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Call-to-Action on Long-Term Plan Communications to Investors

Seven questions to frame the conversation about future performance, assist companies presenting at CECP's CEO Investor Forums

NEW YORK, February 2, 2018-- To meet the growing need of leading institutional investors for a longer-term view, the investors in [CECP's Strategic Investor Initiative's](#) (SII) Advisory Board released a letter—signed by Bill McNabb, Chairman, **Vanguard** and **9 other leading investors**-- with a call-to-action to reframe communications between CEOs, companies, and investors to focus on long-term value creation. Read the [letter](#).

"In our capacity as institutional investors representing \$15 trillion in assets under management, we come together through CECP's Strategic Investor Initiative to provide actionable guidance to all companies to more effectively communicate their value based on our information needs," said **Vanguard** Chairman Bill McNabb, a member of the CECP Board of Directors and Co-Chair of the Strategic Investor Initiative. "We urge companies to embrace this guidance to focus on growth, strategy, and risk, sharing their long-term outlooks, as investors increasingly seek a more substantive dialogue about corporate long-term value creation."

CECP: The CEO Force for Good has created CEO Investor Forums to operationalize this guidance, based on the call from investors for more robust long-term plans, establishing a "5th earnings call". The organization has held two CEO Investor Forums to date—with 20 leading CEOs/companies (\$1 trillion market cap) sharing long-term plans with investors representing more than \$25 trillion in assets under management.

The Third CEO Investor Forum will be held in New York on February 26, 2018 with CEOs of **Johnson & Johnson, Merck, Medtronic, Unilever, and UPS** making presentations; and the fourth held at NASDAQ in San Francisco on April 19, 2018 with CEOs of **Well Fargo, PG&E**, and others to be named shortly.

The themes for this call-to-action focus on:

- **Growth:** CEO presentations should focus on plans with a minimum five-year trajectory, articulating the future market place, their industry's operating environment, how future trends may affect their company's operations, and how their growth plans address these related opportunities.
- **Strategy:** The CEO should consider commentary on the role of the board in formulating the long-term strategy and its processes for monitoring management in delivery of the

plan. This is intended as a focused narrative about future performance, not past performance.

- **Risk:** A long-term plan provides a corporation with an opportunity to communicate its view of key financially material risks, including long-range mega-trends (such as climate-related risks) and the relevant frameworks used to identify environmental, social, and governance (ESG) factors.

"Too much of today's corporate communication is focused on lagging indicators and incomplete financial data, an outdated system that prioritizes traders over investors, the past over the future," said Daryl Brewster, CEO, **CECP**. "This minimizes the importance of strategic focus, significant stakeholders, and material ESG plans that are increasingly seen as the drivers of sustainable value. CECP's CEO Investor Forums are a breakthrough effort to publicly convene leading CEOs and major institutional investors to discuss building future value."

The CECP SII's Advisory Board Investor Subcommittee provides the following key questions to answer when presenting publicly disclosed, investor-facing long-term plans:

1. What are the key risk factors and mega trends (such as climate change) your business faces over the next three to seven years and how have these influenced corporate strategy?
2. How do you identify your financially material business issues and which frameworks do you use for reporting on these issues? How do these figure into your future strategy and capital allocation plans?
3. How do you describe your corporate purpose and how do you help your employees share your vision for the company's role in society? How does this shape your long-term strategy? How does your future strategy act upon this purpose?
4. How do you manage your future human capital requirements over the long-term and how do you communicate your future human capital management to your investors?
5. What is the corporation's framework/strategies for interacting with its shareholders and key stakeholders?
6. How will the composition of your board (today and in the future) help guide the company to its long-term strategic goals?
7. What is the role of the board in setting corporate strategy, setting incentives for and overseeing management? How does the corporation ensure a well-functioning and diverse board accountable to its key stakeholders?

"As we see the evidence bear out on the business case for 'patient capital', CEO Investor Forums are a way for companies to operationalize this guidance," stated Mark Tulay, Director, Strategic Investor Initiative, **CECP**. "CECP supports leading companies through its long-term plan framework and provides the platform in which to share that information, which aligns with the call-to-action in this first-ever letter that will equip investors with the information needed to make better informed long-term investment decisions."

The letter is signed by CECP SII Advisory Board Investor Subcommittee members:

- Bill McNabb, Chairman, Vanguard; SII Co-Chair
- Jonathan Bailey, Head of ESG Investing, Neuberger Berman
- Dana Bezerra, President, Heron Foundation
- Robert Fernandez, CFA, Vice President | Director of ESG Research, Breckinridge Capital Advisors
- Dr. Hans-Christoph Hirt, Head of EOS, Hermes Investment Management
- Christine Hurtsellers, CEO, Voya Investment Management
- Erika Karp, Founder and CEO, Cornerstone Capital Inc.
- Gianna M. McCarthy, Director-Corporate Governance, Office of the NYS Comptroller, Division of Pension, Investment & Cash Management
- Mark W. McDivitt, Managing Director, Head of ESG Solutions, State Street Corporation
- Brian A. Rice, Portfolio Manager, Investments, Corporate Governance, California State Teachers' Retirement System (CalSTRS)

CECP's Strategic Investor Initiative (SII) full Advisory Board:

- Bill McNabb, Chairman, Vanguard; SII Co-Chair
- Jonathan Bailey, Managing Director and Head of ESG Investing, Neuberger Berman
- Lee Ballin, Head of Sustainable Business Programs, Bloomberg
- Crystal Barnes, Senior Vice President Global Responsibility and Sustainability, Nielsen
- Dana Bezerra, President, F.B. Heron Foundation
- Glenn Booraem, Principal and Investment Stewardship Officer, Vanguard
- Daryl Brewster, CEO, CECP
- Michelle Edkins, Managing Director, Global Head of Investment Stewardship, BlackRock
- Anthony Di Meo, Director, Investor Relations, BD
- Robert Fernandez, CFA, Vice President, Director of ESG Research, Breckinridge Capital Advisors
- Benjamin Gigot, Vice President of Research, Investment Management, CDPQ
- Evan Harvey, Director of Corporate Responsibility, NASDAQ
- Hans Hirt, Executive Director and Head of Hermes EOS
- Erika Karp, Founder, CEO and Chair of the Board, Cornerstone Capital Inc.
- Paula Loop, Assurance Partner and Leader, PwC's Governance Insights Center, PwC
- Teri Loxam, Vice President, Investor Relations, Merck
- Graham Macmillan, Senior Program Officer, Inclusive Economies, Ford Foundation
- Gianna McCarthy, Director of Corporate Governance, Office of the New York State Comptroller, Division of Pension, Investment & Cash Management
- Mark W. McDivitt, Managing Director, Head of ESG Solutions, State Street Corporation
- Kathleen McLaughlin, President, Walmart Foundation & Global Head of Sustainability, Walmart
- Tim Nixon, Head of Sustainability Thought Leadership, Managing Editor Sustainability, Thomson Reuters
- Brian Rice, Portfolio Manager, Corporate Governance, California State Teachers' Retirement System (CalSTRS)
- Amy Springsteel, Assistant Vice President, Voya Financial
- Brian Tomlinson, Research Director, Strategic Investor Initiative, CECP

- Mark Tulay, Director, Strategic Investor Initiative, CECP
- Dennis Whalen, Leader, Board Leadership Center, KPMG
- Tim Youmans, Engagement Director, Hermes' Equity Ownership Services' North America

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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.

ABOUT THE STRATEGIC INVESTOR INITIATIVE

The Strategic Investor Initiative is a coalition of thought leaders committed to the long-term movement. Collectively, SII is developing a new platform for leading companies to create, convey, and deliver long-term plans to long-term investors. SII's vision is to spark the movement of trillions of dollars of capital to companies demonstrating performance excellence over the long-term. SII provides tools and resources designed to introduce and support market behaviors that ultimately deliver sustained long-term value for all.