EXECUTIVE SUMMARY

Earnings calls move markets, and investors highly value the transparency and outputs of frequent reporting. However, a dominant focus on standard quarterly financial reporting and a lack of attention to ESG—and the impact that ESG performance can have on corporate financial performance—amplifies short-term market pressures. This can encourage myopic decision-making, such as cutting planned research and development spending, that hits short-term earnings targets at the expense of long-term value creation.

The Covid-19 crisis has caused huge disruption to supply chains, employment patterns, balance sheets and business models; accompanied by unprecedented stimulus measures from governments around the world. The crisis has caused much attention to focus on key ESG practices, from stakeholder relations to human capital management. Many expect issuers and institutional investors to increase their focus on ESG issues in both corporate practice and disclosure as we cautiously exit the Covid-19 crisis.

We focus this paper on adjusting the mix and timeframe of the information reported rather than the frequency with which it is reported. It is not necessarily the case that conversations conducted quarterly must exclusively focus on near-term financial goals; managers can have quarterly calls about ESG and longer-term targets. Issuers can use their reporting flexibility to signal a long-term outlook, the value of investments in ESG, and the alignment between ESG, long-term strategy, and the strategic priorities of structurally long-term investors.