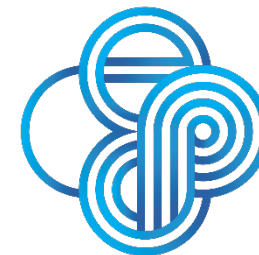


Long-Term Plan Presentation Template

Overview and Guidance

Authors: Brian Tomlinson and Emily Parlapiano



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THE STRATEGIC INVESTOR INITIATIVE

- > The Strategic Investor Initiative is a coalition of companies, institutional investors and professional services firms committed to reorienting our capital markets toward the long-term. Through leading research, we assist companies in developing and communicating Long-Term Plans that help inform the decisions of institutional investors
- > We provide a venue for CEOs to share Long-Term Plans with audiences of long term investors. A Long-Term Plan enables a corporation to present the key elements of its long-term strategy over a three to seven year time horizon
- > To date, over 25 CEOs (representing in excess of \$2 trillion in market cap) have delivered Long-Term Plans to audiences of institutional investors—each exceeding \$25tn AUM.



“It is through the groundbreaking efforts of the Strategic Investor Initiative that companies and investors can change how businesses plan and act.”

-Bill McNabb, Chairman, Vanguard & Co-Chair SII



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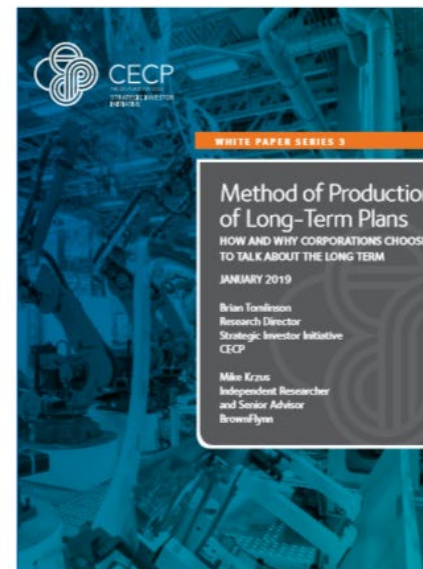
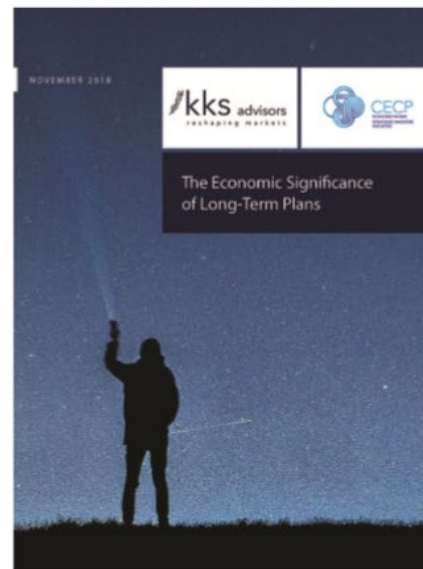
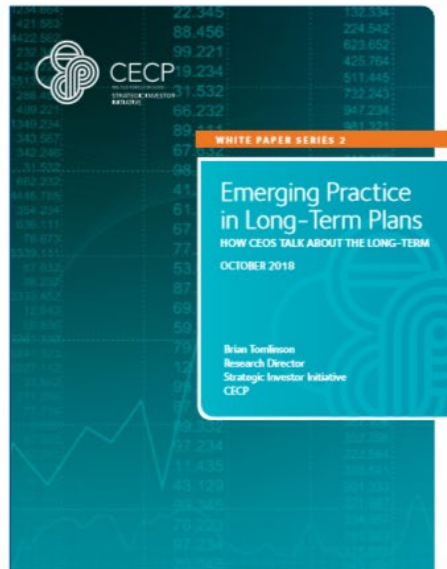
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MANAGEMENT

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RESEARCH ON LONG-TERM PLANS

Our research informs the guidance we provide to enable CEOs to develop and communicate effective Long-Term Plans. Key research publications on Long-Term Plans:

- > **WHY:** [Reorienting Capital Markets Toward The Long-Term](#) overview of the context for our work (white paper); [Six Reasons](#) to deliver a Long-Term Plan (MIT Sloan Management Review)
- > **WHAT:** [Letter to CEOs from Institutional Investors](#) signed by Bill McNabb and nine other institutional investors setting out Seven Questions for CEOs
- > **HOW:** [Emerging Practice in Long-Term Plans](#) examples of and guidance for effective long-term disclosures (white paper); [The Method of Production of Long-Term Plans](#) guidance for corporations on key collaborations for building a Long-Term Plan (white paper)
- > **VALUE:** [The Economic Significance of Long-Term Plans](#) sets out early evidence that Long-Term Plans disclose decision-relevant information to the capital markets, summarized in [Harvard Business Review](#) (white paper and article)



WHY DELIVER A LONG-TERM PLAN?

Key motivations:

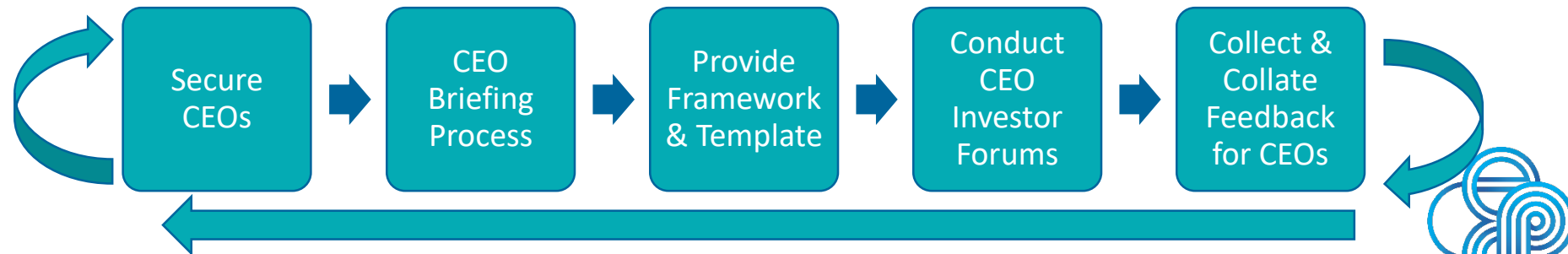
- > Frustration at the earnings call
- > Consolidating existing disclosures
- > Be a first-mover and leader in a key space
- > Six Reasons: ([MIT Sloan Management Review](#))
- > Investor Segmentation / get ahead of activists: “you get the shareholders you deserve”

What delivering a Long-Term Plan requires:

- > Cross-team collaboration
- > Developing a shared understanding of materiality
- > Un-siloing ESG
- > Building beyond the Investor Day or Conference Presentation IR deck

What the Strategic Investor Initiative does to help:

5-step feedback loop to drive continuous improvement



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WHEN TO DELIVER A LONG-TERM PLAN

- > **Listed companies should have a long-term strategic plan that is subject to annual review and periodic refreshment.** A Long-Term Plan is an opportunity to communicate the key elements of that strategic plan to the capital markets, addressing a longer time horizon and broader set of themes than are often addressed in investor-facing disclosures.
- > **Annual:** A company can deliver and annually update its Long-Term Plan with the capital markets. This is consistent with the call in Blackrock's recent series of annual letters to CEOs requesting that companies present annually updated "strategic frameworks for sustainable value creation." The elements of a Long-Term Plan can enable a company to operationalize that request.
- > **Event-Triggered:** Additionally, there are key triggers for a corporation that make issuing an updated Long-Term Plan a timely investor-facing disclosure:
 - Recovery from scandal
 - CEO transition
 - Transformational M&A
 - Outcome of activist defense

Reporting Ecosystem:

A company can embed an LTP within its existing reporting schedule of:

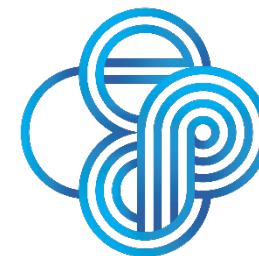
- Investor days
- Conference presentations
- Roadshows
- Earnings calls
- Other mandatory and voluntary reporting

The themes of a LTP can help reorient the existing ecosystem of corporate reporting toward the long term.



Template LTP Presentation

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FD STATEMENT (SAFE HARBOR)

- > Safe Harbor Statement:
- > Insert relevant language:
 - Identify that presentation will make forward-looking statements
 - Identify key risk factors and uncertainties
 - Reference Risk Factors and MD&A disclosures in SEC filings
 - Note that presentation may contain Non-GAAP financial measures

BUSINESS OVERVIEW & KEY MESSAGES

- > Overview of content that will be covered in the presentation
- > Key takeaways that you want the audience to understand re the Long-Term Plan
- > Overview of your current business:
 - > Briefly set context and level-set audience to prepare for elements of the Long-Term Plan
 - Outline business model
 - Review portfolio of businesses
 - Overview of segments, sectors, geography, supply chain
 - Views of the business “through the eyes of management”
 - Peer comparison / competitive set

TRENDS

Mega & Market

- > **Mega Trends:** Management's view of those mega trends that broadly impact planet, people, and business operations
 - > Such trends represent a formidable set of financial, operational, governance, and policy challenges, but their business impact varies systematically by sector. Examples from LTPs include: Climate change (NRG), Unsustainable health systems (BD, Medtronic), Disruption of product markets (UPS). Highlight trends with greatest potential impact on operating model, product markets, and geographies (at business operating units, if appropriate)
 - > Highlight frameworks used for reporting on key trends to investors. For example, TCFD re climate change and related "scenario analysis". Provide contextualizing commentary building on other disclosures, such as MD&A risk factor disclosures and "known trends and uncertainties"
- > **Market Trends:** Management's projections of the future marketplace and sources of competitive advantage—include current trends but focus on long-term forward-looking trends
 - This discussion can relate to the conventional trends discussion that takes place on an earnings call but with a more expansive time horizon (5 – 7 years) and broader set of trends given their contingent nature. Include discussion of related uncertainties. Commentary can include discussion of competitive landscape (peers, disruption, potential entrants)
- > **Sample investor question:** "With your focus on the de-carbonization mega trend and your statement that it is imperative—what are your plans to transform your current generation portfolio?"



CORPORATE PURPOSE

- > Describe the corporate purpose of your company and connect that description to your long-term strategy.
 - How does purpose shape your long-term strategy? How does your future strategy act upon this purpose?
 - How do your strategy and business operations align to your purpose (what is the company narrative around purpose)?
- > **Note:** Such commentary should provide specific salient examples of how corporate purpose is “operationalized” and connected to long-term strategy.
 - Support examples with metrics
 - Commentary on purpose can be additive to the discussion of human capital (as it may connect to recruitment, retention, and productivity). Such commentary can include “contributions to society” linking to strategy and financial outcomes through social strategy and community engagement
 - Purpose and Culture can be discussed at different levels of the organization, including as a board-level issue
- > **Examples:** Building “teachable moments” for managers from J&J’s Credo to enable it to influence real-world decisions (J&J). Description of how “stakeholder value” underpins the business model and informs managerial approaches and capital allocation decisions (Nestle)
- > **Sample investor question:** “How do you describe your corporate purpose and how do you help your employees & stakeholders buy in to share your vision for the company’s role in society?”

RISKS & OPPORTUNITIES

- > Risks: How are financially material risks managed and overseen?
 - Base discussion on your external and internal risk assessment.
 - Provide key ESG metrics (re issues highlighted in materiality assessment).
 - Conduct integrated discussion of ESG issues (connect to financial performance).
- > Opportunities: How are financially material opportunities seized?
 - Identify material issues relevant to long-term value.
 - Provide key ESG metrics.
 - Connect discussion to trends and competitive positioning.
- > Set out an assessment of financially material ESG issues:
 - > Highlight the framework used for identifying financially material ESG issues (e.g., SASB).
 - > Set out and provide commentary on frequency / scope / process / outcome of materiality assessment.
 - > Unpack management attitude and approach.
 - > Discuss material ESG topics by theme with metrics / KPIs and forward-looking targets.
- > **Examples:** Overview of materiality assessment, role of board in assessment, then used to frame subsequent discussion of key issues under each ESG theme (Nestle).

FINANCIAL AND OPERATIONAL PERFORMANCE

FORWARD-LOOKING

- > Forward-looking metrics relevant to Long-Term strategy:
 - We are not seeking to be prescriptive: can be a mix of financial and operational metrics.
 - To date, companies have used a range of financial metrics across a range of forward-looking time horizons, including:
 - Revenue, EBITDA growth (Economic Profit, if available)
 - Capital efficiency and profitability (ROIC, ROE, CAGR, RONA)
 - How leveraged will the company be in years ahead
 - The presentation can build on existing guidance practices:
 - Set the stage, explain the trajectory of financial performance.
 - Describe how Long-Term Plan is tracked in short-term reporting (e.g., earnings calls). Indicate frequency with which long-term goals are updated.
 - If the company does not provide long-term financial guidance (more than one year) or issues quarterly earnings guidance, explain why. This provides useful context for the Long-Term Plan discussion that follows.

COMPETITIVE POSITIONING VALUE-DRIVING STRATEGIES

- > Identify and explain the key elements of your Long-Term Plan:
 - Describe the key value drivers for the firm and the priority initiatives (by theme or example).
 - Break out by key priorities and initiatives for each strategy; include ESG factors and measurement system for each: tie back to Trends, Risks & Opportunities
 - Long-term value drivers (>7 years): strategic health (e.g., actions linked to key milestones/strategic goals)
 - Medium-term value drivers (2-7 years): commercial / cost structure / asset health (e.g., actions linked to key milestones/strategic goals)
 - Short-term value drivers (<=2 years): sales / operating cost / capital productivity (e.g., actions linked to key milestones/strategic goals)
 - Provide future goals, metrics, and milestones (figures, range, strategic objectives).
 - Directional or aspirational targets, with supporting commentary, help to establish intent under circumstances of uncertainty.



LONG-TERM VALUE CREATION INNOVATION & OPERATIONAL ECOSYSTEM

- > Describe the key implementation strategies for delivering your Long-Term Plan
 - Connect this commentary to the discussion of Competitive Positioning / Capital Allocation.
 - Give commentary on managing innovation and new technology, both internally and through partnerships (illustrate by reference to key LTP elements).
 - Discuss balance between M&A and organic growth.
 - Offer commentary on evolving mix of portfolio businesses (related to underlying mega/market trends).
 - Describe headline strategy without disclosing proprietary information or undermining competitive advantage.
- > Describe key strategic partnerships aligned with delivering long-term strategy.
 - Provide examples of how such partnerships impact your operational ecosystem (such as access to specific product or geographic markets).
- > **Example:** Described how non-OECD partnerships opened up new markets, enabling it to reach new consumers, strengthen its research base and deliver its global health program (GSK). Built partnerships with leading universities to develop new recruitment practices to expand access to technology talent pool (Delphi/Aptiv).

CAPITAL ALLOCATION FRAMEWORK & INTERSECTION WITH STRATEGY

- > Describe your future strategy and capital allocation plans:
 - Outline the framework for allocating capital and how the framework enables strategy implementation and the initiatives set out in Competitive Positioning.
 - Supplement with:
 - Long-range capital distribution goals, such as maintaining the historic dividend trajectory and plans for excess cash
 - M&A discipline
 - Investments in R&D as % of budget
 - Capex
- > Tie back to Trends, Risks & Opportunities.
- > Highlight how the long-term strategy adjusts the capital allocation mix over time.
- > **Examples:** Described how capital allocation and business-relevant stakeholder investments were the keys to long-term business success. Included specific dollar allocations for each segment (BD).
- > **Sample investor question:** “Please provide commentary on how you think about capital allocation in the context of the current concerns regarding the extent, timing, and impact of share buy-backs”.



HUMAN CAPITAL

- > Describe your human capital management practices in the context of your long-term strategy:
 - Provide insight into management’s view of human capital and the issues highlighted as relevant for long-term strategy: does the Long-Term Plan adjust human capital needs / approaches?
 - Outline key initiatives and metrics for your industry / business model
 - Key metrics may include: workforce demographics and composition, skills and capabilities, culture and empowerment, health and safety, productivity, human rights, retention, compensation and incentives
 - Give salient examples and provide projections of likely impact, connect to financial performance
 - Commentary on role of the board in oversight of talent management and succession planning
- > **Examples:** Offered commentary in the context of developing a culture of health for employees & addressing pay equity as keys to long-term business performance (Aetna/CVS)
- > **Sample investor question:** “How do you manage your future human capital requirements over the long term, and how do you communicate your future human capital management plans to your investors?”

CORPORATE GOVERNANCE

EXECUTIVE COMPENSATION

- > Describe in high-level terms the relationship of executive compensation to the long-term strategy outlined:
 - We note that: setting CEO compensation is a formal board responsibility; CEO commentary will only add to a limited extent to the detailed disclosures made in CD&A in the proxy statement. Detailed engagement on such matters would be conducted with the board.
 - CEOs are reluctant to discuss such matters but several CEOs have discussed compensation, seeking to provide candor and transparency. Such commentary can add very positively to the presentation.
 - CEO can provide information on how incentives maintain alignment to long-term strategy and corporate purpose. CEO can discuss avoiding short-term moves.
 - Identify whether the financial and operational long-term goals set out in the LTP are those used in the executive compensation plan.
 - Explain whether material ESG metrics are incorporated into compensation arrangements.
- > **Example:** Described transparency benefits of CEO discussing compensation with investors and highlighted that 90% of executive team compensation was long term in nature (NRG).

CORPORATE GOVERNANCE

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

- > Describe your process and framework for engaging with your shareholders:
 - Build on disclosures made in your proxy statement; describe management disposition toward shareholders, how engagements are prioritized; if you do not have one-share-one vote structure, explain why.
 - Provide examples of where shareholder engagement has resulted in adjusted practice within the business (e.g., climate reporting, board composition).
- > Investors value an understanding of a CEO's broader "Stakeholder" strategy:
 - Identify significant stakeholders and speak to those (e.g., employees, customers, suppliers, communities, regulators, civil society).
 - Provide commentary on the process for identifying those key stakeholders and the business objectives such identification helps to achieve; significant stakeholders will vary by industry, business model and geography.
- > **Examples:** Outline of adopted Corporate Governance practices, including designating its Lead Independent Director as the primary point of engagement with shareholders (Prudential); designed stakeholder matrix in which over 40 stakeholder issues were analyzed in the context of long-term business performance (Merck); described adoption of a board-issued Statement of Purpose to highlight its mission-critical stakeholders (Telia).
- > **Sample investor question:** "What is the corporation's framework and communication strategy for interacting with its shareholders and key stakeholders?"



CORPORATE GOVERNANCE STRATEGY AND BOARD COMPOSITION

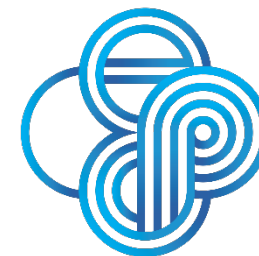
- > Describe the role of the board in long-term strategy:
 - Provide commentary on how board practices are structured to enable meaningful strategy engagement.
 - Describe extent of board’s role in contributing to strategy development and monitoring strategy implementation?
 - Provide specific examples of high-quality board oversight (supplementing proxy statement disclosures).
- > Describe how the composition of your board (today and in the future) helps guide the corporation toward its long-term strategic goals:
 - Supplement proxy statement disclosures on the board evaluation process, succession planning, and long-term strategy and risk assessment to align with the Long-Term Plan outlined.
 - Describe extent to which shareholder engagement or other frameworks (e.g., 30% Club, Rooney Rule, Common Sense Corporate Governance Principles 2.0) have influenced target composition and succession planning. Identify goals (e.g., board diversity targets; provide realistic commentary on progress toward these).
- > **Note:** Seeking commentary on function, stance, structures, and practices for board effectiveness on long-term strategy; the “between the lines” element of the proxy statement.
- > **Example:** Described how strategy (overall, global, business unit level) was addressed at board level, time on compliance had been limited, and composition focused on long-term strategic needs of science and technology (Medtronic).

CONCLUSION

- > Reiterate Key Messages
- > Company Priorities
- > Focus on Long-Term Plans
- > Confirm Key Milestones

Further Guidance

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SUCCESSFUL LONG-TERM PLANS

We have identified leading practices for decision-relevant disclosures in a Long-Term Plan:

- > **Additive:** Builds on and is additive to, existing disclosures; not the default IR deck
- > **Context:** Provides meaningful contextualized disclosures, expectations & targets; more than marketing
- > **Materiality:** Topics reflect those financially material for the industry and business model
- > **Integrated:** ESG issues presented as part of an integrated discussion; not a silo or list of awards
- > **Forward-looking:** Provides a five-year look-forward based on the capital cycle and is a strategic discussion related to sustainable value creation; majority is forward-looking
- > **Performance:** LTP must provide a direct connection to financial prospects and operational performance over the long term
- > **Risks / Opportunities:** Sets out a balanced discussion of long-term risks and opportunities