1	Yes
2	97.0 to 101.0	99.0	100.4	+1.4	+1.4	Yes
3	98.0 to 102.0	100.0	98.9	-1.1	-1.1	Yes
4	99.0 to 103.0	101.0	102.3	+1.3	+1.3	Yes
5	100.0 to 104.0	102.0	99.2	-2.8	-2.7	No, below by 0.8
6	100.0 to 104.0	102.0	100.6	-1.4	-1.4	Yes
Summary				**Mean -0.25**		**5 of 6 within**
Mean absolute error				**1.52**		

Fictional. Computed in Python. Midpoint is the average of the low and high ends. Actual less midpoint: 1.1, 1.4, (1.1), 1.3, (2.8), (1.4), a mean of (0.25) and a mean absolute error of 1.52. Five of six results were inside the range, and the fifth quarter was 0.8 below the low end of 100.0.

Explaining a miss. A miss is not the failure that damages credibility, and the manner of explaining it is. A good explanation has five parts, and each answers a question that the listener would otherwise ask. What happened, in the measure that the market uses and in the usual definition. Why it happened, in a sentence that a non-specialist can repeat. What it means for the rest of the year, tested honestly. What management is doing about it. When the listener will be able to see the result. The fifth quarter of Halden shows the care that is needed. Revenue of 99.2 fell 0.8 below the low end of the range and 2.8, or 2.7 percent, below the midpoint. The cause was a customer acceptance delay of 1.2 that moved revenue to the following quarter, and had it been recognized in the fifth quarter, revenue would have been 100.4, inside the range. The explanation is true, and the CFO must still test it, because the sixth quarter then contains the 1.2, so that without it the sixth quarter would have been 99.4, below its own low end of 100.0. Over the two quarters together, revenue was 199.8 against combined guidance of 200.0 to 208.0, which is 0.2 below the combined low end. Timing moved the shortfall between quarters and did not remove it, and a CFO who explained the fifth quarter as timing alone would have been right about the cause and wrong about the consequence. Exhibit 13 shows the five part explanation as it should be given.

Exhibit 13 Explaining a Miss: Five Parts With an Illustration From Halden (Fictional)

Part	Question answered	What the CFO says (illustration, fifth quarter)	Common failure
1. What happened	What is the result against what we said?	Revenue was 99.2 million against guidance of 100.0 to 104.0 million, 0.8 million below the low end	Opening with an adjusted figure or an adjective
2. Why	What caused it, in plain words?	A customer acceptance delay moved 1.2 million of revenue into the next quarter	A list of small causes, or a cause that cannot be checked
3. What it means	What does it change for the period ahead?	The sixth quarter benefits by 1.2 million, so over the two quarters we are 0.2 million below the combined low end, and we are not calling this timing alone	Calling a shortfall timing without testing the following quarter
4. What we are doing	What is management changing?	We have moved customer acceptance milestones earlier in the project plan and added a weekly review of open acceptances	A promise to work harder, with no change of method
5. When you will see it	How will the listener know it has worked?	We will report acceptances outstanding at each quarter end, starting next quarter	No date and no measure

Fictional. Computed in Python. 99.2 + 1.2 = 100.4, inside the range. 100.6 less 1.2 = 99.4, below the sixth quarter low end of 100.0. Two quarter revenue of 199.8 against combined guidance of 200.0 to 208.0. The five part structure is the author's own, stated from general practice. Statements to investors are subject to securities law, and counsel must review them.

C. Difficult conversations: four scripted examples. The scripts in Exhibit 14 and Exhibit 15 apply the five step structure of Exhibit 4 to four counterparties. They are examples and not formulas, and a CFO must put each into words that are natural to the speaker, the relationship and the facts, because a script that sounds recited loses the candor it is meant to carry. What the scripts share is a pattern: the purpose is stated in the first sentence, the facts are checked and exact, the impact is expressed in numbers where possible, there are at least two options with a recommendation, and the ask has an owner and a date. Spoken lines are shown in italics. The scenarios are fictional, and any employment decision must be reviewed with human resources and counsel.

Exhibit 14 Scripted Examples: A Chief Executive and a Board Member (Fictional, Millions of Dollars)

Step	With the chief executive: guidance is at risk	With a board member: an exception in a reconciliation
Opening	*I need thirty minutes before the board pack goes out. I would rather you hear this from me today than from the numbers on Friday. The fourth quarter is tracking below what we need for the low end of our guidance.*	*I want to tell you about an exception before it becomes a question. During the quarter end review we found an intercompany difference of 0.9 million between two subsidiaries that was not reconciled by the due date.*
Facts	*Nine months of EBITDA are 41.8 million. To reach 62.0 million we would need 20.2 million in the fourth quarter. The base case from the sales and operations forecast is 16.2 million. I have checked the pipeline against signed orders.*	*The difference arose from a timing mismatch in two invoices, and the controller has traced 0.6 million so far. We do not yet know the cause of the remaining 0.3 million. I have not formed a view on its significance for controls.*
Impact	*On my numbers there is a one in five chance of reaching the low end. If we hold the range and miss, we shall have to explain two things at once, the miss and why we did not say so earlier.*	*If the remaining 0.3 million is a cutoff error, it could affect the quarter by up to that amount. The more important matter is that the control that should have caught the difference did not operate on time.*

Step	With the chief executive: guidance is at risk	With a board member: an exception in a reconciliation
Options	*We can hold the range, revise it to 56.0 to 60.0 million, or revise it to a wide and lower range. I recommend the second, because it is centered on the base case and keeps the upside.*	*We can finish the work before the release and report to you on Thursday, or we can ask the auditor to review the reconciliation process now. I recommend both, with the controller reporting to you directly.*
Ask	*I ask that you agree to take a revised range to the audit committee chair this week, and that neither of us speak to any investor about the outlook until the release is public.*	*I ask that you hear the controller on Thursday, and that you tell me what further information you want, including in a session without management present.*
Close	*If you see a flaw in the forecast, tell me today, and I will change my view if the evidence changes. If you still prefer to hold the range, I will tell the chair my own view, and I will support the board decision.*	*I will send a one page note tonight with the facts as known, and I will tell you at once if they change.*

Fictional. The figures are consistent with the memo and the case of this module: 62.0 less 41.8 is 20.2, and 41.8 plus the base case of 16.2 is 58.0. 0.6 plus 0.3 equals the difference of 0.9. The scripts are examples and not formulas, and are not legal advice. Disclosure and control matters must be reviewed with counsel and the auditor.

Exhibit 15 Scripted Examples: A Direct Report and the External Auditor (Fictional)

Step	With a direct report: a forecast that has missed	With the external auditor: a revenue cutoff error
Opening	*I want to talk about the forecast and about how I can help you. I asked for this time because I would rather say it directly and early.*	*I need to tell you about an error that we found, and I want you to hear it from me before you see it in the work papers.*
Facts	*In the last three quarters the revenue forecast you prepared was high by 3.1, 2.4 and 3.8 percent. The review process that I put in place did not catch it, and some of that is my responsibility.*	*A shipment of 1.1 million dollars was recorded as revenue in the quarter although the customer accepted delivery in the following month. We found it in our own cutoff review. We have corrected the ledger and we are testing other shipments in the last five days of the quarter.*
Impact	*The board noticed the pattern and I had to explain it. It affects the trust that others place in the forecast and, if it continues, in your role.*	*The amount is about 1.1 percent of quarterly revenue of 100.6 million. We have not yet concluded on the control implications, and we would like your view on how to evaluate them.*
Options	*We can work on the method, with the sales inputs reviewed weekly and an independent check by the controller, or we can move you to the reporting team where accuracy matters more than prediction. I prefer the first, and you may have another idea.*	*We can give you the results of our test of the last five days by Wednesday, or you can select the sample yourselves. I suggest that you select it, so that you reach your own conclusion.*
Ask	*I ask that you bring a written plan by Friday, and that we meet weekly for six weeks to review the forecast error. If the error is not below 2 percent at the end of that period, we shall discuss the second option.*	*I ask for a meeting on Wednesday with the controller and the engagement partner, and for your guidance on communication with the audit committee, which I will inform today.*
Close	*I value your work on the model, and I want this to succeed. What would help you most from me?*	*You will have every document that we have, and I will tell you at once if anything else comes to light.*

Fictional. The mean forecast error of 3.1, 2.4 and 3.8 percent is 3.1 percent. 1.1 divided by 100.6 is 1.09 percent. Whether an error is material, and how it is reported, are matters for the accountants, the auditor and counsel. Employment actions must be reviewed with human resources and counsel. The scripts are examples and not formulas.

Why the structure works. In each script the speaker names the subject in the first sentence, so that the listener is not left guessing, and states the facts in numbers that can be checked, so that the discussion is of the matter and not of the speaker. In the script with the auditor, the speaker offers to let the auditor select the sample, which is a small act that shows openness and removes any suspicion that the testing was shaped, and Module 9 stresses that candor with the auditor is a duty and not a courtesy. In the script with the direct report, the CFO accepts a share of the responsibility, which is both honest and effective, because a person who is criticized without any acknowledgment of the manager's part tends to defend and not to improve. In the script with the chief executive, the CFO states in advance that if the decision goes the other way the CFO will say so to the audit committee chair and will then support the decision, which is the protocol of Module 13.

D. Negotiation: a covenant amendment with a verified range. Larkfield Components has net debt of 110.0 and a credit agreement that limits net debt to 3.50 times EBITDA, tested each quarter. In the downside forecast, EBITDA is 28.2, so that leverage is 3.90 times, above the limit. At 3.50 times the company needs EBITDA of 31.43, which is 3.23 more than the downside forecast. The CFO asks the bank to reset the limit to 4.25 times for four test dates, at which EBITDA of 25.88 would suffice, leaving headroom of 8.2 percent on the downside forecast. The question is what the amendment should cost, and the CFO prepares by measuring both sides. The bank will charge a fee on the commitment of 60.0 and a higher margin on the 50.0 outstanding, and the CFO expresses every package as its total cost over twelve months so that offers of different shapes can be compared.

The alternative and the reservation points. The company's alternative is to refinance with another lender, which the CFO has priced from an indicative discussion: a fee of 1.25 percent on 60.0, which is 0.75, legal and breakage costs of 0.20, and a margin 50 basis points higher on 50.0 for twelve months, which is 0.25, for a total of 1.20. The company should therefore not pay more than 1.20 for the amendment, which is its reservation point. The CFO also estimates the bank's reservation point at 0.45, being a fee of 0.25 percent on 60.0 plus 60 basis points on 50.0, as the least the bank would accept for taking the added risk. The bank would not confirm this figure, and it is an estimate. The zone of possible agreement therefore runs from 0.45 to 1.20, a width of 0.75 and a midpoint of 0.825. Anything the bank offers above 1.20 is worse for the company than refinancing, and anything the company offers below 0.45 is worse for the bank than declining. The value of an alternative is plain in the numbers: if the CFO obtains a term sheet that brings the cost of refinancing down to 0.95, the reservation point falls by 0.25 and the midpoint of the zone falls from 0.825 to 0.70, a reduction of 0.125, before any skill at the table. Exhibit 16 traces the negotiation.

Exhibit 16 Negotiating a Covenant Amendment: Zone of Agreement and Rounds (Fictional Larkfield, Millions of Dollars)

Round	Bank position (cost to company)	Company position (cost to company)	Gap	Bank co ncession	Company concessio n	Reading
Start: reservation points (private)	**0.45 (estimate)**	**1.20**	**Zone 0.45 to 1.20**			**Width 0.75, midpoint 0.825**
1	1.60	0.21	1.39			Bank anchors at 1.00 percent fee and 200 basis points. Company opens at 0.10 percent and 30 basis points. Both are outside the zone
2	1.35	0.40	0.95	0.25	0.19	Bank moves most, asked for reasons for each move

Round	Bank position (cost to company)	Company position (cost to company)	Gap	Bank concession	Company concession	Reading
3	1.15	0.57	0.58	0.20	0.17	Moves shrink on both sides
4	1.00	0.72	0.28	0.15	0.15	Both moves equal at 0.15
5	0.88	0.84	0.04	0.12	0.12	Moves of 0.12 each signal that both are near their limits
Settlement	**0.86**	**0.86**	**0.00**			**Split of the final gap of 0.04**
Surplus split	**Bank 0.41 (54.7 percent)**	**Company 0.34 (45.3 percent)**				**Surplus is the distance of the price from each reservation point**

Fictional. Computed in Python. Company reservation: 1.25 percent x 60.0 = 0.75, plus 0.20, plus 0.50 percent x 50.0 = 0.25, total 1.20. Bank estimate: 0.25 percent x 60.0 = 0.15 plus 0.60 percent x 50.0 = 0.30, total 0.45. Opening: bank 1.00 percent x 60.0 + 2.00 percent x 50.0 = 1.60. Company 0.10 percent x 60.0 + 0.30 percent x 50.0 = 0.21. Settlement (0.88 + 0.84) / 2 = 0.86. Surplus shares 0.34 / 0.75 = 45.3 percent and 0.41 / 0.75 = 54.7 percent. A real negotiation involves more terms and uncertainty, and counsel must review the agreement.

Reading the table. Three lessons emerge. First, both opening positions lie outside the zone, as is usual, and the openings are justified by the evidence that each side can cite, since an anchor that cannot be defended is ignored and harms the speaker's credibility. Second, the concessions of each side shrink round by round, from 0.25 to 0.12 for the bank and from 0.19 to 0.12 for the company, which conveys, without a word, that each is approaching a limit. A pattern of equal or growing concessions would invite the other side to ask for more. Third, the settlement of 0.86 lies inside the zone, and it divides the surplus roughly evenly, 45.3 percent to the company and 54.7 percent to the bank, a result that is neither a victory nor a defeat. The company should also ask for something in exchange for each concession, and the next table shows how the same price may be built in different ways, which is how a negotiator turns a contest over one number into a search for a package that serves both interests.

Exhibit 17 Three Packages of Equal Cost and Different Shape (Fictional Larkfield, Millions of Dollars)

Package	Fee percent of 60.0	Fee amount	Margin step up, basis points on 50.0	Margin cost, twelve months	Total cost	Total if the step up ends after six months	Cash at signing
Package 1: balanced	0.60	0.36	100	0.50	0.86	0.61	0.36
Package 2: fee heavy	1.00	0.60	52	0.26	0.86	0.73	0.60
Package 3: margin heavy	0.10	0.06	160	0.80	0.86	0.46	0.06

Fictional. Computed in Python. Package 1: 0.60 percent x 60.0 = 0.36 plus 100 basis points x 50.0 = 0.50, total 0.86. Package 2: 1.00 percent x 60.0 = 0.60 plus 52 basis points x 50.0 = 0.26, total 0.86. Package 3: 0.10 percent x 60.0 = 0.06 plus 160 basis points x 50.0 = 0.80, total 0.86. If the step up ends after six months, the margin cost halves: 0.61, 0.73 and 0.46.

Interests behind the positions. The three packages cost the same on the assumption that the step up runs for the full year, and they differ in two respects that matter. A package that is heavy in margin and light in fee costs the company less if its results recover and the step up ends early, 0.46 against 0.73 for the fee heavy package, and it keeps cash at signing low, 0.06 against 0.60. The bank, for its part, may prefer the fee, which is certain and arrives at once, to a margin that depends on the company's recovery. The negotiation turns on asking why. If the bank's interest is a return that does not depend on the recovery, the company might offer

the fee in return for a lower margin and a step down on a clear test, and that is a better outcome for both than a fight over one number. The CFO must also remember the limits. The company should not conceal the downside forecast from the bank, since the representations in a credit agreement are matters of law, and counsel must review what is said to a lender, as Module 9 advises on duties of disclosure.

E. Persuasion with evidence: choosing the metric and the chart. A number persuades by being right, relevant and comparable. The CFO's first choice is the metric: the measure that best describes the question being decided, in a definition that the audience has seen before. The second choice is the comparison, since a number means little without a base, a period and a peer. The third is the chart, which must show what the data show. Halden's recurring service revenue offers a worked example. Exhibit 18 shows eight quarters. Every quarter was higher than the one before, so the claim that the series rose each quarter is true, and still the growth has slowed sharply, from 3.0 percent in the second quarter to 0.2 percent in the eighth, with year over year growth falling from 10.0 to 3.4 percent.

Exhibit 18 Halden Recurring Service Revenue, Eight Quarters (Fictional, Millions of Dollars)

Quarter	Recurring service revenue	Growth on prior quarter percent	Growth on same quarter of prior year percent
Q1	40.0	-	-
Q2	41.2	3.0	-
Q3	42.1	2.2	-
Q4	43.5	3.3	-
Q5	44.0	1.1	10.0
Q6	44.6	1.4	8.3
Q7	44.9	0.7	6.7
Q8	45.0	0.2	3.4

Fictional. Computed in Python. Sequential growth in quarters 2 to 8: 3.0, 2.2, 3.3, 1.1, 1.4, 0.7 and 0.2 percent. Year over year growth in quarters 5 to 8: 10.0, 8.3, 6.7 and 3.4 percent. Over the last two quarters revenue grew 0.90 percent, about 0.4 percent a quarter, or 1.8 percent at an annual rate, which is below the latest year over year figure of 3.4 percent and shows that the pace is still slowing.

Framing the same data honestly and misleadingly. The same eight numbers can be used to say five different things, some honest and some not. Exhibit 19 pairs each framing with the honest statement of the same fact and the test that separates them. The point is not that misleading framings contain false numbers, since each number in the table is correct. It is that each leads a reasonable listener to a conclusion that the CFO knows to be wrong, and that is the line between persuasion and spin. The treatment of non-GAAP measures by the SEC staff illustrates the same principle in a regulated setting. BDO USA reported on December 20, 2022 that updated SEC staff interpretations treat as potentially misleading, among other things, presenting a non-GAAP measure before its GAAP counterpart, giving it greater prominence, and showing non-GAAP charts or tables without GAAP equivalents of equal or greater prominence, and that a detailed disclosure cannot cure a measure that is misleading. The rule is a rule of disclosure for filers, and the principle that prominence, comparison and labeling can mislead applies to every audience, filer or not.

Exhibit 19 The Same Data Framed Honestly and Misleadingly (Fictional Halden)

Claim	How it is produced	Honest statement of the same facts	Ethical limit and test
Recurring service revenue is up 12.5 percent in two years	Compares quarter 8 (45.0) with quarter 1 (40.0), the longest window with a flattering start	Up 3.4 percent over the last four quarters, with year over year growth slowing from 10.0 to 3.4 percent	Choose the window by the question, not by the result. Would the prior report's window give the same answer?
Revenue has grown every quarter	True of each of the seven changes, and silent about the pace	Growth on the prior quarter fell from 3.0 percent to 0.2 percent	A true fact that hides the trend. Would the listener be surprised to see the growth rates?
A chart with bars that start at 39.0	Truncated axis. Quarter 8 bar is 6.0 times the height of quarter 1 bar although the data ratio is 1.125	The same bars from zero, or a line with a labeled scale. The picture shows 500 percent change for a 12.5 percent change, an exaggeration of 40 times	The change in the picture must match the change in the data. Bars start at zero
Average revenue per customer more than doubled, up 111.5 percent	Uses the mean (55.0 against 26.0), when one account of 300 drives it	The median rose 9.4 percent (29.0 against 26.5). One account explains 92.4 percent of the rise in total, and the other nine accounts averaged up 9.6 percent	Use the median or show the distribution when a few items dominate. Does the figure describe the typical customer?
Growth has averaged 1.7 percent a quarter	Takes the average compound rate over seven quarters (45.0 / 40.0 to the power of one seventh)	Growth has slowed to about 0.4 percent a quarter over the last two quarters, below the average	An average over a period of changing pace hides the pace. Show the trend beside the average

Fictional. Computed in Python. 45.0 / 40.0 = 12.5 percent. 45.0 / 43.5 = 3.4 percent. On a vertical axis starting at 39.0 the bars are 1.0 and 6.0 high, a change of 500 percent in the picture against 12.5 percent in the data. Customer revenue, in thousands: current ten accounts sum to 550 (mean 55.0, median 29.0) and prior ten sum to 260 (mean 26.0, median 26.5). The tenth account rose from 32 to 300, which is 268 of the 290 increase. The other nine accounts averaged 27.8 against 25.3 a year earlier, up 9.6 percent.

F. Preparing for questions. Questions are where a message is tested, and the CFO should prepare for them as carefully as for the presentation. The method is simple: write the twenty hardest questions that an informed and unfriendly person could ask, write a 130 word answer to each, find the fact that makes each answer true, and rehearse the five worst aloud with someone who interrupts. The questions of an audit committee differ from those of an analyst. The first is concerned with reliability, controls and judgment, and the second with outlook, margins, capital and credibility. Exhibit 20 gives ten questions for an audit committee, drawn from the themes of the EY and KPMG publications read for this module, and Exhibit 21 gives ten for an earnings call. The questions are the author's own, and the themes named in the sources are listed in Section 7, since neither source contains these questions in this form.

Exhibit 20 Ten Questions an Audit Committee May Ask the CFO

Question	What is really being asked	How to prepare
How do tariffs, interest rates and policy uncertainty affect our reported results, controls and disclosures?	Has management thought through the second order effects on the statements, and not only on the forecast?	A one page list of exposures with amounts, the accounting areas affected and the disclosure considerations, reviewed with counsel

Question	What is really being asked	How to prepare
Where are the largest judgments and estimates in the accounts, and how sensitive are they?	Where could the numbers be wrong, and does the CFO know?	A table of key estimates with ranges and the effect of a reasonable change on earnings
Which control deficiencies are open, how serious are they, and when will they be closed?	Will the CFO tell us the whole truth about controls and not defend the process?	A list with owner, severity, remedy and date, and the status of each from the last meeting
What is your record of forecast accuracy, and what changed after the last miss?	Does finance learn from its errors?	The guidance and forecast record of Exhibit 12 and the change made after the last miss
Does finance have the people and skills to do its work, given turnover and automation?	Is the risk of a staffing control failure being managed?	Vacancy and turnover data, the plan of Module 14, and the dependence on key individuals
What value is finance obtaining from AI, and what controls surround its use?	Is AI a source of benefit or of uncontrolled risk in the reporting process?	A short inventory of uses, the oversight in place, the testing done and the measured benefit, with honest statement of what is not known
Has the auditor raised any matter on which management disagreed?	Is management candid with the auditor, and does the auditor feel free to speak?	A list of the points raised and how they were resolved, and an offer of a private session with the auditor
Do our disclosure controls cover new areas such as AI use, climate matters and the escalation of cybersecurity incidents?	Has the process kept pace with the risks?	A map of the disclosure committee process to each new area, with owners, and a note on any gap
When did you last change a number after the auditor or the controller challenged it?	Is there a culture of challenge, and does the CFO welcome it?	A real example, with the reason for the change and what was learned
If you were in my seat and did not trust one number in this pack, which would it be?	Does the CFO know where the weakest number lies, and will the CFO say so?	Name the weakest number, the reason and the work in progress. An answer of none is not credible

Source: the questions are the author's own. The themes follow the EY article of December 8, 2025 (uncertainty and its effect on reporting, controls and disclosures; talent; technology adoption including AI and cybersecurity) and the KPMG publication of December 5, 2025 (candid communication with the auditor, probing control deficiencies, finance talent, disclosure controls for new areas). Neither source states these questions in this form.

Exhibit 21 Ten Questions an Earnings Call May Bring

Question	What is really being asked	How to prepare
Why did revenue come in below your range, and is it timing or demand?	Is the problem temporary, and does management know?	The five part explanation of Exhibit 13, with the two quarter test and a leading indicator that supports the answer
Why did the definition of adjusted EBITDA change this quarter?	Is the company managing the measure to flatter the result?	Avoid changing definitions. If one must change, restate prior periods, explain the reason and show GAAP measures first and with equal prominence
How confident are you in the new range?	How much weight should we put on guidance?	The record of Exhibit 12, the basis of the range and an honest statement of what could move the result

Question	What is really being asked	How to prepare
What are you seeing in the first weeks of this quarter?	Will management reveal in answer what it has not made public?	A rule agreed with counsel on what may be said, and a prepared answer that stays within what has been disclosed. Regulation FD applies
Is the cut a one time reset, or should we expect more?	Is the CFO sandbagging, or hiding a larger problem?	A range centered on the base case, with the downside stated, so that a later move would not come as a surprise
How do you intend to use cash: acquisitions, repurchases or debt reduction?	Do the stated priorities match what management does?	The capital plan of Exhibit 3 and the covenant headroom, as Module 7 describes
Is the dividend or the covenant position at risk?	Is there a liquidity problem that has not been said?	Headroom figures, the liquidity plan of Module 12, and agreement with counsel on what may be said
Who is accountable for the miss?	Is management willing to take responsibility?	Say that management is accountable, name what changed, and do not blame a person or a customer in public
Why should we believe this guidance when you missed last quarter?	A test of composure and credibility	Acknowledge the miss, state what is different in the method, and point to the five of six quarters inside the range, without overstating
Is there anything else we should know?	An invitation to disclose, or a trap	Decide in advance, with counsel, whether anything remains undisclosed. If so, the answer must not mislead

Source: the questions are the author's own, stated from the author's own knowledge. Rules on non-GAAP presentation follow the principles reported by BDO USA (December 20, 2022). Regulation FD is summarized from SEC release 33-7881. Counsel must review any answer that could be material.

G. The one page memo. A memo that works is shorter than the writer first thinks it should be. The writer states the decision at the top, gives the reasons that the reader needs to believe it, shows the alternatives, and sets out what happens next. Exhibit 22 shows the memo that Halden's CFO sends to the chair of the audit committee, and it has 236 words in its sections, within the one page limit. Every number in it ties to the case of Section 4, and the memo reproduces on one page what the deck of Section 6 develops in thirty minutes. A good test is to read the first two lines aloud to a colleague who has not seen the matter and ask what the colleague would do next. If the answer is the action that the memo requests, the memo works.

Exhibit 22 A One Page Memo to the Audit Committee Chair (Fictional)

Section	Text of the memo (fictional Halden)
Heading	To: Chair of the audit committee. From: Chief financial officer. Subject: Decision requested on full year EBITDA guidance before the earnings call in nine days.
Decision requested	Approve a revision of full year EBITDA guidance from 62.0 to 66.0 million dollars to 56.0 to 60.0 million, to be released to the public in the earnings press release.
Why now	Nine months of results are 41.8 million. The fourth quarter would need at least 20.2 million to reach the low end of current guidance, against a base case of 16.2 million. Management puts the chance of reaching the low end at 20 percent.
Options considered	Hold the range. Revise to 56.0 to 60.0 million. Revise to 52.0 to 58.0 million. Hold the range in public and brief selected holders in private, which is excluded because of Regulation FD.

Section	Text of the memo (fictional Halden)
Recommendation	Revise to 56.0 to 60.0 million. The range is centered on the base case, gives a 75 percent chance of reaching its low end and shows no systematic bias against the expected result.
Risks and what would change the view	The downside case of 54.0 million falls below the range. A signed order of 3.0 million or more before the call would move the base case upward and would lead us to review the range.
Next steps	Counsel and the disclosure committee review the release on day 4. The external auditor is briefed before release. The board approves on a call on day 3. No private conversations with investors until the release is public.

Fictional. The sections contain 236 words in total, counted in Python. Figures tie to the case: 62.0 less 41.8 is 20.2, 41.8 plus 16.2 is 58.0, and the chances are those of the case scenarios. The memo is an example and not legal advice, and counsel must review any text that could become public.

H. A crisis communication plan. In a crisis the CFO should know in advance who hears what, and when. Exhibit 23 sets out a plan for the first hour, the first day, the first week and the weeks after, applying the three rules of speed with accuracy, the right sequence and a single set of facts. It should be agreed with the chief executive, the general counsel and the head of communications before it is needed, and tested in an exercise, as Module 12 recommends. A plan is not a script, since a real event will differ from the one imagined, and its purpose is to remove avoidable decisions so that the leaders can think about the unavoidable ones.

Exhibit 23 A Crisis Communication Plan by Horizon

Horizon	First to hear	Content	CFO duty	Link to Module 12
First hour	Chief executive, general counsel, the crisis leader	What is known and what is not, the cash and covenant position in outline, who owns the facts	Confirm the facts and set up the single account. Start a log of decisions and times	Activate the crisis team and the thirteen week cash view
First day	Audit committee chair and board, lenders where the matter affects covenants, the external auditor	The facts, the effect on cash and reporting, what is being done, the time of the next update	Brief each in the same terms. With counsel, decide whether and when public disclosure is needed and how Regulation FD applies	Liquidity actions and lender contact
First week	Staff, customers and suppliers, investors where required	A short note on what happened, what it means, what is not yet known and when the next note comes	Keep the facts consistent across audiences. Hold a daily meeting and update the cash forecast	Operating continuity and supplier terms
Weeks two onward	All audiences on a fixed rhythm	Progress against the plan, corrections to earlier statements, lessons	Correct any earlier statement that proves wrong, at once and plainly. Review what the company learned	Recovery and review

Source: author's synthesis from general practice, stated from the author's own knowledge. The plan is a proposed program standard. Disclosure decisions, including those under Regulation FD, belong to the company with securities counsel.

4. Executive case study and decisions

The case (fictional). Halden Marine Systems is the fictional listed company of Section 3. At the start of the year it guided to full year EBITDA of 62.0 to 66.0 million dollars. After nine months, EBITDA is 41.8 million, so that the fourth quarter would have to deliver at least 20.2 million for the company to reach the low end of its range. The sales and operations forecast, which the CFO has tested against signed orders and shipping

schedules, puts the fourth quarter at 16.2 million in the base case. The earnings release and call are nine days away. The chief executive, who is confident in the fourth quarter, wishes to hold the range, and has scheduled one to one meetings with three large holders during the coming week. The chair of the audit committee, who has seen the forecast, believes that the range should be revised now and has asked the CFO for an independent view. Exhibit 24 gives the facts.

Exhibit 24 Position of the Fictional Company Before the Guidance Decision (Millions of Dollars)

Item	Fact	Note
Current guidance	Full year EBITDA of 62.0 to 66.0 million, midpoint 64.0	Given at the start of the year and repeated in the last release
Results to date	EBITDA of 41.8 million after nine months	The fourth quarter must deliver 20.2 million to reach 62.0
Fourth quarter scenarios	Base case 16.2 (55 percent), downside 12.2 (25 percent), upside 20.2 (20 percent)	Full year EBITDA of 58.0, 54.0 and 62.0 million respectively. Probability weighted result 57.80
Chance of reaching the low end	20 percent, in the upside case only	The base case is 4.0 below the low end of 62.0
Covenant position	Net debt of 120.0 million. At the downside EBITDA of 54.0 the ratio is 2.22 times, against a limit of 3.50 times	The covenant is not at risk, so the decision concerns disclosure and credibility and not liquidity
Timetable	Release and call in nine days	Disclosure committee and counsel need three working days
Position of the chief executive	Hold the range. Meet three large holders next week	Believes the fourth quarter will recover and fears the effect of a cut
Position of the audit committee chair	Revise now. Wants an independent view from the CFO	Fears a larger cut later and a question about disclosure controls

Fictional. Computed in Python. 62.0 less 41.8 is 20.2. 41.8 plus 16.2, 12.2 and 20.2 gives 58.0, 54.0 and 62.0. Probability weighted result: 0.55 x 58.0 + 0.25 x 54.0 + 0.20 x 62.0 = 57.80. Net debt 120.0 / 54.0 = 2.22. The covenant is described in simplified form and counsel must review any real agreement.

The decision point. The CFO has three tasks in nine days. The first is to decide what the CFO believes, and for this the CFO builds the numbers of Exhibit 25, which test three ranges against the three scenarios. The second is to bring the chief executive and the audit committee chair to a common view without taking sides, which is a task of mediation and not of advocacy. The third is to carry out the decision in a way that respects Regulation FD, which means that the planned one to one meetings with large holders require urgent attention, since a discussion of the outlook in those meetings, before a revision is made public, would risk selective disclosure of material nonpublic information. Counsel must advise on this point, and the CFO's duty is to raise it at once.

How the scenarios were built. The three scenarios are the discipline that makes the discussion possible, and the CFO built them with the head of sales and the head of operations in a single session, so that neither the chief executive nor the audit committee chair could say that finance had produced them alone. Each scenario is tied to named events: signed orders and shipping schedules for the base case, the loss of a delayed order of 3.0 million and a slower service season for the downside, and the signing of that order together with an early shipment for the upside. The probabilities of 55, 25 and 20 percent are judgments, and the CFO states them as judgments and not as measurements, with a range and a method for revising them. The CFO also asks each person who proposed a scenario what evidence would make the probability higher or lower, and

records the answers, which is the discipline of decision records that Module 13 describes. A forecast that cannot say what would change it is an opinion, and the record of the questions asked gives the board a way to judge, later, whether the process was sound whatever the outcome.

Exhibit 25 Four Options for the Guidance Decision (Fictional, Millions of Dollars)

Option	Range	Midpoint	Chance of reaching the low end	Chance within the range	Chance above the range	Expected result less midpoint	Principal risk
A. Hold the current range	62.0 to 66.0	64.0	20 percent	20 percent	0 percent	(6.2)	Eight chances in ten of missing, and a private briefing would be tempting
B. Revise to a range centered on the base case	56.0 to 60.0	58.0	75 percent	55 percent	20 percent	(0.2)	A downside of 54.0 would still miss the low end, by 2.0
C. Revise to a wide, low range	52.0 to 58.0	55.0	100 percent	80 percent	20 percent	+2.8	Credibility if results exceed it repeatedly, and the appearance of sandbagging
D. Hold in public and brief holders in private	Not available						Selective disclosure under Regulation FD, excluded without counsel

Fictional. Computed in Python. Full year results by scenario: 58.0 (55 percent), 54.0 (25 percent), 62.0 (20 percent), with a probability weighted result of 57.80. Option A: only the upside reaches 62.0, so 20 percent at least the low end. Option B: base and upside reach 56.0 and the upside is above 60.0, so 75 percent, 55 percent within and 20 percent above. Option C: all scenarios reach 52.0, base and downside are within 58.0 or less, and the upside is above, so 100 percent, 80 percent and 20 percent. Expected result 57.80 less the midpoint: (6.2), (0.2), +2.8, the last being 5.1 percent of its midpoint.

Reading the options. Option A has a one in five chance of reaching its low end, so that holding the range would very probably produce a miss and then a larger conversation about why the company did not say so earlier. Option C is safe, with no chance of falling below its low end, but its midpoint of 55.0 is 2.8 below the probability weighted result, and a range that is wide and low in this way would very probably be beaten. A company that beats a low range every quarter teaches investors to discount its guidance, and the appearance of sandbagging damages credibility as surely as a miss. Option B is centered on the base case, and its midpoint of 58.0 is within 0.2 of the expected result, which shows no systematic bias. It gives a 75 percent chance of reaching the low end and leaves the downside as a risk to be stated openly. Option D is not a real option, and its appeal to a chief executive who dislikes the idea of a public cut is the reason the CFO must name it.

Exhibit 26 Positions and Interests: Mediating Between the Chief Executive and the Audit Committee Chair

Party	Stated position	Underlying interests	What each fears	What would satisfy
Chief executive	Hold the range	Credibility with investors, morale of the sales team, avoiding a cut that is followed by a recovery	Cutting and then beating the new range, and appearing to have lost control of the plan	A range centered on the base case that keeps the upside visible, a clear plan for the fourth quarter, a decision rule that is fair to both sides

Party	Stated position	Underlying interests	What each fears	What would satisfy
Audit committee chair	Revise now	Accurate disclosure, no later and larger cut, protection of the board and the company from a disclosure failure	A surprise at the next report, selective disclosure in one to one meetings, a weak disclosure process	An evidence based process, counsel review, a protocol for investor contact, a record of the reasoning
CFO as mediator	Neither side	A decision that is made on evidence, kept private until it is public, and supported by both	Being seen as the partisan of one side, or silence on a disclosure risk	A rule agreed in advance, a fair hearing for each, and each told the same facts

Fictional. The analysis of positions and interests is the author's own, stated from general practice. A mediator does not decide, but helps the parties to reach a decision that each can support.

The mediation. The CFO begins with each party separately. With the chief executive, the CFO asks what the chief executive fears about a cut, listens to the answer without interruption, and states the facts, which are that the base case sits 4.0 below the low end and that the upside, which is the only route to the low end, has one chance in five. With the audit committee chair, the CFO asks the same question and states the same facts, so that neither hears a different account. The CFO then proposes a rule, which is that guidance is revised at the next public communication if the chance of missing the low end exceeds 50 percent on management's own scenarios. On the present scenarios the chance is 80 percent. The rule is fair to the chief executive because it rests on his own forecast, and it is fair to the chair because it ends the argument about opinions and replaces it with an argument about probabilities. The CFO also tests the rule against a more optimistic set of probabilities, in which the upside is as likely as the base case at 40 percent each and the downside 20 percent, and the chance of missing the low end is still 60 percent. The conclusion does not depend on one estimate, which is the best kind of conclusion to bring to a disagreement.

Exhibit 27 Communication Sequence for the Guidance Decision (Fictional)

Day	Action	Who	Purpose and safeguard
Day 0	Private conversation, using the script of Exhibit 14	CFO with the chief executive	No surprise. The chief executive hears the numbers and the recommendation first, and the CFO states that the chair will be told the CFO's view
Day 1	Call with the audit committee chair and the general counsel. One page memo of Exhibit 22 sent	CFO, chief executive and counsel	Same facts to both. Counsel advises on the planned holder meetings, which are postponed or restricted to published information
Day 2	Board pre read with the answer first outline of Exhibit 29	CFO	Directors have time to read. The ask is on the first page
Day 3	Special board call. Decision on the range and the rule	Board	One decision for each item. Reasoning recorded for the minutes
Day 4	Disclosure committee and counsel review the release and the call script. Auditor briefed	CFO, counsel, disclosure committee, auditor	Release, filing and call planned as one sequence. The auditor hears before the market
Day 5 to 8	Preparation for questions with the bank of Exhibit 21. Mock call with an independent challenger	CFO, chief executive, investor relations	Answers agreed with counsel. A rule on what may not be discussed

Day	Action	Who	Purpose and safeguard
Day 9	Release and call. Revised range of 56.0 to 60.0 million, explained with the five parts of Exhibit 13	Chief executive and CFO	Public disclosure through the release and filing, with the call open to all. No private discussion of the outlook until after

Fictional. The sequence is an illustration and a proposed program standard and not legal advice. The timing of disclosure and the method of public disclosure, including any filing, must be decided by the company with securities counsel.

The recommended path. The CFO recommends Option B, with the decision rule, the sequence of Exhibit 27 and a suspension of any discussion of the outlook with investors until the release is public. The recommended range of 56.0 to 60.0 million is centered on the base case, and the release should state the downside of 54.0 openly, so that the range is not a promise that nothing worse can happen. The CFO should present the case to the board with the chief executive, who presents the strategic reasons for confidence in the fourth quarter first and the CFO the numbers second, so that the board hears two roles in one team. If the board, having heard both, holds the range against the recommendation, the CFO should say so to the audit committee chair, record the CFO's view, and take counsel's advice on whether any further disclosure step is needed, while supporting the decision in the manner of Module 13.

What a weaker answer misses. A weaker answer would side with the chief executive and calculate whatever number kept the range alive, or side with the audit committee chair and bring a cut as a verdict. It would not notice that the one to one meetings raise a question of Regulation FD, or would notice it and rely on the chief executive to be careful. It would give the chair a different account from the chief executive. It would propose a very low range to be safe, and so be wrong in the other direction. It would write the board paper as a description of the quarter and put the request on the last page. It would explain the eventual miss with a story of timing and not test the explanation. And it would forget that the credibility of a CFO is a stock that is drawn down by every message that is later corrected.

The wider lesson. The case shows that communication is not a layer added to analysis after the work is done. The analysis, the structure of the argument, the order in which people hear, the form of the paper and the discipline of disclosure are one task. The CFO persuaded two strong people who disagreed, and did so by giving each the same facts, by finding the interests behind the positions and by proposing a rule that both could accept. A CFO who does this several times will find that people bring problems earlier, which is the surest sign that candor is trusted.

5. Boardroom discussion and key takeaways

The board and its committees watch how the CFO communicates as closely as what the CFO says, since the manner reveals the culture of finance. Module 9 describes how the board and its committees oversee management, and the questions in Exhibit 28 may be asked by any director. The CFO should be ready to answer each of them with evidence and without defensiveness.

Exhibit 28 Ten Questions Directors Should Ask About the CFO as Communicator

Question a director should ask	What a ready CFO can say
Does each paper you send begin with the decision that you ask us to take, and can you show an example?	The answer first structure and the before and after slide (Exhibit 2, Exhibit 11, Exhibit 29)
What is the record of your guidance against results, and what did you do after the last miss?	The guidance record and the five part explanation of a miss (Exhibit 12, Exhibit 13)

Question a director should ask	What a ready CFO can say
Who is permitted to speak with investors and analysts, and how do you control what is said?	The authorized speakers, the training, counsel review and the Regulation FD protocol (Exhibit 10, Exhibit 27)
When did you last bring us bad news before we asked, and how did you prepare for the conversation?	A real example, with the preparation sheet (Exhibit 4, Exhibit 30)
What is our alternative if the lender will not agree, and how do you know its cost?	The alternative, the reservation point and the zone of agreement (Exhibit 5, Exhibit 16)
How do you check that the charts and averages in your papers are not misleading?	The honest framing tests and the policy on prominence (Exhibit 9, Exhibit 19)
How do you handle a disagreement between management and a director, and when does it come to us?	The protocol, the interests analysis and the escalation rule (Exhibit 6, Exhibit 26)
How would you answer the hardest question that this committee could ask you today?	A prepared answer from the question bank (Exhibit 7, Exhibit 20)
What is your plan for the first hour of a crisis, and who hears what, and when?	The crisis communication plan with Module 12 (Exhibit 23)
Have you ever advised against what the chief executive wanted to say publicly, and what happened?	An instance, the counsel involved and the result (Exhibit 9, Exhibit 27)

Source: author's synthesis. Cross references are to modules in this program: Module 7 for capital markets and investor relations, Module 9 for governance, Module 12 for crisis management and Module 13 for the partnership with the chief executive.

Advising the chief executive and the board. The CFO should make three arguments. The first is that credibility is the asset on which all communication draws, and that it is built slowly through consistency and spent quickly through a message that is later corrected. The second is that a company should state its bad news first and in its own words, because news that others discover is always harder to explain than news that the company reports. The third is that a process, in the form of an authorized speaker list, a counsel review, a question bank and a rehearsed answer for the hard question, protects the company and its officers better than any individual's judgment under pressure. EY, writing for audit committees in December 2025, and KPMG in the same month, both suggest that boards expect candor from the CFO on matters of control, disclosure and uncertainty, which supports the first argument.

Common errors. Eight errors recur. The first is to bury the request at the end of a paper. The second is to deliver bad news late or by a message that cannot be questioned. The third is to change a metric or a definition without restating the past. The fourth is to explain a miss by a cause that is true and a consequence that is not stated. The fifth is to negotiate without knowing the alternative, so that a reservation point is guessed and not computed. The sixth is to use a chart or an average that is correct and misleading. The seventh is to speak privately to a favored investor, or to a favored director, in a way that others would be surprised to learn of. The eighth is to prepare the presentation in detail and leave the questions to chance.

Key takeaways. First, begin with the answer, state one decision for each slide and let the action titles tell the story. Second, a credible equity story is a few claims, fixed measures and a record of guidance against results, kept consistently. Third, explain a miss in five parts and test any claim of timing against the following period. Fourth, prepare a difficult conversation by purpose, facts, impact, options and ask, and hold it early and in private. Fifth, prepare a negotiation by knowing the alternative, the reservation point and the zone of agreement, by finding interests behind positions and by planning the anchor and the pattern of concessions. Sixth, choose metrics and charts that show the truth, and test every framing by asking whether the listener would draw the same conclusion from the whole file. Seventh, resolve a conflict by separating positions from

interests and replacing an argument about opinions with an argument about evidence. Eighth, build composure by preparing for the worst questions and by saying plainly what is not known. Ninth, write the one page memo, the email that gets read and the pre read, each with the ask first. Tenth, in a crisis and in all disclosure, tell the same facts to every audience, in the right order, and consult securities counsel before any statement that could be material.

6. The executive artifact: an answer first board outline and a conversation preparation sheet

The executive artifact has two parts. The first is an outline for a board presentation in the answer first form, with an action title for each slide, the evidence that it carries, the decision or ask, and the time allotted. The second is a preparation sheet for a difficult conversation, which the CFO completes before any conversation of consequence and keeps with the decision records of Module 13. Both are shown completed for the guidance decision of the fictional Halden. They are proposed program standards and not rules, and each reader should adapt them to the company, the board and the law. Exhibit 29 shows the outline.

Exhibit 29 Answer First Board Presentation Outline, Completed for the Fictional Halden Guidance Decision

Slide	Action title (the message)	Evidence on the slide	Decision or ask	Minutes
1	The board is asked to revise full year EBITDA guidance from 62.0 to 66.0 million to 56.0 to 60.0 million	Current and proposed range side by side, and the date of the release	Approve the revision and the release timetable	3
2	Nine months of EBITDA of 41.8 million leave 20.2 million for the fourth quarter, against a base case of 16.2 million	Quarterly EBITDA to date, the amount required and the base case	None. Shared view of the facts	4
3	On management's own scenarios there is a one in five chance of reaching the low end of the current range	Three scenarios with probabilities: 58.0, 54.0 and 62.0, and a weighted result of 57.8	None. Challenge of the scenarios invited	6
4	A range of 56.0 to 60.0 million gives a 75 percent chance of reaching its low end and no systematic bias	Table of three ranges, with chances and bias	Choose the range	6
5	Revise guidance when the chance of missing the low end exceeds 50 percent, which it does at 80 percent, and at 60 percent on the most optimistic set	Decision rule and the sensitivity test	Adopt the rule for future quarters	4
6	A downside of 54.0 million and a signed order of 3.0 million are the points that would change our view	Triggers, owners and dates, and the downside stated in the release	Note the triggers	3
7	No private discussion of the outlook until the release is public: sequence, owners and the protocol	Nine day timeline, authorized speakers, counsel review	Approve the plan and the Regulation FD protocol	4
Total	**Pre read of one page and an appendix sent three working days ahead**			**30**

Fictional. Minutes by slide: 3, 4, 6, 6, 4, 3 and 4, total 30, computed in Python. Figures tie to the case: 62.0 less 41.8 is 20.2; scenario results 58.0, 54.0 and 62.0; weighted result 57.8. The outline is a proposed program standard and not legal advice, and counsel must review any statement that could be public.

The conversation preparation sheet. The second part of the artifact is the sheet that the CFO completes before the conversation with the chief executive. It is short by design, since a sheet that takes an hour to fill

will not be used. The act of writing the opening sentence and the ask in advance is the most valuable part, because those are the two sentences that people most often improvise badly. Exhibit 30 shows the sheet completed.

Exhibit 30 Difficult Conversation Preparation Sheet, Completed for the Fictional Halden

Item	Entry for the conversation with the chief executive (fictional Halden)
Counterparty, place, date	Chief executive. His office, with the door closed. Day 0, before the board pack is released, for 30 minutes.
Purpose in one sentence	To agree that the range will be revised, or to hear any evidence that would change my recommendation, and to settle the rule for investor contact.
Facts, with sources	Nine months EBITDA 41.8 million (ledger). Fourth quarter needed 20.2 million. Base case 16.2 million (sales and operations forecast, checked against signed orders and shipments). Chance of reaching the low end 20 percent.
What is not known	Whether a delayed order of 3.0 million will sign before quarter end. Whether the downside of 12.2 million is conservative.
Their likely reaction	Disagreement on the forecast, concern about the market reaction, a wish to wait for the order. I will listen first and ask for the evidence behind his confidence.
Impact, in numbers	A hold of the range has an 80 percent chance of a miss. A miss and a late cut together would damage credibility more than a cut now.
Options and recommendation	A. Hold. B. Revise to 56.0 to 60.0 million. C. Revise to 52.0 to 58.0 million. I recommend B. D, a private briefing, is not available.
The ask, with owner and date	Agree to take B to the audit committee chair and the board this week. Both of us to hold no investor discussion of the outlook until the release is public. Counsel to review the holder meetings by tomorrow.
The first sentence	I need thirty minutes before the board pack goes out, and I would rather you hear this from me today.
What I will not say or do	I will not argue about tone, blame a person, soften the 20 percent, or promise what I cannot control.
If he disagrees	I will say that I will give the chair my own view, and that I will support the board decision. I will not go around him, and I will tell him what I tell the chair.
Duty to escalate	Any question of disclosure or accuracy goes to counsel and, if needed, to the audit committee chair, whatever the outcome of this conversation.
Follow up	A one page note tonight with the facts and the decisions reached. A second conversation after the board call.

Fictional. The figures tie to the case: 41.8, 20.2, 16.2 and 12.2 million, and a 20 percent chance of reaching the low end. The sheet is a proposed program standard. Employment and disclosure matters must be reviewed with counsel.

Using the artifact. The outline and the sheet are useful if they are used before the event and reviewed after it. The CFO should keep each completed sheet with the record of the decision, and, a quarter later, note what happened in the conversation and what would be done differently. A CFO who keeps such a record for a year will find a pattern in the questions that recur and in the points on which preparation was thin, and the pattern is the best guide to what to practice next.

7. Research and Perspectives from the Leading Firms

The publications below were found by search, and each page was opened before it was described. Where a page returned only part of its content, or did not state a date or a figure, the description says so and states only what was returned. The models of Sections 3 and 4, namely the board slide, the guidance record, the scripts, the negotiation, the framing example, the question banks, the memo, the crisis plan and the guidance case, are the author's own and not taken from these pages. Practice and rules change quickly in this field, and the reader should confirm the current text before relying on any item.

Exhibit 31 Publications Used in This Module

Source	Title and URL	What it says
Deloitte	Deloitte US, CFO Insights: storytelling with data (February 18, 2026). https://www.deloitte.com/us/en/programs/chief-financial-officer/articles/cfo-insights-storytelling-with-data.html	Argues that finance leaders must turn numbers into narratives so that boards, teams and investors can act. Offers a three part structure of takeoff (the most critical insight first), turbulence (what happened, the margin effect and what management is doing) and touchdown (a summary and a call to action), and advises pairing data with detail, dialogue and drama. The page named no authors for the article and gave no statistics
EY	Pat Niemann and Juan Uro, How audit committees are shaping CFO strategies, EY Center for Executive Leadership (December 8, 2025). https://www.ey.com/en_us/ey-center-for-executive-leadership/how-audit-committees-are-shaping-cfo-strategies	Describes the relationship of CFOs with audit committees as strategic, names three focus areas for 2026 (the complex business and risk environment, finance and internal audit talent, and technology adoption and cybersecurity including AI), and advises CFOs to be ready for questions on uncertainty and its effect on financial health, reporting, controls and disclosures. It gave no statistics
KPMG	KPMG Board Leadership Center, On the 2026 audit committee agenda (December 5, 2025). https://kpmg.com/kpmg-us/content/dam/kpmg/boardleadership/pdf/2026/on-the-2026-audit-committee-agenda.pdf	Lists eight priorities for audit committees, including candid communication with the external auditor and the effect of technology on finance talent. It urges committees to work closely with the CFO, to probe control deficiencies and not accept management's explanation at face value, and to reassess disclosure controls for climate, AI use and the escalation of cybersecurity incidents. Its one statistic concerns EU sustainability reporting and is not used here
BDO USA	Timothy Kviz, SEC Updates Compliance and Disclosure Interpretations on Non-GAAP Financial Measures (December 20, 2022). https://arch.bdo.com/sec-updates-cdis-on-non-gaap-financial-measures	Reports updated SEC staff interpretations of December 13, 2022, under which non-GAAP measures may be misleading if they are individually tailored, given greater prominence than GAAP measures, shown in charts or tables without GAAP equivalents of equal or greater prominence, or labeled in a way that suggests a GAAP measure, and states that detailed disclosure cannot cure a misleading measure. The article is from 2022 and the staff positions may have changed since

Source	Title and URL	What it says
SEC	Final Rule: Selective Disclosure and Insider Trading, Regulation FD, release numbers 33-7881, 34-43154 and IC-24599 (effective October 23, 2000). https://www.sec.gov/files/rules/final/33-7881.htm	Adopts Regulation FD, which bars an issuer or a person acting on its behalf from disclosing material nonpublic information to covered persons without public disclosure of the same information, simultaneously if the disclosure is intentional and promptly if not, and sets out who is covered, who speaks for the issuer, the methods of public disclosure and the exclusions. Only the first 100,000 of about 129,000 characters were read, and the rule may have been amended since
Harvard Program on Negotiation	BATNA 101: How to Boost Your Power at the Bargaining Table (undated page, with a letter signed by the program's director of marketing). https://www.pon.harvard.edu/freemium/batna-basics-boost-your-power-at-the-bargaining-table	Defines the BATNA as the best alternative to a negotiated agreement, says that knowing it lets a party walk away from a deal that is worse than the alternative, describes the reservation value as the lowest value deal that a party is willing to accept and advises thinking through the other party's BATNA. The page did not mention the zone of possible agreement and did not address when to reveal a BATNA
Management Consulted (secondary)	The Pyramid Principle Applied: Effective Executive Communication (undated, no byline). https://managementconsulted.com/pyramid-principle/	A secondary page that credits Barbara Minto with the framework in the 1970s, states that the core rule is to lead with a single main takeaway before background or analysis, supported by distinct arguments and data, and mentions the situation, complication, question and answer structure without detailed explanation. Minto's own book was not read

Each page was opened and the descriptions follow what the tool returned. No publication of PwC, RSM US, Grant Thornton, Baker Tilly, Crowe, Forvis Mazars, CBIZ, Moss Adams, CohnReznick, CLA or EisnerAmper was read for this module, and none is cited. The Management Consulted page is a secondary source and is not a primary statement of the framework.

What the research agrees on. The sources differ in kind, from a regulatory release to a consulting firm's advice, a negotiation school's page and a secondary page on a method of writing, and they should not be read as one body of evidence. They agree on a few practical points. Messages should lead with what matters. Audit committees expect candor from the CFO on controls, estimates and uncertainty. Numbers can mislead through prominence, comparison and labeling, and the SEC staff treats some of these as matters of rule for filers. Selective disclosure to those who may trade is restricted. A party that knows its alternative negotiates from a stronger position. None of the sources shows, by independent evidence, that a particular structure of presentation or script improves outcomes, and the tools of this module are offered as sound practice and not as proven remedies.

How a CFO can use the research. The Deloitte structure and the pyramid principle are practical aids for the design of any board paper. The EY and KPMG publications are best used as a source of the questions that an audit committee will ask, in preparing the question bank. The BDO article and the SEC release should be read, with counsel, by anyone who prepares public statements, to see where the line lies between emphasis and distortion. The Harvard page is a prompt to compute the alternative before any negotiation. The reader's own record of conversations, memos and calls, reviewed honestly, will teach more than any average of what other executives report.

Limits of the evidence. Three cautions apply. The first is that several of the sources are the advice of firms that also sell services, and the reader should judge their frameworks by whether they clarify a real problem and not by the authority of the author. The second is that communication is hard to measure, so that claims of

effect on investor or board outcomes are rarely tested, and the reader should be skeptical of precise figures. The third is that law and practice on disclosure differ by country and change over time, and a rule stated in a release of 2000 or an article of 2022 may not reflect the position today. For this reason the module names securities counsel wherever disclosure is concerned.

8. The ten question self assessment

Rate each statement from 1 to 5 using the scale below, and mark one box in each row. The ratings must rest on actual experience or documented evidence, such as a board paper you wrote, a conversation sheet you completed, a negotiation you prepared or a question bank you kept, and not on confidence. A rating of 1 means Unprepared: limited understanding and no meaningful application. A rating of 2 means Developing: conceptual familiarity, relying heavily on others. A rating of 3 means Competent: able to apply the capability independently in conventional situations. A rating of 4 means Advanced: the capability is integrated into strategy and delivers measurable results. A rating of 5 means Future-ready: enterprise wide impact, anticipation of change and the development of others.

No.	Statement of demonstrated capability	1	2	3	4	5
1	My board papers begin with the decision requested, carry one decision for each slide with action titles, and I can show recent examples.	☐	☐	☐	☐	☐
2	I keep a record of guidance and forecasts against results, I can explain a miss in cause, consequence, remedy and timing, and I test claims of timing against the following period.	☐	☐	☐	☐	☐
3	I use a consistent equity story and fixed definitions of the measures that support it, and I can show that definitions were restated when they changed.	☐	☐	☐	☐	☐
4	I prepare difficult conversations in writing by purpose, facts, impact, options and ask, and I deliver bad news early and in private.	☐	☐	☐	☐	☐
5	Before a negotiation I compute my alternative, my reservation point and an estimate of the other side's, and I plan the opening offer and the pattern of concessions.	☐	☐	☐	☐	☐
6	I separate interests from positions, and I have traded across several terms to reach a package that served both sides better than a fight over one number.	☐	☐	☐	☐	☐
7	I choose metrics, comparisons and charts that show the truth, and I can show a case in which I changed a framing because it could have misled.	☐	☐	☐	☐	☐
8	I have mediated a disagreement between executives or between management and a director by agreeing a rule based on evidence, and each side received the same facts.	☐	☐	☐	☐	☐
9	I keep a question bank, rehearse answers to the hardest questions with an independent challenger, and handle hostile questions with composure and candor about what is not known.	☐	☐	☐	☐	☐

No.	Statement of demonstrated capability	1	2	3	4	5
10	I write the one page memo, the email that gets read and the board pre read, I have a crisis communication plan, and I work with securities counsel on disclosure and Regulation FD.	☐	☐	☐	☐	☐

Total score: _____ out of 50. Ten statements rated from 1 to 5 give a minimum of 10 and a maximum of 50 points. Exhibit 32 gives the proposed interpretation. The scale is that of the source proposal for this program, and the statements are specific to this module.

Status of this module. Module 16 is not one of the five critical modules named in the proposal, which are Modules 1, 5, 9, 10 and 13, so the rule that a score below 30 of 50 blocks the highest designation does not apply to it as proposed. A low score here, however, may still limit the effect of a strong score elsewhere, since the work of Modules 9 and 13 is carried out through the communication that this module describes.

Exhibit 32 Proposed Interpretation of the Module 16 Score

Score	Reading	Suggested use
10 to 19	Unprepared	Study the module in full, rewrite your next board paper with the answer first, and complete a preparation sheet for the next difficult conversation before it takes place
20 to 29	Developing	Start a record of guidance against results, hold a mock question session with an independent challenger, and compute your alternative before your next negotiation
30 to 39	Competent	Introduce the five part explanation of a miss, test your charts and averages against the honest framing questions, and agree a protocol with counsel on investor contact
40 to 45	Advanced	Review the quality of your papers and conversations each quarter with a trusted director, and coach peers on the structure of a decision paper
46 to 50	Future-ready	Develop successors who communicate with candor, contribute to the practice of the profession and keep the standard consistent across crises and quarters

These bands are proposed program standards and have not been empirically validated against a broad population of finance executives. Module 16 is not designated a critical module in the proposal.

Development actions by pattern. A single total can hide the pattern behind it, so look at which statements received the lowest ratings. Exhibit 33 suggests three actions for each pattern.

Exhibit 33 Development Actions for Low Score Patterns

Low scores on	Pattern	Three suggested development actions
Statements 1, 2 and 3	Structure and record gap: papers describe more than they ask, and the record of promises is not kept	1. Rewrite your next paper using Exhibit 2 and Exhibit 11. 2. Build the record of Exhibit 12 for your own forecasts. 3. Draft the five part explanation of Exhibit 13 for your last variance
Statements 4 and 8	Conversation gap: difficult messages are delayed or improvised	1. Complete the sheet of Exhibit 30 for your next hard conversation. 2. Practice the scripts of Exhibit 14 and Exhibit 15 aloud with a colleague. 3. Apply the mediation steps and the analysis of Exhibit 26 to a live disagreement

Low scores on	Pattern	Three suggested development actions
Statements 5 and 6	Negotiation gap: the alternative and the range are not computed	1. Compute the alternative and the reservation points as in Exhibit 16. 2. List the interests behind the other side's positions and build packages as in Exhibit 17. 3. Plan the anchor and the concessions before the meeting
Statements 7, 9 and 10	Evidence, presence and discipline gap: framing, questions and disclosure are handled by instinct	1. Test your next chart and average against Exhibit 19 and Exhibit 9. 2. Write 130 word answers to the questions of Exhibit 20 or Exhibit 21 and rehearse them. 3. Agree with counsel the protocol of Exhibit 10 and the plan of Exhibit 23

Source: author's suggestions. The mapping of statements to patterns is the author's proposal, and ratings should rest on experience or documented evidence.

A twelve month plan for the reader. The module is most useful when turned into a plan with dates. In the first month the reader should rewrite the next board paper with the answer first, build the record of guidance and forecasts against results, and draft the question bank for the next audit committee meeting. In the second and third months the reader should complete a preparation sheet before every difficult conversation, hold a mock session with an independent challenger and agree with counsel the protocol for investor contact. In the fourth to sixth months the reader should compute the alternative and the reservation point before each significant negotiation, test every chart and average against the honest framing questions, and write the crisis communication plan with the chief executive, counsel and the head of communications. In the second half of the year the reader should review the record of explanations of misses, run an exercise of the crisis plan, and coach a successor in the structure of a decision paper. At the end of the year the reader should repeat the self assessment of this section and compare the result with the first, using documents and not impression.

9. Currency check and sources

Currency check: this field changes, and rules, interpretations and published guidance shown here may already have changed. The publications in Exhibit 31 were opened in October 2026. The following were confirmed on pages read: the Deloitte structure of takeoff, turbulence and touchdown and its advice on detail, dialogue and drama; the EY description of the audit committee relationship and of three focus areas for 2026; the KPMG priorities for audit committees and its advice to probe control deficiencies and reassess disclosure controls; the BDO account of the SEC staff interpretations on non-GAAP measures of December 2022; the provisions of Regulation FD described in the portion of release 33-7881 that was read; the Harvard definitions of BATNA and reservation value; and the credit given on a secondary page to Barbara Minto and the answer first rule. The following come from the author's own knowledge and were not confirmed in a source read: the zone of possible agreement and the other negotiation vocabulary, the effects of anchoring and of concession patterns, the five step structure for difficult conversations, the types of conflict and the ladder of escalation, the habits of executive presence and the speaking pace of about 130 words a minute, the written forms and their lengths, the honest framing tests, the crisis communication plan, the question banks, and the statement that the rule on Regulation FD may have been amended since 2000. The portion of release 33-7881 beyond the first 100,000 characters was not read. The companies, executives and all figures in the exhibits are fictional, and all sums, ratios, probabilities, ranges and counts were computed in Python and checked by assertion. The negotiation example uses simplified costs expressed over twelve months, and the estimate of the bank's reservation point is an assumption that a real bank would not confirm. The guidance case uses three scenarios whose probabilities are assumptions. This module is educational and is not accounting, tax, legal, securities, insurance or employment advice. Readers must consult qualified professionals in accounting, tax, legal and other relevant services before acting, and matters such as Regulation FD, public disclosure, covenant terms, communications with auditors and lenders, and employment actions in particular require the advice of qualified counsel. The structures, scripts, outlines and sheets shown here are proposed program standards and examples, not rules of any regulator, and each company must adapt them to its charter, its agreements, its sector and the law of the places in which it operates.

Sources: Deloitte US, CFO Insights on storytelling with data (2026); EY, How audit committees are shaping CFO strategies (2025); KPMG Board Leadership Center, On the 2026 audit committee agenda (2025); BDO USA, SEC Updates Compliance and Disclosure Interpretations on Non-GAAP Financial Measures (2022); SEC, Regulation FD adopting release 33-7881 (2000); Harvard Program on Negotiation, BATNA 101; Management Consulted, The Pyramid Principle Applied. Titles, dates and URLs appear in Exhibit 31. Halden Marine Systems, Larkfield Components and every figure in their exhibits are fictional.