

Board <sup>12TH ANNUAL</sup>  
of Boards

AND INAUGURAL  
CEO INVESTOR FORUM

# Executive Report



## THE LONG-TERM BUSINESS IMPERATIVE

FEBRUARY 27, 2017 | NEW YORK CITY

SAVE THE DATE  
13th Annual Board of Boards  
February 26, 2018



CECP

THE CEO FORCE  
FOR GOOD



**CEO FORCE FOR GOOD HONOREES RECOGNIZED AT THE EVENT, AND WHO LED THE DISCUSSIONS, INCLUDED:**

**Michael Corbat**, CEO, Citi  
**Brian C. Cornell**, Chairman & CEO, Target  
**Chad Dickerson**, CEO, President & Chair, Etsy  
**Dr. Risa Lavizzo-Mourey**, President & CEO, Robert Wood Johnson Foundation  
**Bill McNabb**, Chairman & CEO, Vanguard  
**Denise Morrison**, President & CEO, Campbell Soup Company  
**Anne M. Mulcahy**, Former Chairman, Board of Trustees, Save the Children; Former Chairman & CEO, Xerox Corporation

**ADDITIONAL CEO PARTICIPANTS INCLUDED:**

**Alan B. Colberg**, Assurant, Inc.  
**George S. Barrett**, Cardinal Health, Inc.  
**Daniel J. Sullivan**, Collette  
**Douglas R. Conant**, ConantLeadership, Formerly Campbell Soup Company & Avon Products, Inc.  
**Bill Goodwyn**, Discovery Education  
**Eileen Fisher**, EILEEN FISHER, Inc.  
**Anthony E. Malkin**, Empire State Realty Trust  
**Deanna M. Mulligan**, The Guardian Life Insurance Company of America  
**Theodore Dysart**, Heidrick & Struggles International, Inc.  
**Brian C. Walker**, Herman Miller, Inc.  
**Henrietta H. Fore**, Holsman International  
**John B. Veihmeyer**, KPMG LLP  
**Joseph A. Sullivan**, Legg Mason, Inc.  
**Hidemoto Mizuhara**, Mitsubishi Corporation (Americas)

**ADDITIONAL CEO CONVERSATION LEADERS INCLUDED:**

**Mitch Barns**, CEO, Nielsen  
**Dominic T. Barton**, Global Managing Partner, McKinsey & Company  
**Barbara Byrne**, Vice Chairman, Investment Bank, Barclays  
**Richard Edelman**, President & CEO, Edelman  
**Alex Gorsky**, Chairman & CEO, Johnson & Johnson  
**Andrew N. Liveris**, Chairman & CEO, The Dow Chemical Company  
**Kip Tindell**, Chairman & Co-Founder, The Container Store

**Raymond W. McDaniel**, Moody's Corporation  
**Michael McGrath**, Newman's Own  
**Robert H. Forrester**, Newman's Own  
**Shelly Lazarus**, Ogilvy & Mather  
**Mark A. Clouse**, Pinnacle Foods, Inc.  
**Robert E. Moritz**, PricewaterhouseCoopers LLP  
**Stephen H. Rusckowski**, Quest Diagnostics Incorporated  
**Karim Khoja**, Roshan Telecom Development Company of Afghanistan Corp.  
**Judy Marks**, Siemens Corporation  
**Rich Stinson**, Southwire Company  
**William Stromberg**, T. Rowe Price Group, Inc.  
**Surya Kant**, Tata Consultancy Services  
**Tim Hockey**, TD Ameritrade Holding Corporation  
**Stuart Parker**, USAA

**INAUGURAL CEO INVESTOR FORUM SPEAKERS:**

**Mitch Barns**, CEO, Nielsen  
**Bruce D. Broussard**, President & CEO, Humana Inc.  
**Michael Corbat**, CEO, Citi  
**Thomas DeRosa**, CEO & Director, Welltower Inc.  
**Anthony F. Earley, Jr.**, Chairman, CEO, & President, PG&E Corporation  
**Vincent Forlenza**, Chairman, President & CEO, BD  
**Bill McNabb**, Chairman & CEO, Vanguard  
**Robert Pozen**, Senior Lecturer, MIT & former President, Fidelity Investments  
**Martin Schroeter**, CFO, IBM Corporation

**SPECIAL GUESTS:**

**Lynn Forester de Rothschild**, Coalition for Inclusive Capitalism  
**Robert Eccles**, Harvard Business School  
**Robert Pozen**, MIT & Formerly Fidelity Investments

**MODERATORS:**

**Adi Ignatius**, Editor-in-Chief, *Harvard Business Review*  
**Gillian Tett**, US Managing Editor, *Financial Times*

**CO-CHAIRS OF THE DIRECTORS EMERITI, HONORED AT CHAIRMAN'S RECEPTION:**

**Peter L. Malkin**, Chairman Emeritus, Empire State Realty Trust; Co-Founder, CECF  
**Sanford Weill**, Chairman Emeritus, Citigroup Inc.

*Pictured above left to right: CEO Investor Forum, Vincent Forlenza, BD*

# THE LONG-TERM BUSINESS IMPERATIVE

More than 50 CEOs from the world's largest companies convened at CECP's 12th annual **Board of Boards** on February 27, 2017 to discuss the theme, "The Long-Term Business Imperative" and how companies are infusing stakeholder needs—such as community, customers, employees, and investors—into core business strategy. This *Forbes*-named top-three "power player" event for CEOs, with the vast majority of attendees reporting that they are very likely to recommend the event to a fellow CEO, is a closed-door networking discussion, which this year included the first-ever **CEO Investor Forum** in the afternoon.

## CECP COMPANIES EXCEL VS FORTUNE 500 CECP Environmental, Social, Governance (ESG) Scorecard, 2017



### FINANCIAL

- › Higher revenue and income growth



### ENVIRONMENTAL

- › Lower water use, waste, emissions
- › Higher rate of reduction between FY14 and FY15



### SOCIAL

- › Lower rate of employee turnover
- › Higher total giving dollars

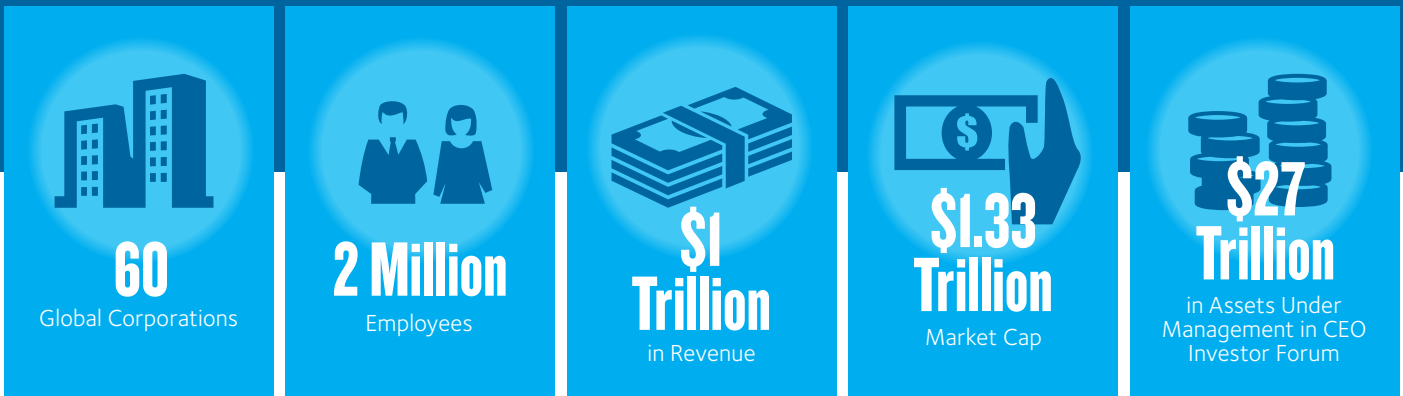


### GOVERNANCE

- › More women on boards
- › More likely to link social performance to bonus

Source: CECP and Bloomberg Terminal data

## CEO ATTENDEE PROFILE



## TRENDTALK DATA:

› **McKinsey & Company Measuring the Economic Impact of Short-Termism**: Companies desire to be more long-term but face pressure to be more short-term

- \* 87% of CEOs and CFOs feel that most of the performance pressure is within a 2-year or shorter time frame, while 80% believe they should be thinking in a 4-year time frame.
- \* 55% of CFOs would not put forward an NPV-positive investment if it meant missing their quarterly earnings target by 1 cent.
- \* 99% of the 2015 earnings of S&P 500 were spent on dividends and buybacks.

› **Nielsen Sustainability Imperative and Global Health and Ingredient Sentiment Survey**: Consumers are motivated by transparency and simplicity, and willing to pay a premium for products that deliver

- \* 71% say they're concerned about the long-term impact of artificial ingredients.
- \* 67% want to know everything that's going into food, and 61% say the shorter the ingredient list the better.
- \* 68% are willing to pay more for foods and drinks that don't contain undesirable ingredients.

› **Edelman Trust Barometer: The past year saw an implosion of trust in institutions**

- \* Trust in CEOs recovering since 2009 collapsed this year, down by more than 10 points.
- \* People don't think the system works; mistrust in systems is a potential "forest fire" for social and economic fears.
- \* Trust in media dropped as it became an echo chamber; 4 out of 5 people read only what they agree with.
- \* 75% say, "We believe that business can make money and do well for society."





## CEOs' Board of Boards takeaways in their own words:

- › Opportunities for business under **new administration**
- › Importance of **long-term view** and **corporate purpose**
- › Vital aspect of **employee wellness**
- › **CECP companies' superior performance** versus Fortune 500 (CECP ESG Scorecard, 2017)

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*Most decisions I've made in my tenure—new capital, acquisitions, R&D—are 30-, 40-, 50-year decisions. The fruits of the decisions from 10 years ago are just coming through now. All of that is long-term thinking and this is where the value is created.*

**ANDREW LIVERIS**, CHAIRMAN & CEO,  
THE DOW CHEMICAL COMPANY

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## CEO session leaders and audience members discussed:

### CURRENT POLITICAL CLIMATE:

- › Leaders expressed the need to be attentive to business needs to maintain economic growth, while sticking with their values as they monitor/respond to emerging social and political issues.
- › Business's role is to hold government accountable and help educate it on complex issues, also to share insights on unintended implications of actions.
- › It's in companies' best interest to be at the table; there is optimism as there are “tailwinds, not headwinds” for business.

### LONG-TERMISM:

- › To fight an overly short-term focus, long-term conversations can be shaped by setting intermediate-term goals and sharing quarterly updates.
- › It takes years of doing the right thing to demonstrate values and define a company.
- › New efforts, such as CECP's Strategic Investor Initiative, can help CEOs connect with their investors (versus traders).

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*It's tempting to think that running a responsible company is about a handful of grand gestures. In reality, it comes down to many small commitments across the company every day and as a core part of the business. Etsy builds its values along all business teams and operations as an alternative to CSR, which is a more effective way to build long-term value.*

**CHAD DICKERSON**, CEO, PRESIDENT, & CHAIR, ETSY

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*“Actions precede words; we must demonstrate that we are focused on doing the right thing for consumers and employees. Negative corporate reputations come from talking with no corresponding action. It's not something you can do in 90 days, rather it takes years of doing the right thing that defines a company.”*

**ANNE M. MULCAHY**, FORMER CHAIRMAN, BOARD OF TRUSTEES, SAVE THE CHILDREN; FORMER CHAIRMAN & CEO, XEROX CORPORATION

*“Johnson & Johnson has an annual strategic scorecard. We look directionally at what we are doing and how we are measuring and holding ourselves accountable. The Board of Directors uses this to look at what we've delivered and how we are setting the company up for the long term.”*

**ALEX GORSKY**, CHAIRMAN & CEO, JOHNSON & JOHNSON



"The playing field isn't level for all young people. Mentors, internships, and exposure to a variety of career opportunities help young people get a foot in the door and provide the foundation they need to thrive in their careers. Citi's Pathways to Progress helps provide these opportunities to those who might not have access otherwise. Matching young people's career ambition to make a difference with the skills provided through Pathways will benefit all of us when they enter the workforce."

**MICHAEL CORBAT**, CEO, CITI

#### STAKEHOLDERS:

- › Leading companies are responding to changing social demands, including greater transparency and a focus on wellness—and they are generating good returns as they do so.
- › Employees take great pride in the positive difference a company makes; it's the place where they want to show up to work.

As consumer interest rises in wellness, we've embraced the concept as an organization. We can influence the 30 million shoppers in Target each week and our more than 300,000 employees. We do this by providing greater choice, transparency, and access to lead them to wellness.

**BRIAN C. CORNELL**, CHAIRMAN & CEO, TARGET

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For our index franchise, we're permanent shareholders. If we don't like what's going on at a particular company, we can't just sell the stock and walk away. Vanguard's purpose is to take a stand for all investors, give them the best chance for success, and do it with a very long-term perspective. We use that long-term, investor/client-first approach to guide our engagement with boards and management teams.

**BILL MCNABB**, CHAIRMAN & CEO, VANGUARD

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If we are going to make it possible for people to be healthier, we need a sense of connectedness to our communities. Wellness is what makes our country competitive, makes people feel fulfilled, and makes businesses productive.

**DR. RISA LAVIZZO-MOUREY**, PRESIDENT & CEO, ROBERT WOOD JOHNSON FOUNDATION

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"Our Purpose—Real Food That Matters for Life's Moments—has been the single most important cultural change at Campbell. It's fundamentally altered the way our employees think, talk, and act about our food. It's our north star that guides our thinking and serves as a filter for our decisions."

**DENISE MORRISON**, PRESIDENT & CEO, CAMPBELL SOUP COMPANY

#### LIVE-POLLING RESULTS:

- › **Sixty percent of CEOs feel equipped or well-equipped** to meet expectations in the **current business and sociopolitical environment**.
- › Asked to identify **what bold moves** they could make toward sustainable business leadership, **37% of CEOs said "further integrating my company's values into incentives and practices"** while **20% said "committing to public reporting of my company's goals and progress toward them"**.
- › A key question in the **Edelman Trust Barometer 2017** asked, **"which action most effectively builds trust in a company?"** When asked that same question at Board of Boards, **49% of CEOs in attendance said "ethical business practices"**.
- › When asked, **"how far in the future is thinking long-term,"** CEOs consider **three to four** years long-term (46%). However, in 2017, 40% of CEOs also now think **five to six** years ahead, up from 30% in 2016 (Board of Boards 2016 live-polling results).
- › Among CEOs in attendance, **64% said that purpose is a powerful motivator for their companies** (up from 61% in 2015).

# Board of Boards 12TH ANNUAL

## ABOUT CECP: THE CEO FORCE FOR GOOD

CECP is a CEO-led coalition that believes that a company's social strategy—how it engages with key stakeholders including employees, communities, investors, and customers—determines company success.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders to create a better world through business, CECP has grown to a movement of more than 200 of the world's largest companies that represent \$7 trillion in revenues, \$18.6 billion in societal investment, 13 million employees, and \$15 trillion in assets under management. CECP helps companies transform their social strategy by providing customized connections and networking, counsel and support, benchmarking and trends, and awareness-building and recognition.

## CEO FORCE FOR GOOD HONOREES



*Pictured clockwise from top left: Denise Morrison, Campbell Soup Company; Brian C. Cornell, Target; Gillian Tett, The Financial Times; Michael Corbat, Citi; Bill McNabb, Vanguard; Alex Gorsky, Johnson & Johnson; Ann M. Mulcahy, formerly Xerox; Chad Dickerson, Etsy; Brian C. Cornell, Target; Denise Morrison, Campbell Soup Company; Dr. Risa Lavizzo-Mourey, Robert Wood Johnson Foundation; Barbara Byrne, Barclays*



CECP is grateful for the generosity of the event supporters **Newman's Own Foundation, PwC US, and USAA**. CECP also thanks the **Empire State Building** for lighting in CECP blue on February 27th. Additional Board of Boards takeaways can be found at [cecp.co/BoB](http://cecp.co/BoB).

**NEWMAN'S OWN**  
FOUNDATION

