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Volume 1, Issue 3:
Anatomy of a Long-Term Plan

CECP STRATEGIC INVESTOR INITIATIVE

vantage point

ANATOMY OF A LONG-TERM PLAN

CECP's Strategic Investor Initiative (SII) –a movement to shift trillions in investor assets under management to companies that emphasize planning for the creation of value in long-term time horizons--kicked off on February 27, 2017 at the inaugural **CEO Investor Forum** (see Executive Summary and videos). Prominent CEOs and senior executives of major global companies -- including **IBM**, **PG&E**, and **Humana** -- were given the opportunity to publicly share their three- to five-year plans that integrate financially material ESG factors. As CECP prepares for the **second CEO Investor Forum September 19, 2017 in NYC** (register), we are asking participating CEOs to tailor their presentations based on the interest of the investor community following the inaugural event. In particular, investors told us they want to learn more about the nuts and bolts of crafting corporate long-term plans, such as:

What is the long-term strategic vision for your company?

a) What is your time frame?

b) How do you get there?

c) What choices are you going to make and what are the factors that drive them?

i) What are the **long-term material risks** for environmental and social impacts?

ii) What **key initiatives** is the company undertaking to address major risks or opportunities?

iii) How is **capital allocated** to support these initiatives? Is this process led at the board level?

Who are your **significant stakeholders** and what are their long-term expectations of your company?

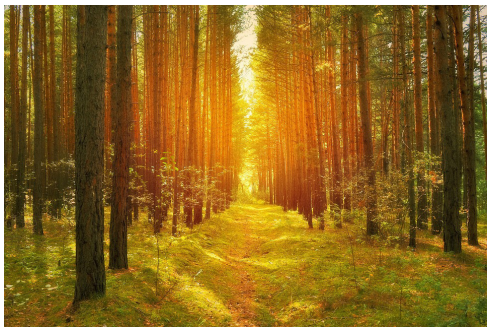
Discuss your company's **corporate governance structure** and how it leads to long-term planning.

a) Present the **measurements** to be used in **tracking long-term progress** of organizational health, financial, and operational performance, and for the mitigation of material ESG risks.

b) How are company **incentive systems** aligned to support these long-term initiatives as well as manage short-term performance?

What's your opinion? What else would you like to hear from CEOs on how they are developing approaches to corporate planning beyond the short-term? Email us and let us know.

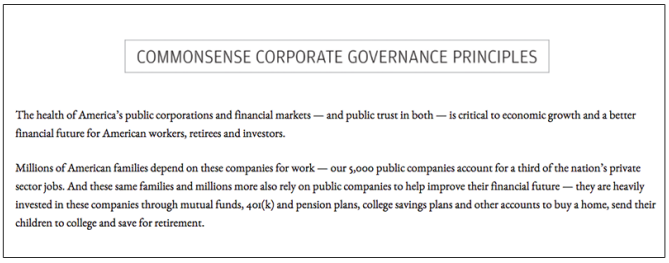
NEW RESEARCH: EY STUDY MAKES A CASE FOR LONG-TERMISM



EY recently published the results of its research into the benefits of public companies including material nonfinancial risks and opportunities, and ESG-related impacts in their investor communications, including quarterly and annual public reports. EY's findings corroborate the work and findings of CECP's SII:

- "More than 80% of the survey respondents agreed with four statements" related to the published letters to chief executives from Larry Fink, CEO, **BlackRock**:
- "That CEOs should lay out long-term board-reviewed strategies each year;
- That companies have not considered environmental and social issues as core to their business for far too long;
- That generating sustainable returns over time requires a sharper focus on ESG factors;
- That ESG issues have real and quantifiable impacts over the long term."

MAKING SENSE OF THE COMMONSENSE CORPORATE GOVERNANCE PRINCIPLES



COMMONSENSE CORPORATE GOVERNANCE PRINCIPLES

The health of America's public corporations and financial markets — and public trust in both — is critical to economic growth and a better financial future for American workers, retirees and investors.

Millions of American families depend on these companies for work — our 5,000 public companies account for a third of the nation's private sector jobs. And these same families and millions more also rely on public companies to help improve their financial future — they are heavily invested in these companies through mutual funds, 401(k) and pension plans, college savings plans and other accounts to buy a home, send their children to college and save for retirement.

As investors and CEOs look ahead to the second CEO Investor Forum, the Commonsense Corporate Governance Principles is a useful resource. The Principles are a set of six guidelines intended to optimize sustained value creation through best practices in board and management structure. They were issued in July of 2016 by a group of prominent CEOs representing some of the world's largest companies, including **BlackRock, Vanguard, State Street, GE, Berkshire Hathaway,** and **General Motors**.

The principles include:

- **Independence:** Truly independent corporate boards are vital to effective governance.
- **Diversity:** Diverse boards make better decisions.
- **Strong leadership:** Boards must have strong leaders who are independent of management.
- **Quarterly earnings forecasting:** Companies should not feel obligated to provide earnings guidance.
- **Accounting standards:** A common accounting standard is critical for corporate transparency.
- **Constructive engagement:** Institutional investors should have access to the company, its management and, in some circumstances, the board.

CECP ANNOUNCES SECOND CEO INVESTOR FORUM

CECP's SII will host the second CEO Investor Forum on **September 19th, 2017, at Bloomberg Finance, L.P., in NYC.** This invitation-only event will once again feature **CEOs of Fortune 500** companies presenting long-term strategic plans to an audience of **200 long-term-oriented institutional investors and pension funds**, representing more than $20 trillion in AUM. The forum will also include Q&A and panel discussions. To register today, click here. For more information, contact Mark Tulay, mtulay@cecp.co.

INDUSTRY NEWS

Adi Ignatius, Editor-in-Chief, ***Harvard Business Review***, and 2017 CECP Board of Boards moderator, poses a question in an introduction to an article by Harvard Business School professors Joseph Bower and Lynn Paine whether a company's top priority is "maximizing value for shareholders" or whether "sustainable, long-term business" is the priority. Ignatius acknowledges that HBR and other academic economists furthered the idea of "shareholder primacy", but perhaps now they can help move companies to "serve markets and society".

Adena Friedman, President & CEO, **NASDAQ**, published an editorial in ***The Wall Street Journal*** in which she set forth a "blueprint for the reforms needed to maintain America's global leadership," emphasizing the need to modernize the market structure, reconstruct the regulatory framework, and promote long-term thinking.

Tim Mohin, CEO, **Global Reporting Initiative**, and Jean Rogers, Founder & CEO, **Sustainability Accounting Standards Board**, co-authored an essay in **Greenbiz.com** in which they posit that their two organizations should not be seen as being in competition, but rather, are each designed to fulfill different purposes for different audiences. "For companies, it's about choosing the right tool for the job."

The **Ford Foundation**, a supporter of CECP's SII, announced that it would commit $1 billion from its $12 billion endowment over 10 years to "mission-related investments" (MRI), which is believed to be the largest commitment of its kind by a private foundation, and represents an effort to help advance the broader marketplace for impact investing. Resulting MRI investments are expected to earn "not only attractive financial returns but concrete social returns as well." Initial areas of focus are affordable housing in the United States and access to financial services in emerging markets.

MARK YOUR CALENDARS! UPCOMING SII EVENTS

Second CEO Investor Forum, September 19, 2017, New York City. Register.

Listening Tour, Spring 2017, a series of roundtables with senior executives and institutional investors on the long-termism movement. Locations TBA

Third **CEO Investor Forum**, February 26, 2018, Time Warner HQ, New York City

Fourth **CEO Investor Forum**, April 19, 2018, NASDAQ, San Francisco

SII ON THE ROAD

June 18th, San Marcello Pistoiese, Italy: **Tim Youmans**, Business for the Common Good conference.

SII IN THE NEWS

Mike Krzus, Senior Advisor, **BrownFlynn, SustainServ,** wrote on Greenbiz.com about the need to redefine the role of the corporate sustainability officer and to elevate to C-Suite level, influencing the company's long-term strategy.

Thomson Reuters Sustainability wrote about the inaugural CEO Investor Forum, saying: "...this new forum represents an important opportunity for encouraging and highlighting corporate leaders who champion long-term value creation and ESG integration."

Greenbiz.com interviewed Erika Karp, CEO, Cornerstone Capital Group, and a member of the SII Advisory Board, about her firm's commitment to profit by investing in a sustainable portfolio.

Reuters Insider reported on long-term risks of CEOs and companies, which can be mitigated by attention to ESG factors.

Bloomberg Sustainable Finance Brief recapped the CEO Investor Forum, stating that "about 50 chief executives gathered...to try a novel approach to appealing long-term shareholders: reporting on long-term plans".

Daily CSR shared the news of the inaugural CEO Investor Forum, reiterating that the Strategic Investor Initiative is "working towards creating a platform for moving trillions in capital" by bringing together companies and investors.

SII RESOURCES

SII Website
CEO Investor Forum Executive Summary
CEO Investor Forum CEO Presentations (video)
2017 Board of Boards: Luncheon Keynote: The Case for the Long-Term (video)
Panel discussion at the Inaugural CEO Investor Forum (video)
Past Issues of Vantage Point

ABOUT *SII*

The Strategic Investor Initiative (SII) is a new campaign initiated by CECP, the CEO-led coalition representing over 150 CEOs and $15 trillion in investor assets under management, that believes that a company's social and environmental strategy — how it engages with key stakeholders including employees, the environment, communities, investors and customers — is a key component of a company's long-term success. SII programs are made possible by generous support from the Ford Foundation and the Heron Foundation.

SII *Vantage Point* is published on an ongoing basis to keep CECP members, employees and key stakeholders aware and informed on the Strategic Investor Initiative. Comments and story ideas are welcome via email at SII@cecp.com.