CEO Investor Forum: Investor Letter to Presenting Companies

From: The CECP SII Advisory Board Investor Subcommittee

Subject: Guidance on Future CEO-Investor Forum Long-Term Plan Presentations

Companies that are listed on public stock exchanges face a constant, daily demand from investors for information. In recent years, however, many large institutional investors have expressed a desire to gain a different perspective: the long-term view.

CECP is a CEO-led organization that works with over 200 of the world’s leading companies to advance business as a Force for Good in society. CECP has taken the lead to establish CEO Investor Forums to help operationalize the call for long-term value creation. We have held two Forums to date—with 14 leading CEOs/companies ($1 trillion market cap) sharing long-term plans with investors representing over $25 trillion in assets under management.

We have plans for many more Forums, and today, we write in our capacity as the Investor Subcommittee of CECP’s new Strategic Investor Initiative (SII) Advisory Board, which represents over $15 trillion in assets under management, to provide guidance to companies presenting at future CECP-sponsored CEO Investor Forums.

The Forums provide a platform for discussing long-term value creation, sharing and discussing material information that extends beyond quarterly earnings calls, and helping to deepen and enrich investor understanding of companies’ plans for managing growth, strategy, and risk.

We encourage CEOs to use the Forums as an opportunity to talk to “patient capital” about their companies’ long-term plans. Such opportunities are often under-represented in the quarterly-driven system of corporate-shareholder communications, which can be of limited use in shaping a long-term investment, engagement, and voting outlook.
Talking to long-term investors
CECP institutions have segments of assets under management with a long-term investment outlook that are generally between three and seven years—or longer. Here are some general themes that CEOs might address when talking to large, long-term investors:

<table>
<thead>
<tr>
<th>Growth</th>
<th>Strategy</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>We suggest CEO presentations be spent talking about plans for future growth, with goals, metrics or milestones mapping to future years with a minimum five-year trajectory. Companies should articulate their view of 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.</td>
<td>The CEO should consider including overarching 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.</td>
<td>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. The majority of this discussion should ideally focus on the strategy and resources allocated to address future risks.</td>
</tr>
</tbody>
</table>

Questions to frame the conversation
As long-term investors, there are issues of enduring interest to us as we seek a deeper understanding of our investee companies and inform our voting and engagement activities. Below we set out key suggested questions to consider 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?
Over time, we expect that the delivery of long-term plans will become a mainstream feature of the schedule of corporate communications with shareholders. CECP’s CEO–Investor Forums are a key tool in refocusing our capital markets towards this new normal emphasis on long-term value creation. We look forward to upcoming CEO long-term plan presentations at future Forums.

Sincerely,

William McNabb III  
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
CECP’s Strategic Investor Initiative (SII)

Advisory Board Members

Current Advisory Board Members as of January 11, 2018 include:

- **Bill McNabb**
  Chairman, Vanguard Group & 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’ Equity Ownership Services

- **Erik 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

- **Mark 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, 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