

# Communicating Long-Term Plans

Illustrative concepts &  
emerging practices



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Basis for inclusion: This deck sets out component examples of Long-Term Plans that CEOs delivered at Investor Forums convened by CECP's Strategic Investor Initiative. The examples chosen reflect effective communication of Long-Term Plans in terms of clarity and compelling information.

# CECP's Strategic Investor Initiative & Edelman

Through this collaboration we leverage the research and CEO Investor Forums convened by CECP's Strategic Investor Initiative and the experience of Edelman in advising companies on IR best practices.

**CECP's 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.

**Edelman** is a global communications firm that partners with businesses and organizations to evolve, promote and protect their brands and reputations. Our 6,000 people in more than 60 offices deliver communications strategies that give our clients the confidence to lead and act with certainty, earning the trust of their stakeholders.

With specialist investor relations expertise across the world, we provide tailored support with scalability. Our investor relations advisors have experience in a range of communications disciplines, having worked across many industry sectors and throughout various market cycles.

Since our founding in 1952, we have remained an independent, family-run business. Edelman owns specialty companies Edelman Intelligence (research) and United Entertainment Group (entertainment, sports, lifestyle).

For more information please visit: <http://www.EdelmanFinComms.com>.



# Communicating Long-Term Plans is a Key Motivation for Executives and an Action of Interest to Investors



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# Why Deliver a Long-Term Plan?

## Key motivations of CEOs

- Frustration about an overly short-term focus on the earnings call
- Wrap a coherent narrative around an expanded disclosure ecosystem
- A long-term vision reinforces industry leadership
- Investor Segmentation: increase long-term shareholders in investor base
- Activist Preparation: ensuring investors understand the company's Long-Term Plan to maximize value

Source: [Method of Production of Long-Term Plans](#)



## Eight Reasons Why Companies Should Start Sharing Their Long-Term Plans with Investors

1. To demonstrate that there is an effective long-term strategy
2. To show that the company can anticipate and capitalize on mega-trends
3. To help investors understand ESG issues “through the eyes of management”
4. To enable the C-Suite to reflect on the corporate ecosystem, including a consideration of its stakeholders
5. To help inspire – and retain – both employees and investors over the long-term
6. To foster leadership in long-term focused disclosure
7. Cultivate a long-term investor base
8. Create a favorable context for the company to execute short-term actions in the effort to achieve long-term objectives

# 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 with the capital markets about 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-to-action in Blackrock's recent series of annual letters to CEOs requesting that companies present annually updated "strategic frameworks for sustainable value creation."



**Event Triggers** - Additionally, there are key triggers for a corporation that make issuing a Long-Term Plan an IR imperative:

- Recovery from scandal
- CEO transition
- Transformational M&A
- Outcome of activist defense

# Successful Long-Term Plans

## Internal Processes for a Successful Long-Term Plan

- Cross-team collaboration
- Developing a shared and holistic understanding of materiality
- Un-siloing ESG
- Building beyond the default IR deck



## Disclosure Principles for a successful Long-Term Plan

**Additive:** builds on existing disclosures; not the default IR deck

**Context:** meaningful contextualized disclosures, expectations and targets

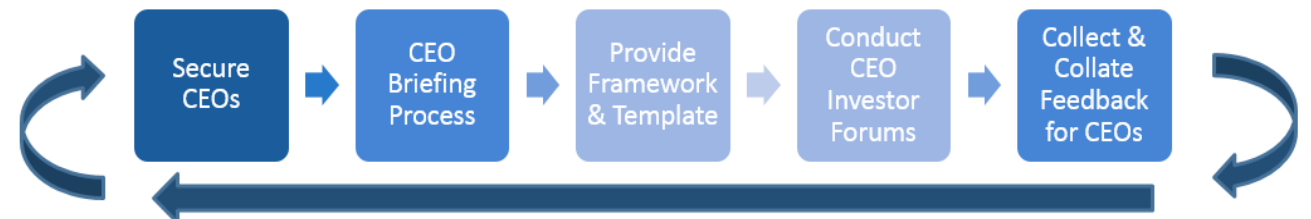
**Materiality:** financially material topics for the relevant industry and business model

**Integrated:** ESG issues and sustainability integrated discussion

**Forward-looking:** provides a five-year strategic and/or financial look-forward, based on the capital cycle, and is a strategic discussion related to sustainable value creation; majority is forward-looking

**Performance:** the Long-Term Plan must provide a direct connection to financial prospects and operational performance over the long-term

## CECP's Strategic Investor Initiative works with companies to help them optimize their long-term disclosures



Source: [Emerging Practice in Long-Term Plans: How CEOs Talk About the Long Term](#)

# Long-Term Outlook Critical to Investor Trust



2018

Long-term guidance on financial performance



**96%**  
Impacts trust

**66%**  
Has a great deal of impact on trust

2019

I trust a company that provides forward-looking guidance but misses occasionally more than I trust a company that provides no forward-looking information



**84%**  
Agree

**27%**  
Strongly Agree

Edelman Trust Barometer Special Report: Institutional Investors

Q6. How much does each of the following disclosure practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 4, Top 2 Summary

Q2: Please indicate the extent to which you agree or disagree with the following statements.



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# Important Attributes for Long-Term Valuation

Percent Selected Top 3 Most Important



Edelman Trust Barometer Special Report: Institutional Investors

Q14: Beyond financial projections, what other aspects are important to determine a company's long-term (3-5 year) valuation? Please select the 3 most important aspects that you use to determine a company's long-term valuation.



# Illustrative Concepts & Emerging Practices



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# Long-Term Plan Content Framework

Research by CECP's Strategic Investor Initiative informs the guidance we provide to enable CEOs to develop and communicate Long-Term Plans. Our Long-Term Plan Content Framework, developed with KKS Advisors and Professor George Serafeim of Harvard Business School sets out Nine Themes and 22 Line Items for an effective presentation.



## Competitive Strategic Positioning

Long-term value drivers  
Medium-term value drivers  
Short-term value drivers



## Corporate Purpose

What is the purpose and is it aligned with long-term strategy



## Trends

Market trends  
Mega trends



## Corporate Governance

Executive compensation  
Board compensation  
Role of board  
Shareholder engagement



## Risks & Opportunities

Assessment of financially material ESG issues  
Risk management  
Opportunities



## Human Capital

How is human capital managed over the long-term



## Long-Term Value Creation

Value of partnerships/  
improving the operational ecosystem



## Financial Performance

Capital efficiency  
Leverage  
Revenue growth



## Capital Allocation

Capital allocation plan  
M&A discipline  
R&D investment  
Excess cash

# Components of a Long-Term Plan

- Business Overview and Key Messages
- Mega Trends
- Corporate Purpose
- Risks and Opportunities
- Strategic Competitive Positioning
- Long-Term Value Creation: Innovation and operational ecosystem
- Human Capital
- Corporate Governance: Executive Compensation
- Corporate Governance: Shareholders and Stakeholder engagement
- Corporate Governance: Strategy and Board Composition
- Financial and Operational Performance: Forward-looking
- Capital Allocation

# Business Overview

- Overview of content that will be covered in the presentation
- Key takeaways that you want the audience to understand about the Long-Term Plan
- Overview of your current business:
  - Briefly provide 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

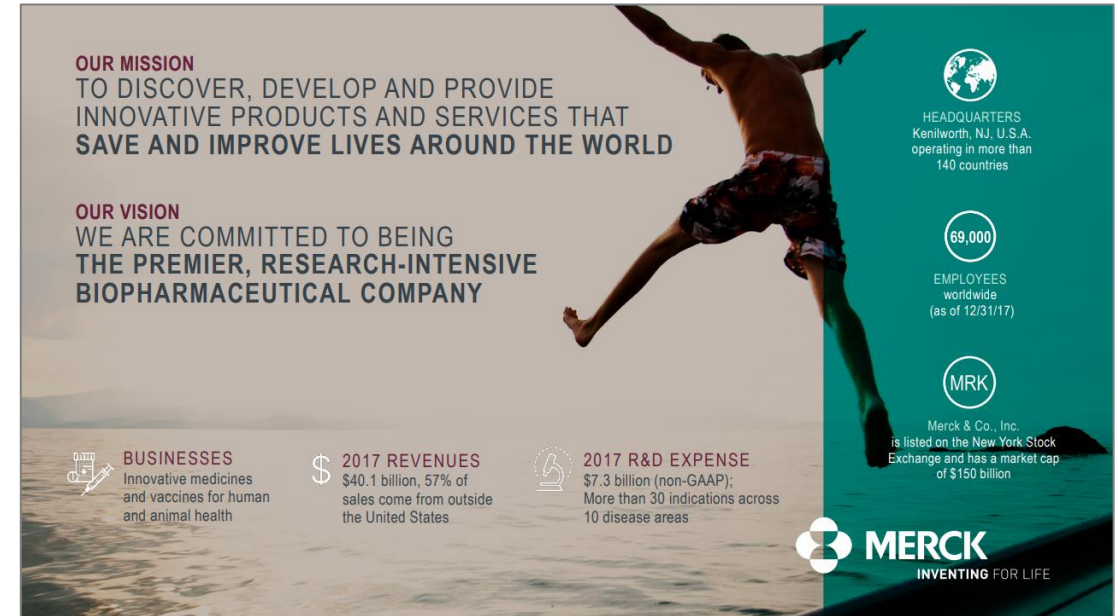
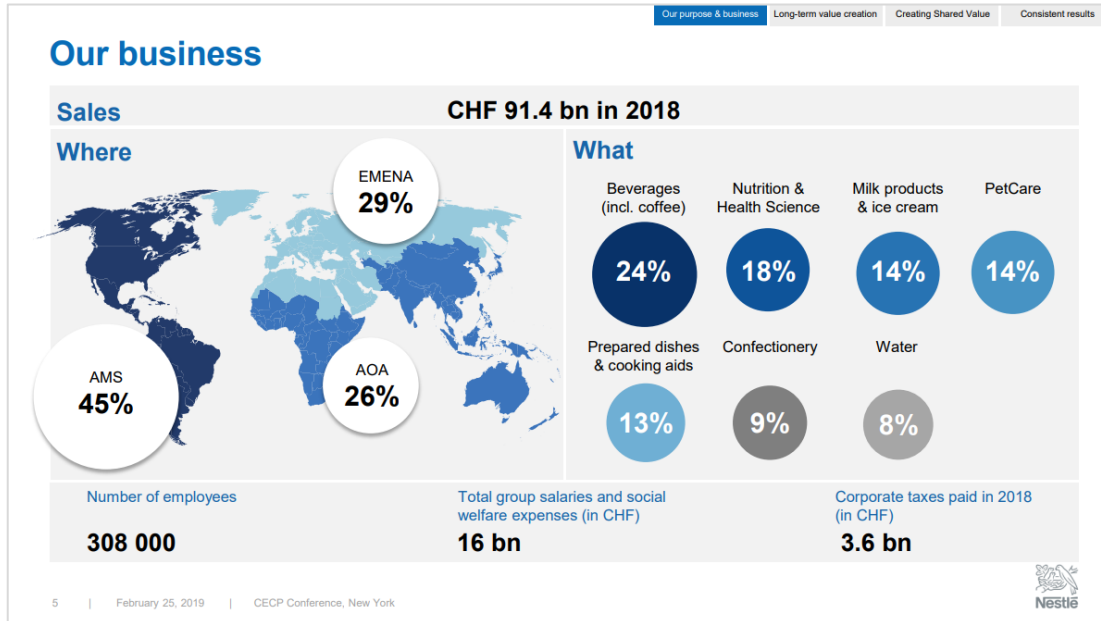


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# Business Overview Example

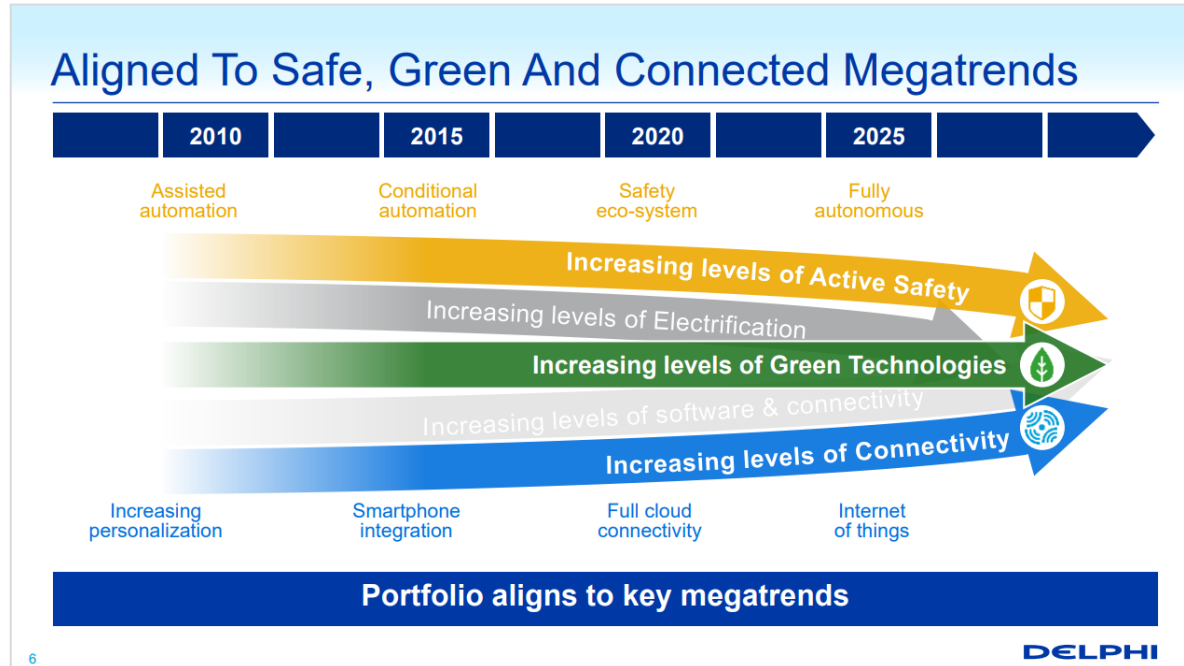


# Mega Trends

- Management’s view of major trends that broadly impact the planet, people and business operations
- Describe methods or plans for reporting on key trends to investors. For example, TCFD regarding climate change and related “scenario analysis”
- Build on existing disclosures, such as MD&A risk factor disclosures and “known trends and uncertainties”



# Mega Trends Example



### Consumer healthcare trends

Positive long-term drivers

- Increasing health awareness and self care:** 77%<sup>1</sup> of consumers want to take more control over decisions about their health
- Ageing population:** 1.4 billion<sup>2</sup> aged 60+ by 2030, an increase of 0.5 billion vs 2015
- Emerging middle class:** Almost 2.4 billion<sup>3</sup> more emerging middle class consumers by 2030 vs 2015
- Innovation:** Unmet consumer needs (switches, products, formats, channels, devices)

1 WHOIS Trend Survey 2017 2 UN OESA 3 Statista prediction

### Trends That are Impacting AEP

Global Mega-Trends	Industry Specific Trends	
<ul style="list-style-type: none"> <li>Declining technology costs</li> <li>Integration of SMART elements/omni-directional flow of energy, information</li> <li>Digitization and data analytics</li> <li>Changing consumer preferences</li> <li>Changing demographics</li> <li>Environmental sustainability</li> <li>Security and cyber</li> </ul>	<p><b>Customers/Demand</b></p> <ul style="list-style-type: none"> <li>Decreasing electricity usage</li> <li>Electrification opportunities</li> <li>Customers value resiliency differently</li> <li>Continuing concerns regarding CO<sub>2</sub> and other emissions</li> <li>Customer headroom challenges</li> </ul>	<p><b>Competitors</b></p> <ul style="list-style-type: none"> <li>Non-traditional players without regulatory restrictions</li> </ul>
	<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>Decreasing storage and distributed generation costs</li> <li>Increasing storage and distributed generation options</li> <li>EV growth</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Conflicting state regulations</li> <li>Lowest cost doesn't necessarily drive policy</li> </ul>
		<p><b>Markets</b></p> <ul style="list-style-type: none"> <li>Low cost natural gas</li> <li>Marginal cost of electricity approaching cost of renewables</li> <li>Challenges recovery capacity value</li> </ul>

CECP CEO Investor Forum | aep.com



# Corporate Purpose

- Describe the corporate purpose of your company and how it connects to the long-term business strategy
- Identify how it is “operationalized” with metrics and examples
- Purpose and Culture can be discussed at different levels of the organization, including as a board-level issue

# Corporate Purpose Example

## Our Consumer Healthcare priorities



**Our purpose:**  
to help people do more, feel better, live longer

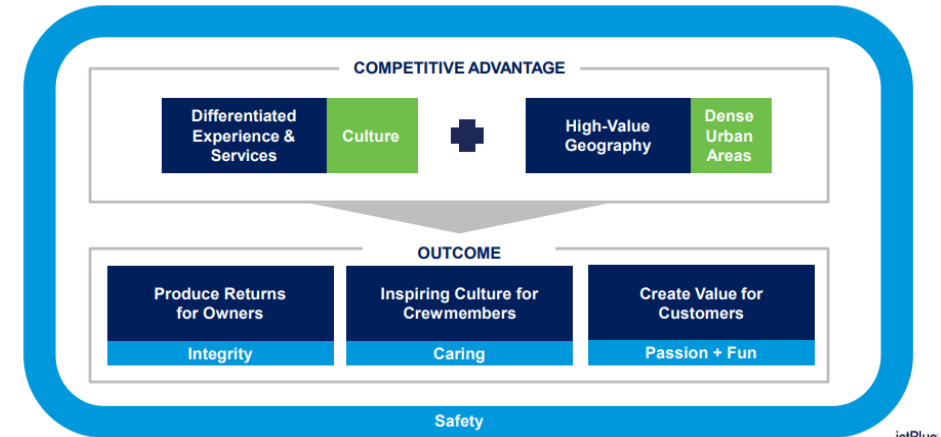
**Our strategy:**  
meet the everyday healthcare needs of consumers by building consumer preferred and expert recommended brands, differentiated by science and insight-driven innovation

### Our priorities:



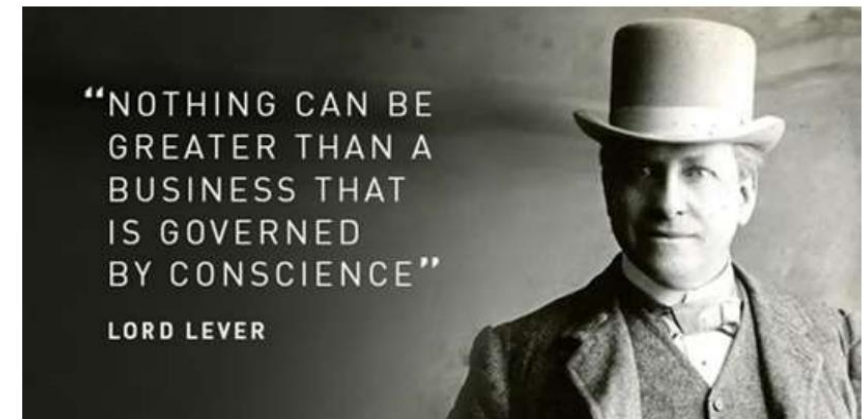
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## Values feed culture, culture creates product



jetBlue

## Business with a conscience is part of Unilever's DNA



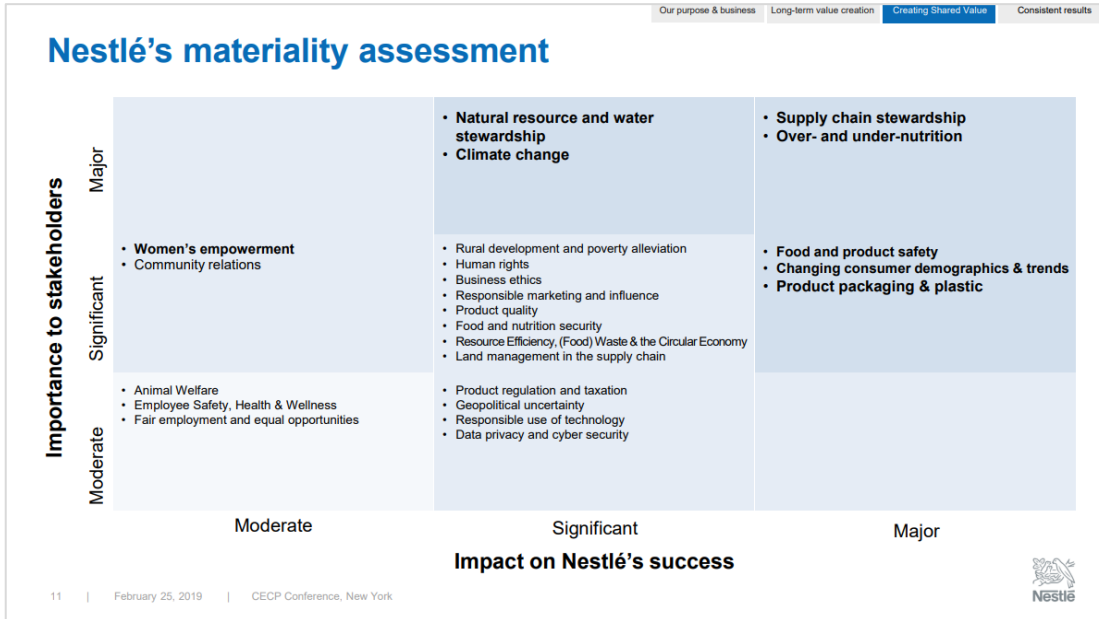
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# Risks & Opportunities

- Set out an assessment of financially material ESG issues
  - Highlight the framework used for identifying financially material ESG issues (e.g., [Sustainability Accounting Standards Board](#))
  - Set out key metrics, KPIs, forward-looking targets
- Describe how financially material risks are managed and overseen
- Elaborate on how financially material opportunities are seized



# Risks & Opportunities Example



# Strategic Competitive Positioning

- Describe the key value drivers for the firm and the priority initiatives (by theme or example)
- Breakout by key priorities and initiatives for each strategy, including ESG factors and measurement system for each, and tie back to Trends, Risks, and Opportunities
- Provide future goals, metrics and milestones (figures, range, strategic objectives)
- Identify directional or aspirational targets, with supporting commentary, to help establish intent under circumstances of uncertainty



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# Competitive Positioning Example

## Delphi's Strong, Consistent Vision And Strategy

**Identity**  
Technology company focused on mobility solutions

**Vision**  
Be the partner of choice by providing our customers with intelligent mobility solutions

**Strategy**  
Develop advanced technologies that make the world more safe, green, and connected, and that drive top quartile shareholder returns

**Long-Term Strategic Objectives**

**Growth**  
Pursue profitable growth

**Innovation**  
Develop market relevant technologies

**Competitive position**  
Increase scale and operational excellence

Imagination, Collaboration, Excellence

**Strategic Action Plan**

**Strengthen the business foundation**

- Optimize cost structure
- Increase operating efficiency
- Diversify revenue mix
- Enhance operating capabilities

**Gain scale in current platforms**

- Optimize product portfolio
- Increase scale and relevance
- Leverage enterprise capabilities

**Pursue future platforms**

- Grow engineered components
- Penetrate adjacent markets
- Develop new business models
- Enhance software capabilities

**Leading and living Delphi values**  
Ethics & Compliance – Health & Safety – Respect – Corporate Social Responsibility

**DELPHI**

## Leading Forward To A Sustainable Future

### AEP'S 2023 STRATEGY & EXECUTION

**EXECUTE STRATEGY**

- Improve customer experience
- Invest in transmission and distribution networks
- Invest in regulated and contracted renewables
- Mitigate fossil and nuclear generation risk and optimize operations
- Relentless O&M optimization/future of work

**INITIATIVE THEMES**

- Invest in infrastructure & renewables
- Pilot technologies & business models
- Mitigate generation exposure
- Manage customer bills
- Grow load
- Improve operations

**WE ARE FOCUSED ON EXECUTING OUR STRATEGY WHILE IMPROVING THE CUSTOMER EXPERIENCE.**

CECP CEO Investor Forum | aep.com

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### Our investment case

**Enduring strengths**

- BRANDS**
- GEOGRAPHIC PRESENCE**
- DISTRIBUTION**
- MANAGEMENT**

**Value creation**

- GROWTH:** Ahead of markets, Underlying Sales Growth 3-5%
- MARGIN:** 20% Underlying Operating Margin by 2020
- CASH:** 100% Free Cash Flow conversion
- RETURNS:** High-teens ROIC, growing dividends

**Unilever Sustainable Living Plan: more growth, lower costs, less risk, more trust**

# Long-Term Value Creation

## INNOVATION AND OPERATIONAL ECOSYSTEM

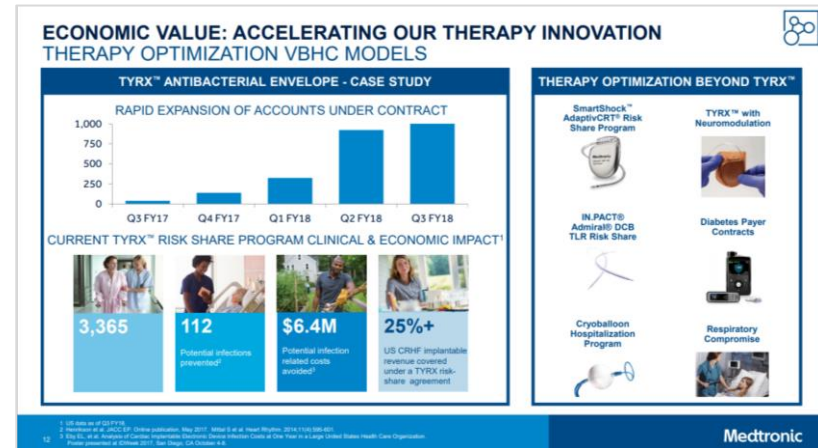
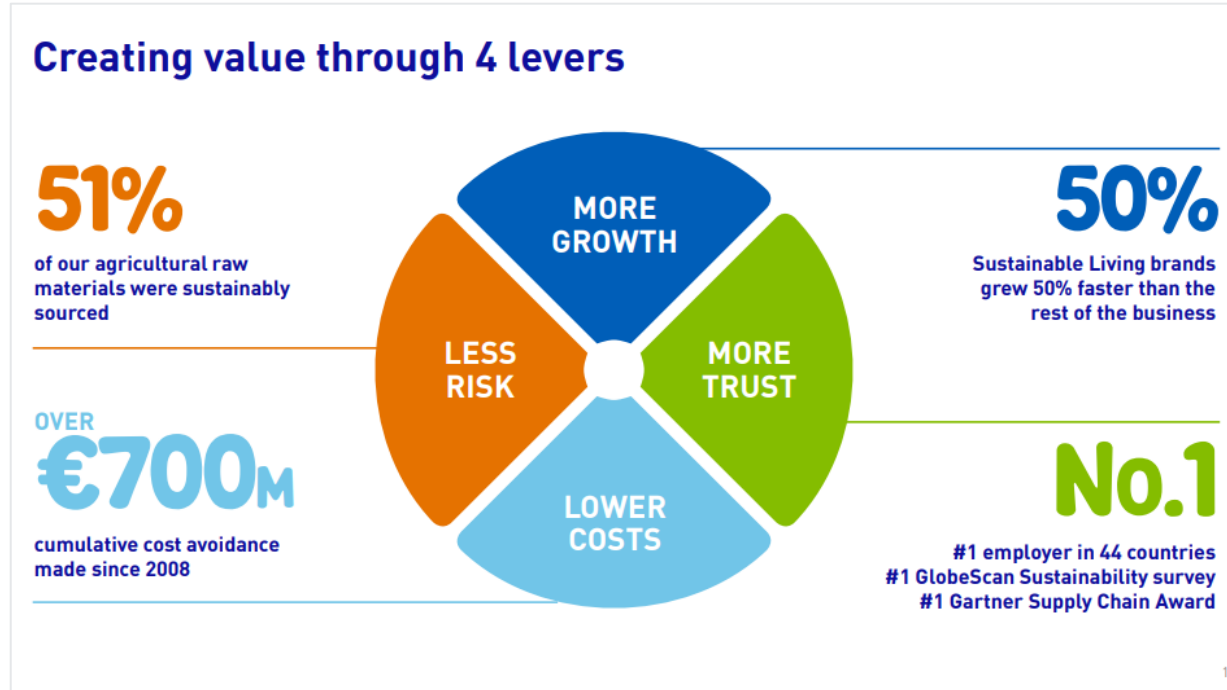
Describe the key implementation strategies for delivering your Long-Term Plan:

- Connect this commentary to the discussion of Competitive Positioning and 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)

# Long-Term Value Creation Example



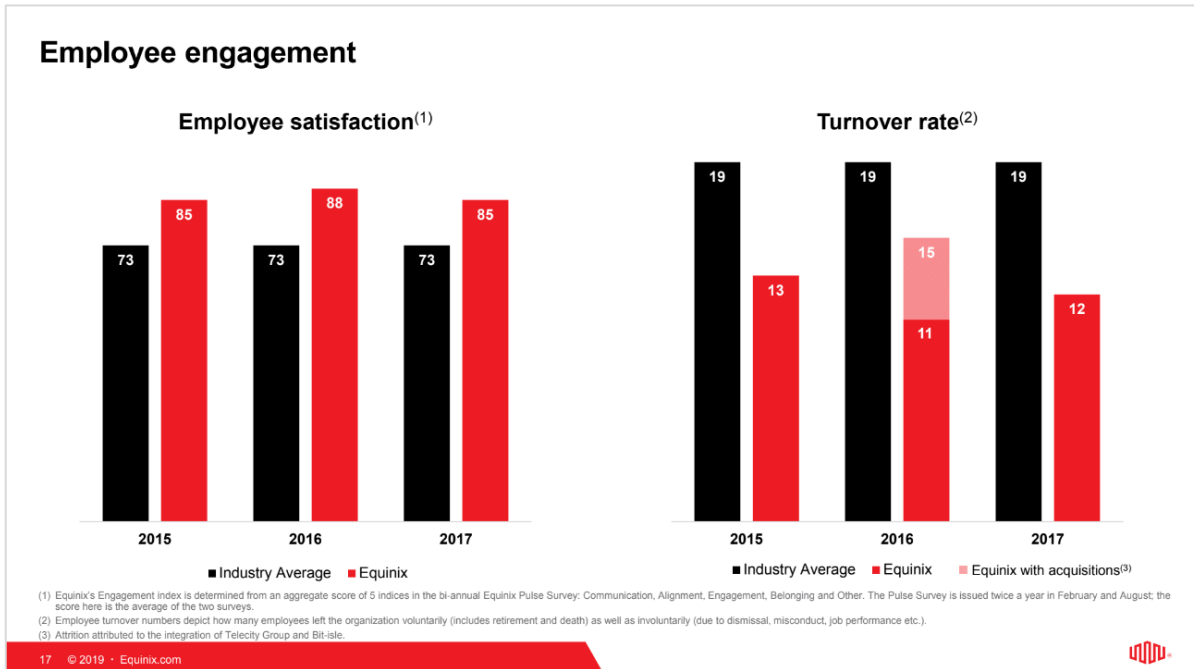


# Human Capital

- Describe your human capital management practices in the context of your long-term strategy
- Outline key initiatives and metrics for your industry / business model
- 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



# Human Capital Example





PILOT  
GATEWAY  
PROGRAMS

**45** Average age of U.S. commercial pilots

Almost all **Gateway Select** pilots were born in the mid '90s

**5x** more underrepresented backgrounds **Gateway Select**

**Double** the number of women across all programs

jetBlue

People are our best investment



Introducing **wellness programs**

Increasing **base wages** 💰

Offering affordable **health benefits**



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# Corporate Governance

## EXECUTIVE COMPENSATION

- Describe in high-level terms the relationship of executive compensation to the long-term strategy outlined
- Explain how incentives maintain alignment to long-term strategy and corporate purpose
- Identify whether the financial and operational long-term goals set out are those used in the executive compensation plan
- Explain whether material ESG metrics are incorporated into compensation arrangements



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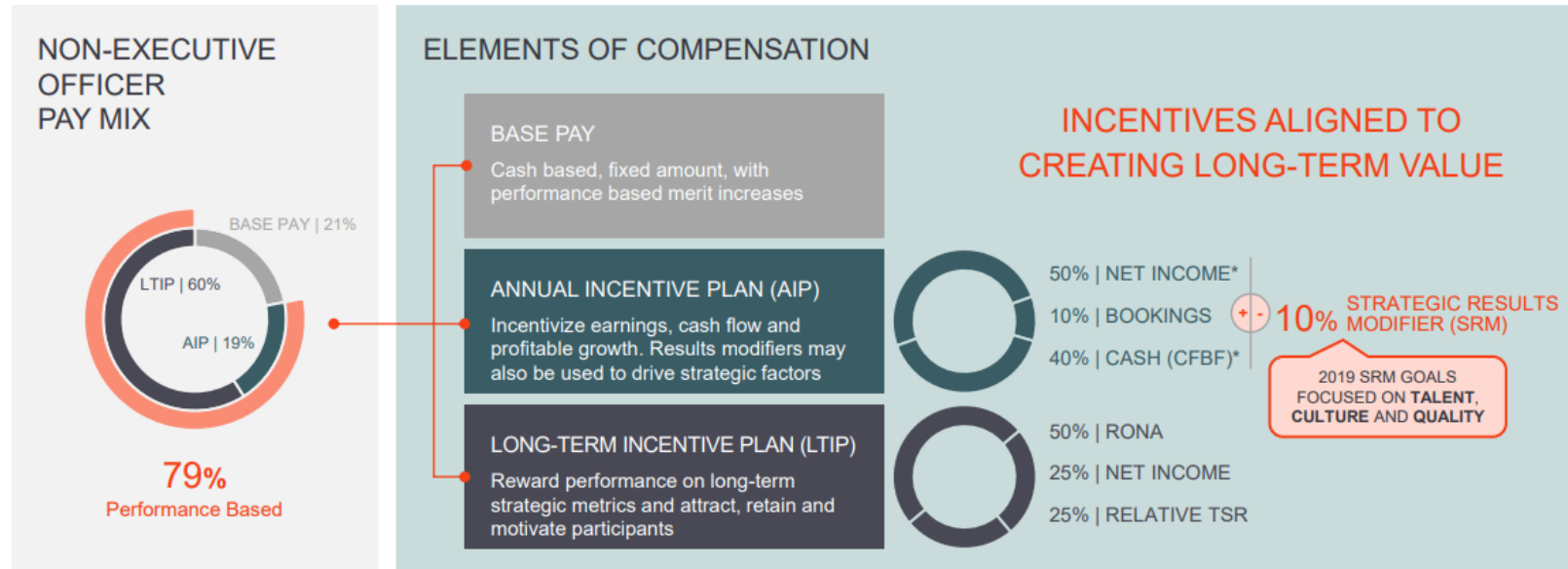
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# Corporate Governance Example

## EXECUTIVE COMPENSATION

### Pay For Consistent Long-Term Performance

SUBSTANTIAL COMPENSATION AT RISK WITH METRICS TIGHTLY LINKED TO LONG-TERM SHAREHOLDER VALUE CREATION



\* Note: Segment performance metrics based on Operating Income and Simplified Operating Cash Flow

# Corporate Governance

## STAKEHOLDER & SHAREHOLDER ENGAGEMENT

- Describe your process and framework for engaging with your shareholders
- 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)
- Identify significant stakeholders and speak to those (e.g. Customers, Suppliers, Communities, Regulators, Civil Society)
- Provide commentary on the process for identifying those key stakeholders and the business objectives it helps to achieve



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# Corporate Governance Example

## SHAREHOLDER & STAKEHOLDER ENGAGEMENT

### Comprehensive engagement and feedback have shaped our way forward

Following the 2017 Annual Meeting, the Board engaged Mary Jo White, a senior partner at Debevoise & Plimpton LLP and former Chair of the Securities and Exchange Commission, to facilitate its self-evaluation, which together with feedback from **shareholders, stakeholders, and our team** helped inform many of the Board's changes.

#### Shareholders

**Proactive engagement with investors representing over 35% of shares**

- Our independent Chair, Betsy Duke, held in-person engagement meetings and calls with our institutional and other investors representing over 35% of our outstanding shares
- Topics included board refreshment, experience and qualifications of new directors, company performance and progress, management reporting and information flow to the Board, status of ongoing reviews of businesses and controls, transparency and disclosure, executive compensation, and regulatory relations

#### Stakeholders

**Formed Stakeholder Advisory Council, led by our independent Chair**

- Stakeholder Advisory Council was launched in December 2017 and includes 7 external members, representing consumer rights, fair lending, environmental, human and civil rights, and governance groups
- Members provide feedback and insights on current and emerging issues important to our stakeholders

#### Our Team

**Conducted a company-wide culture assessment survey**

- Aimed to assess our culture and identify patterns where we have an opportunity to strengthen our culture in 4 areas: ethics; customer focus; diversity and inclusion; and commitment to the organization
- We continue to actively seek feedback from and listen to our team members in a number of ways, including through surveys, periodic team member sentiment ("pulse") surveys, focus groups, exit surveys, bi-monthly CEO town halls, listening tours, "live" chats online with senior leaders, and team member comments in response to articles and news posted on our Teamworks intranet

2

### STATEMENT OF MATERIALITY AND SIGNIFICANT AUDIENCES

#### STATEMENT OF MATERIALITY AND SIGNIFICANT AUDIENCES

Telia Company AB is registered in Sweden and is bound by the Swedish Companies Act (2005:551). The act requires the Board of Directors to govern the company in a way that is profitable and creates value for its shareholders. It is Telia Company's firm belief that the best way of ensuring sustainable growth and profitability is integrating sustainable, responsible business practices into all parts of business and strategy, to create long term shared value for the company, its stakeholders and society.

Telia Company has adopted a stakeholder based approach to identify and manage the most material business aspects, including related risks and opportunities. The approach involves engaging with significant stakeholder groups to understand Telia Company's current and future impact on its stakeholders, the environment and society. Material aspects guide how Telia Company develops and drives its business strategy, including how the company contributes to the fulfillment of the UN Sustainable Development Goals.

#### Significant stakeholder groups include:

- Shareholders
- Consumers
- Business customers
- Employees
- Investors
- Suppliers
- Society

The Annual General Meeting is the primary forum for shareholder engagement. Telia Company continuously engages with other stakeholders in many ways. See "friends and strategy" for more information about stakeholder engagement.

Telia Company is committed to a number of international guidelines on human rights, labor rights, anti-corruption and environmental responsibility. These include:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

These guidelines form the foundation of the Code of Responsible Business Conduct which is approved by the Board of Directors. The requirements set by the Code, which go beyond legal compliance and apply to all employees, lay out how to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behavior.

Telia Company monitors and discloses the progress on these material business aspects through this combined Annual and Sustainability Report. The group reports its financial and operational performance on a quarterly basis, and its sustainability work on a semi-annual basis.

- Telia is the second company in the world to include the Statement in its Annual Report
- Shows the explicit commitment of the company on long-term management rooted in the context the company operates in
  - "... materiality... emphasizes the involvement of senior management and those charged with governance in the materiality determination process in order for the organization to determine how best to disclose its unique value creation story in a meaningful and transparent way" (International Integrated Reporting Council)
- Key step in integrated reporting
  - "The 'significant audiences' determine which issues are 'material' to the ability of the corporation to sustain itself over a self-defined period of time." (International Integrated Reporting Council)
    - Reported in annual or integrated report, not sustainability report



# Corporate Governance Example

STRATEGY & BOARD  
COMPENSATION

- Describe the role of the board in long-term strategy
- Provide commentary on how board practices are structured to enable meaningful strategy development, engagement and monitoring.
- Provide specific examples of high-quality board oversight
- Describe how the composition of your board (today and in the future) help guide the corporation to its long-term strategic goals
- Identify frameworks and targets for composition and relate those to strategy



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# Corporate Governance Example

## STRATEGY

### MAXIMIZING ENGAGEMENT WITH OUR BOARD OF DIRECTORS HOW WE DO IT

STRATEGY OVERSIGHT	GLOBAL CUSTOMER & SITE VISITS	BROAD MANAGEMENT VISIBILITY	COMMITTEES	AGENDA DEVELOPMENT
Review strategies of one of our four <b>Business Groups</b> and one of our four <b>Super Regions</b> at each quarterly meeting	<b>Rotate quarterly</b> Director site visit opportunities with customers, government officials, and to Medtronic and customer facilities amongst our <b>four Super Regions</b>	Bring in <b>managers from across the company</b> , allowing directors to further engage with management and impact overall culture of company	Established <b>committee executive sessions</b> , free of Chairman  Chair <b>rotation</b> approximately every 5 years  Split <b>Technology &amp; Quality Committee</b> for greater focus	<b>Eliminated overlapping Committee meetings</b>  Offer <b>gap sessions</b> where directors can deep dive on topics

### PSEG is committed to excellence in corporate governance

- Board's role in long-term strategy
- Compensation & incentives aligned with long-term results
- Oversight of sustainability and ESG, including climate change
- Board diversity in gender, ethnicity and experience
- Board tenure and refreshment

Demographic Background	Walter A. Clouse	William V. Anichini	Richard A. Babin	Shirley Ann Jackson	David L. Kelly	Barry W. O'Rourke	Laura A. Rogg	Richard J. Smith	Robert J. Zoller
Board Tenure*	3	18	12	18	19	1	-	25	7
Diversity Gender				✓				✓	
Ethnicity	✓				✓				✓
Age	63	74	61	72	72	68	58	74	66

\*Rounded  
Information as of March 12, 2019

Skills and Qualifications	Walter A. Clouse	William V. Anichini	Richard A. Babin	Shirley Ann Jackson	David L. Kelly	Barry W. O'Rourke	Laura A. Rogg	Richard J. Smith	Robert J. Zoller
Accounting/Finance experience is important in assessing our financial reporting and other critical issues to ensure transparency and integrity	✓	✓	✓	✓	✓	✓	✓	✓	✓
Construction/Engineering experience is important in evaluating our operations, product development and opportunities for growth				✓					
Corporate Governance experience is important in assessing Board effectiveness and corporate strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customer Satisfaction & Sales experience is important in understanding the customer client aspect of our business in order to provide outstanding service					✓				✓
Environmental/Science experience is important in assessing our scientific expertise and in assessing environmental compliance, obligations and liabilities			✓	✓	✓	✓	✓	✓	✓
Government/Policy/Regulatory experience is important in assessing regulatory risks, public policy and government relations	✓								
Industry/Generating Plant Operations experience is important in understanding the development and implementation of our identity (and business strategy)									
Legal experience is important in understanding and evaluating our legal risks and obligations				✓					✓
Management experience is important in assessing the leadership and performance of our Company's senior management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Manufacturing experience is important in understanding and assessing the operations of our business, including quality control, efficiency and compliance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Product Development experience is important in assessing innovative solutions and ongoing capabilities				✓					✓
Risk Management experience is important in assessing the risk factors that affect our business and our ability to achieve our business objectives and strategies	✓	✓	✓	✓	✓	✓	✓	✓	✓
Technology/Cybersecurity experience is important in assessing the risk factors that affect our business and our ability to achieve our business objectives and strategies	✓	✓	✓	✓	✓	✓	✓	✓	✓

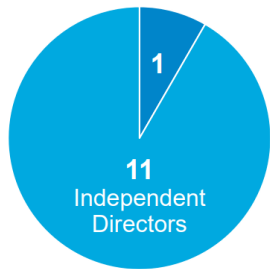


# Corporate Governance Example

## BOARD COMPOSITION

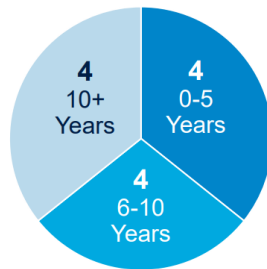
AN ENGAGED AND DIVERSE BOARD OF DIRECTORS  
HELP BRING A MORE DIVERSE AND AWARE MINDSET

### BOARD INDEPENDENCE



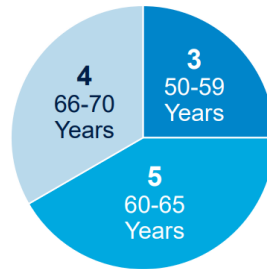
INDEPENDENT  
LEAD DIRECTOR

### BOARD TENURE



6 NEW DIRECTORS SINCE 2011  
AVERAGE TENURE 8.6 YEARS

### AGE MIX



63 AVERAGE AGE

**25% FEMALE REPRESENTATION | 25% ETHNIC DIVERSITY**

\*2017 BOARD COMPOSITION

## Aligning the interest of key stakeholders: Strong governance supports sustainable value creation

	Year Added to Board	Nationality	Public Company CEO / CFO	Int'l Business	FMCG	Retail / Brand / Marketing	Financial / M&A	Technology	Gov't / NGO
Paul Bulcke	2008	Belgian/Swiss	✓	✓	✓	✓	✓		
Mark Schneider	2017	American/German	✓	✓	✓	✓	✓		
Henri de Castries	2012	French	✓	✓			✓		
Beat Hess	2008	Swiss		✓			✓		
Renato Fassbind	2015	Swiss	✓	✓		✓	✓		
Jean-Pierre Roth	2010	Swiss					✓		✓
Ann M. Veneman	2011	American			✓				✓
Eva Cheng	2013	Chinese		✓		✓			
Ruth K. Oniang'o	2015	Kenyan			✓				✓
Patrick Aebischer	2015	Swiss		✓				✓	
Ursula M. Burns	2017	American	✓	✓				✓	
Kasper Rorsted	2018	Danish	✓	✓	✓	✓		✓	
Kimberly A. Ross	2018	American	✓	✓	✓	✓	✓		
Pablo Isla	2018	Spanish	✓	✓		✓	✓	✓	✓

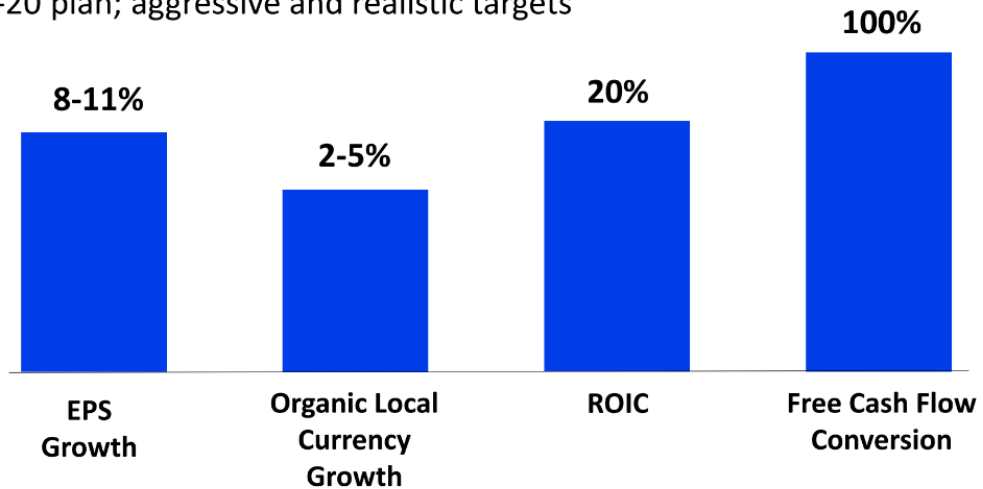
# Financial & Operational Performance

- Forward-looking strategic and financial metrics relevant to long-term strategy
- Key performance indicators can be any of a wide-range of relevant financial metrics and 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
    - Set the stage and explain the trajectory of financial performance
    - Describe how Long-Term Plan is tracked in short-term reporting (e.g. earnings calls) and 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



# Financial & Operational Performance Example

Long-term financial objectives  
2016-20 plan; aggressive and realistic targets



Refer to "Supplemental Financial Information – Non-GAAP Measures" in Form 8-K dated July 25, 2017, for the definition and calculation of ROIC and free cash flow conversion.

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## Looking ahead

Clear path forward from FY 2017 to FY 2019

Targeted P&L of the future

FY 2017 – FY 2019

Revenue

5%+

and

Earnings

10%+



Above represents estimated foreign exchange-neutral currency growth expectations.

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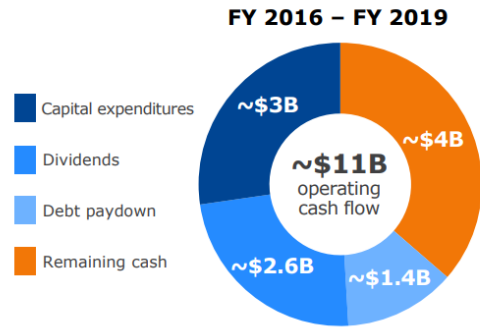
# Capital Allocation

- Describe your capital allocation strategy and plans:
  - Outline the framework for allocating capital and how the it 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, and Opportunities
- Highlight how the long-term strategy adjusts the capital allocation mix overtime.



# Capital Allocation Example

## Cash flow flexibility and opportunity



### Capital allocation framework

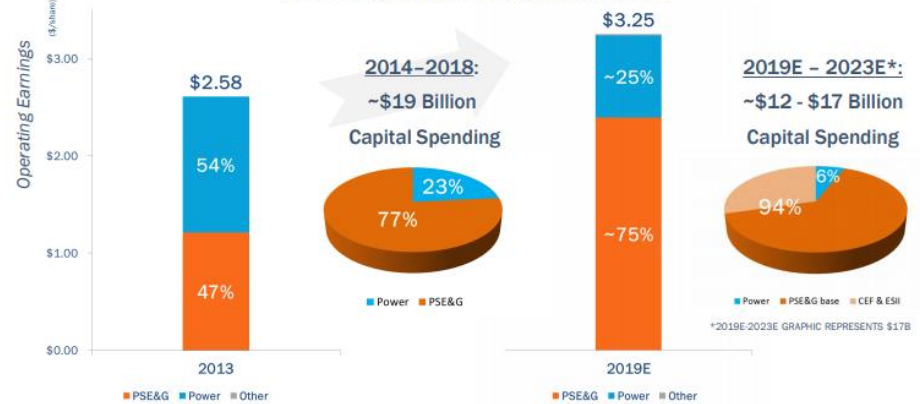
- Invest in the business
- Increasing dividends
- On track for 3x gross leverage by March 2017
- Evaluate M&A opportunities
- Return excess cash to shareholders



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## Increased capital allocation to the utility to address infrastructure needs, customer expectations and public policy

Capital allocation to PSE&G grows from 77% to over 90%, furthering the shift in the business mix



2019E OPERATING EARNINGS BASED ON THE MID-POINT OF NON-GAAP OPERATING EARNINGS GUIDANCE OF \$3.15 TO \$3.35 PER SHARE. CAPITAL SPENDING INCLUDES AFUDC AND IDC. SEE SLIDES 22-23 FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. E= ESTIMATE.

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# Appendix



CECP  
20 YEARS

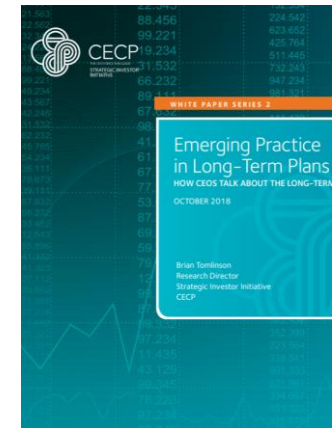


Edelman

# The Strategic Investor Initiative

## GUIDANCE AND RESEARCH ON LONG-TERM PLANS (LTP)

- 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. We provide a venue for CEOs to share long-term plans with audiences of long-term investors.
- Our leading research and feedback from institutional investors informs the guidance we provide to enable CEOs to develop and communicate effective long-term strategic plans that help inform investment, voting and engagement decisions. A long-term plan enables a corporation to set out the key elements of its long-term strategy over a three to seven-year time horizon.
- To date, over 30 CEOs (representing in excess of \$2tn in market cap) have delivered Long-Term Plans to audiences of institutional investors each exceeding \$25tn AUM.
- 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; The Method of Production of Long-Term Plans guidance for corporations on key collaborations for building a Long-Term Plan (white papers).
  - **VALUE:** The Economic Significance of Long-Term Plans setting out early evidence that Long-Term Plans disclose decision-relevant information to the capital markets, summarized in Harvard Business Review (white paper and article).



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