

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).

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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



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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

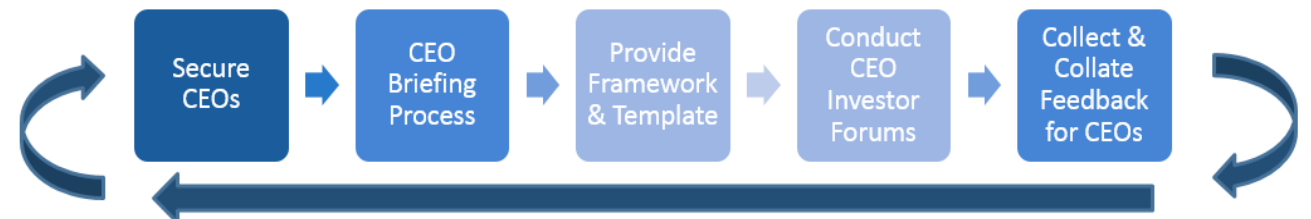
Materiality: financially material topics for the relevant industry and business model

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.



Expect Activism If...

Among Those That Selected “Most Companies are not Prepared to Handle Activist Campaigns”

Why Companies are Unprepared for Activist Campaigns

Companies fail to...



Edelman Trust Barometer Special Report: Institutional Investors

Q8: You just indicated that most companies are not prepared to handle activist campaigns. In your experience, what are these unprepared companies failing to do?



Illustrative Concepts & Emerging Practices



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Long-Term Plan Content Framework

CECP's Strategic Investor Initiative's research informs the frame we provide to enable CEOs to develop and communicate effective Long-Term Plans. Our Long-Term Plan Content Framework, developed with KKS Advisors and Professor George Serafeim 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

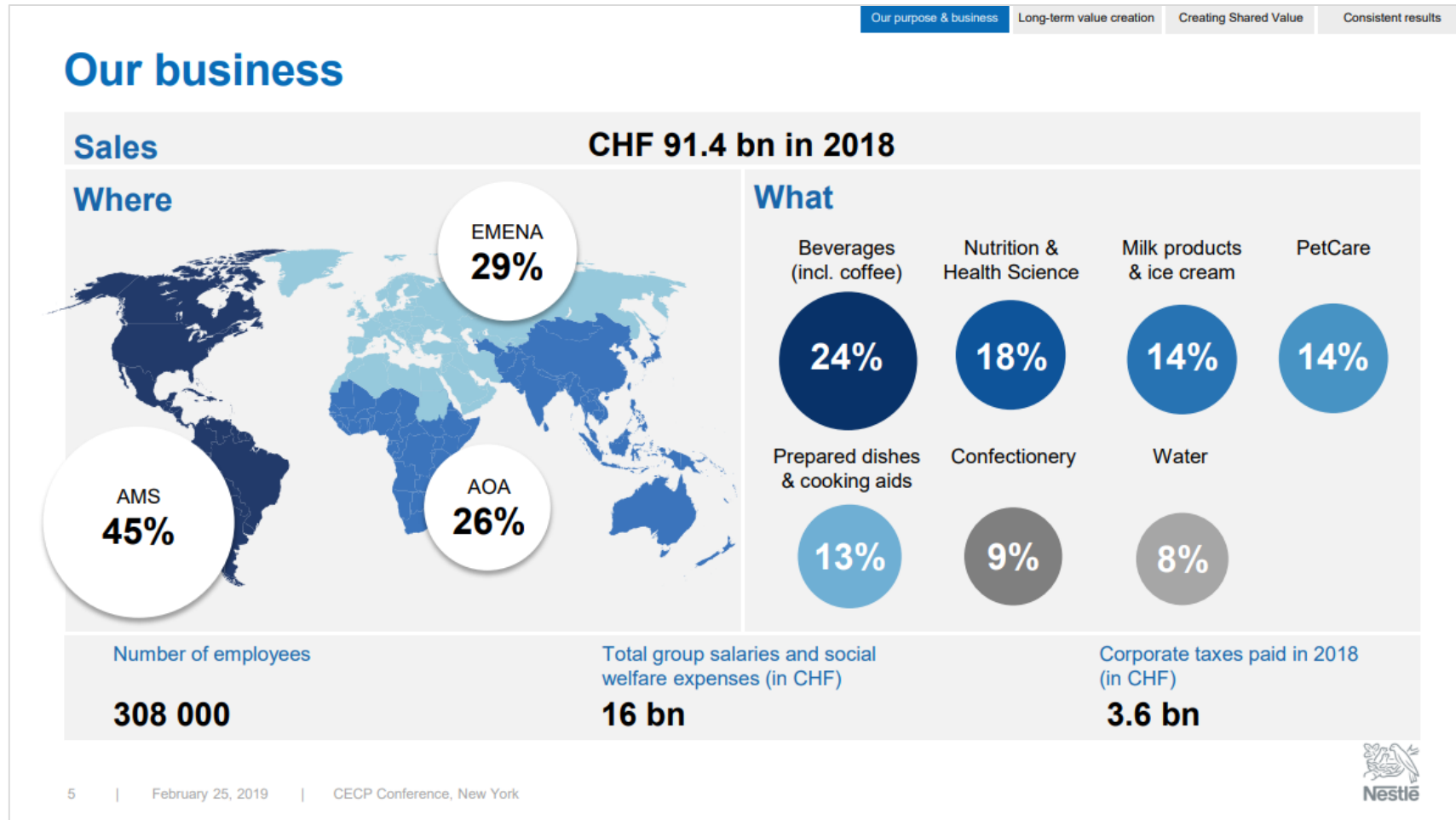
- Business Overview and Key Messages
- Mega Trends
- Corporate Purpose
- Risks and Opportunities
- Competitive Positioning
- Long-Term Value Creation: Innovation and operational ecosystem
- Human Capital
- Corporate Governance: Executive Compensation
- Corporate Governance: Shareholders and Stakeholder 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



Business Overview Example

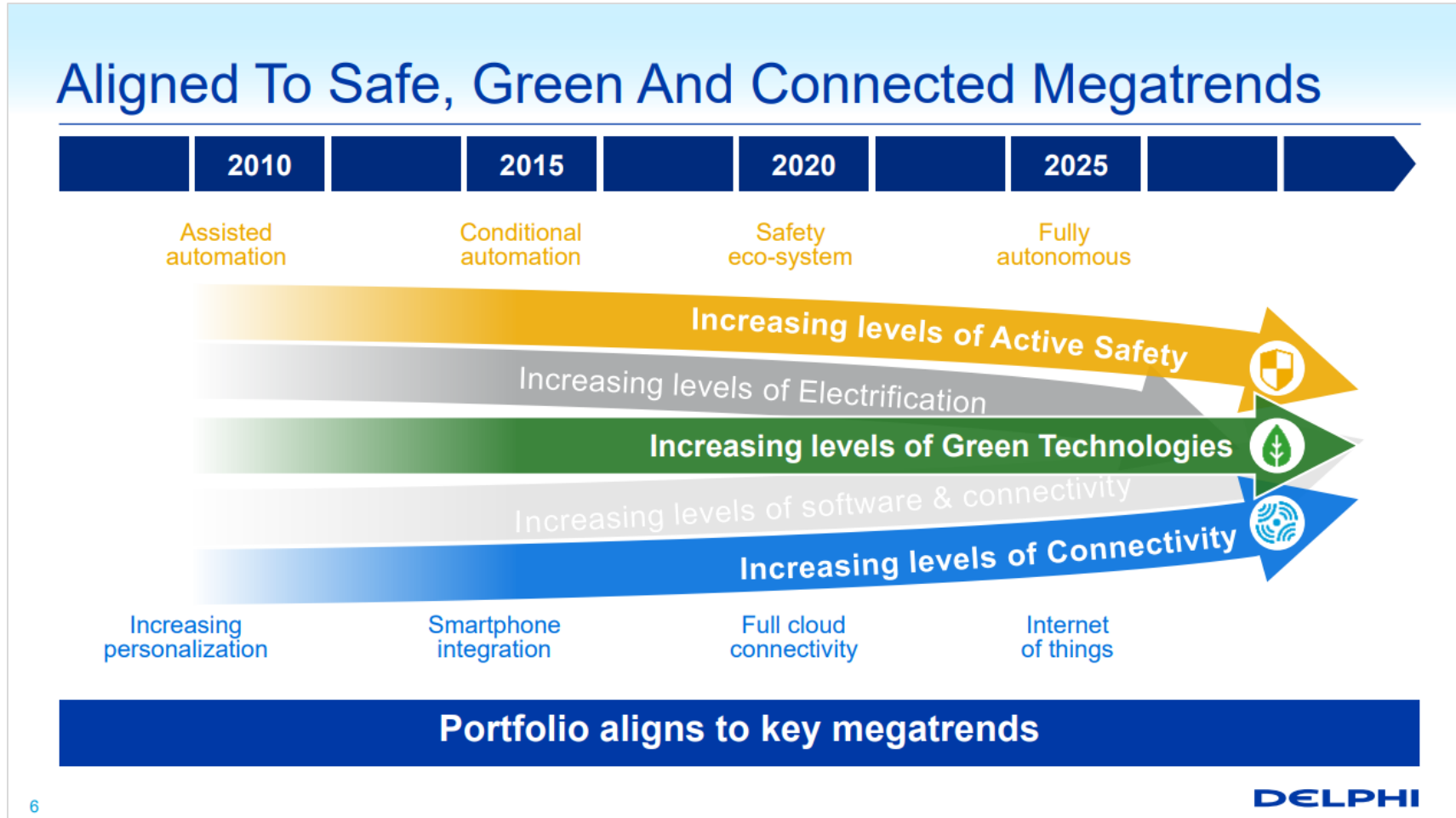


Mega Trends

- 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



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:

Innovation

- Brilliant execution of launches
- Strong, differentiated pipeline of consumer-led, science-based innovation and claims

Performance

- Sustained above market growth
- Competitive cost structure, margin and cash flow

Trust

- Reliable supply
- Improved reputation
- Highly engaged employees

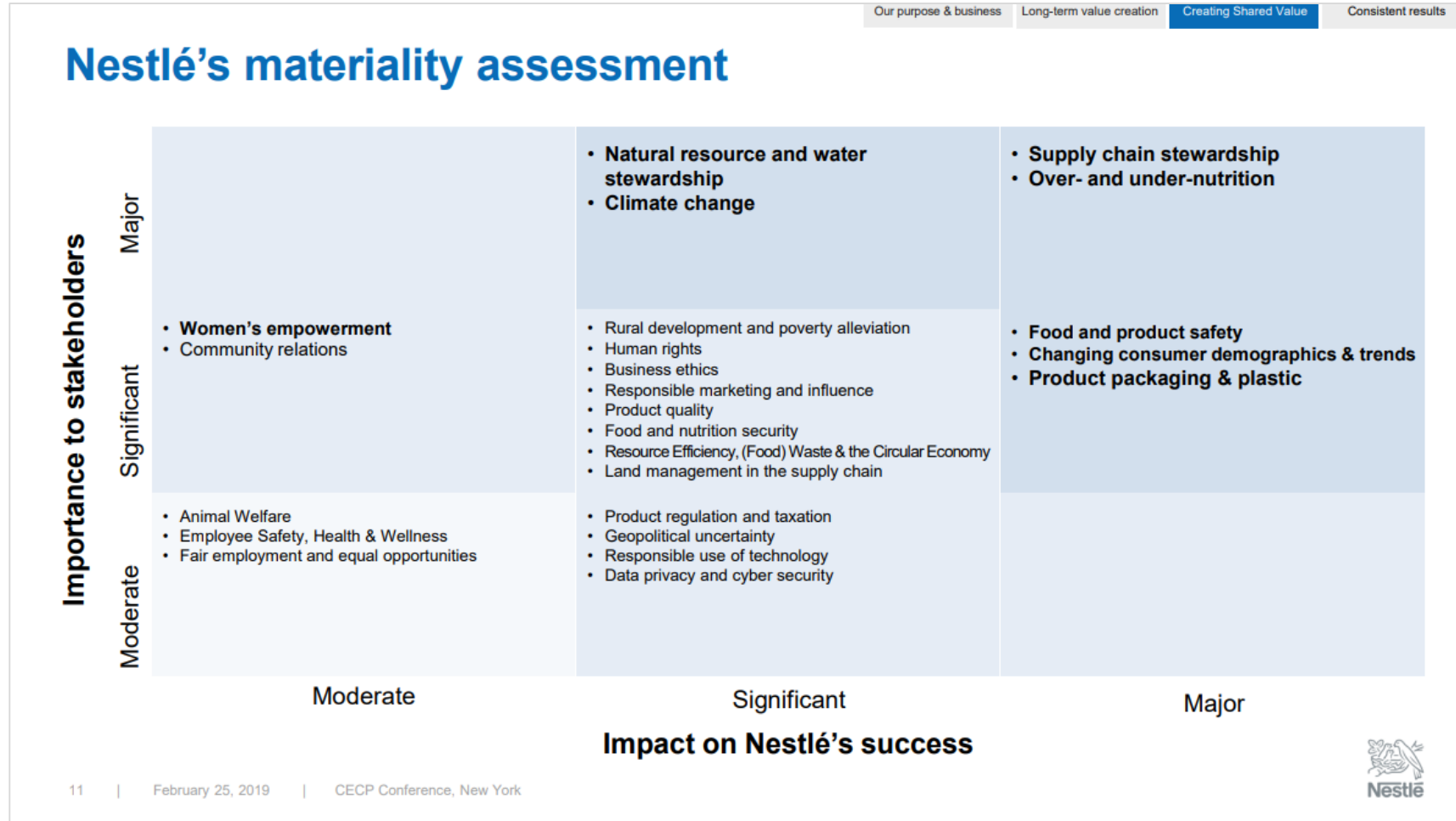
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Risks & Opportunities

- 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

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



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

5

DELPHI

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:

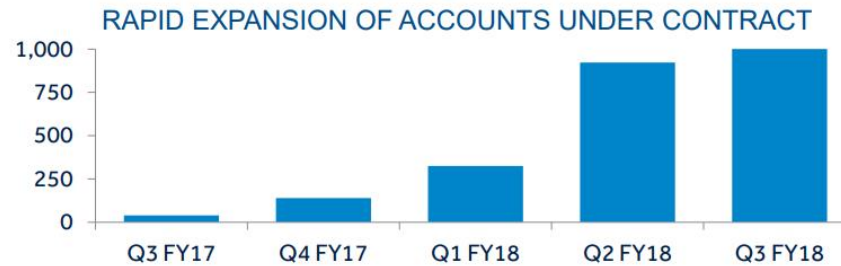
- Describe key strategic partnerships aligned with delivering long-term strategy
- Provide examples of how such partnerships impact your operational ecosystem (such as access to specific product or geographic markets)

Long-Term Value Creation Example

ECONOMIC VALUE: ACCELERATING OUR THERAPY INNOVATION THERAPY OPTIMIZATION VBHC MODELS



TYRX™ ANTIBACTERIAL ENVELOPE - CASE STUDY



CURRENT TYRX™ RISK SHARE PROGRAM CLINICAL & ECONOMIC IMPACT¹

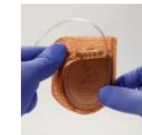


THERAPY OPTIMIZATION BEYOND TYRX™

SmartShock™
AdaptivCRT® Risk
Share Program



TYRX™ with
Neuromodulation



IN.PACT®
Admiral® DCB
TLR Risk Share



Diabetes Payer
Contracts



Cryoballoon
Hospitalization
Program



Respiratory
Compromise



¹ US data as of Q3 FY18.

² Henrikson et al. JACC EP. Online publication, May 2017. Mittal S et al. Heart Rhythm. 2014;11(4):595-601.

³ Eby EL, et al. Analysis of Cardiac Implantable Electronic Device Infection Costs at One Year in a Large United States Health Care Organization. Poster presented at IDWeek 2017, San Diego, CA October 4-8.

Human Capital

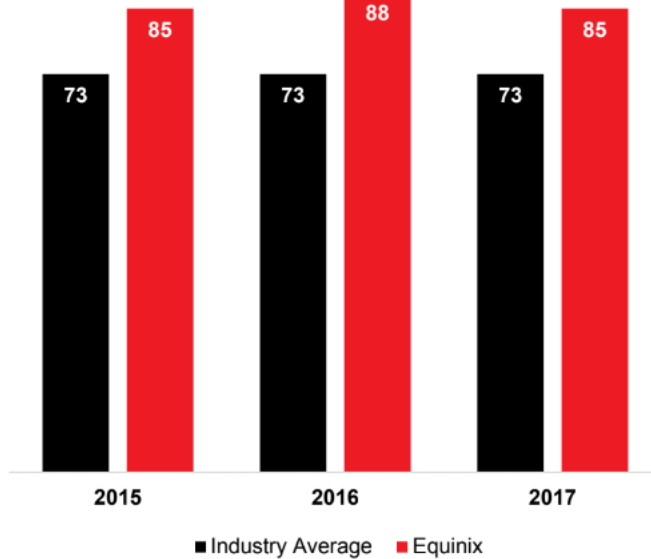
- Describe your human capital management practices in the context of your long-term strategy
- Outline key initiatives and metrics for your industry / business model
- Give salient examples and provide projections of likely impact; connect to financial performance
- Commentary on role of the board in oversight of talent management and succession planning



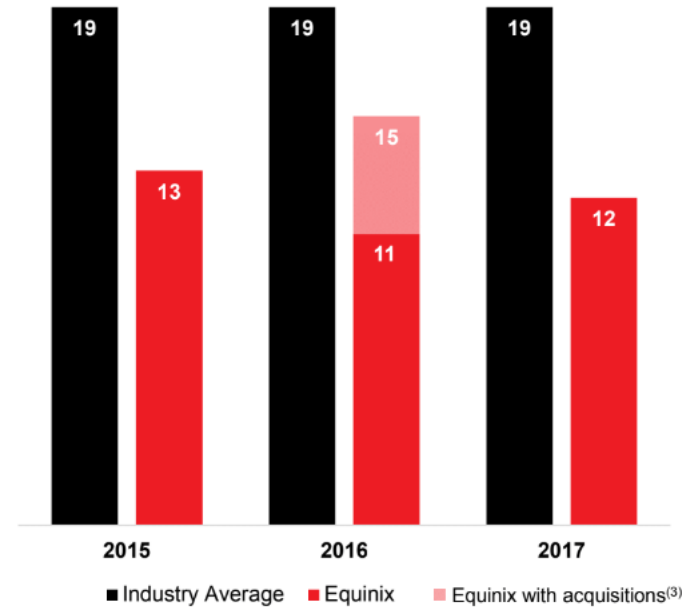
Human Capital Example

Employee engagement

Employee satisfaction⁽¹⁾



Turnover rate⁽²⁾



(1) Equinix's Engagement index is determined from an aggregate score of 5 indices in the bi-annual Equinix Pulse Survey: Communication, Alignment, Engagement, Belonging and Other. The Pulse Survey is issued twice a year in February and August; the score here is the average of the two surveys.

(2) Employee turnover numbers depict how many employees left the organization voluntarily (includes retirement and death) as well as involuntarily (due to dismissal, misconduct, job performance etc.).

(3) Attrition attributed to the integration of Telecity Group and Bit-Isle.



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

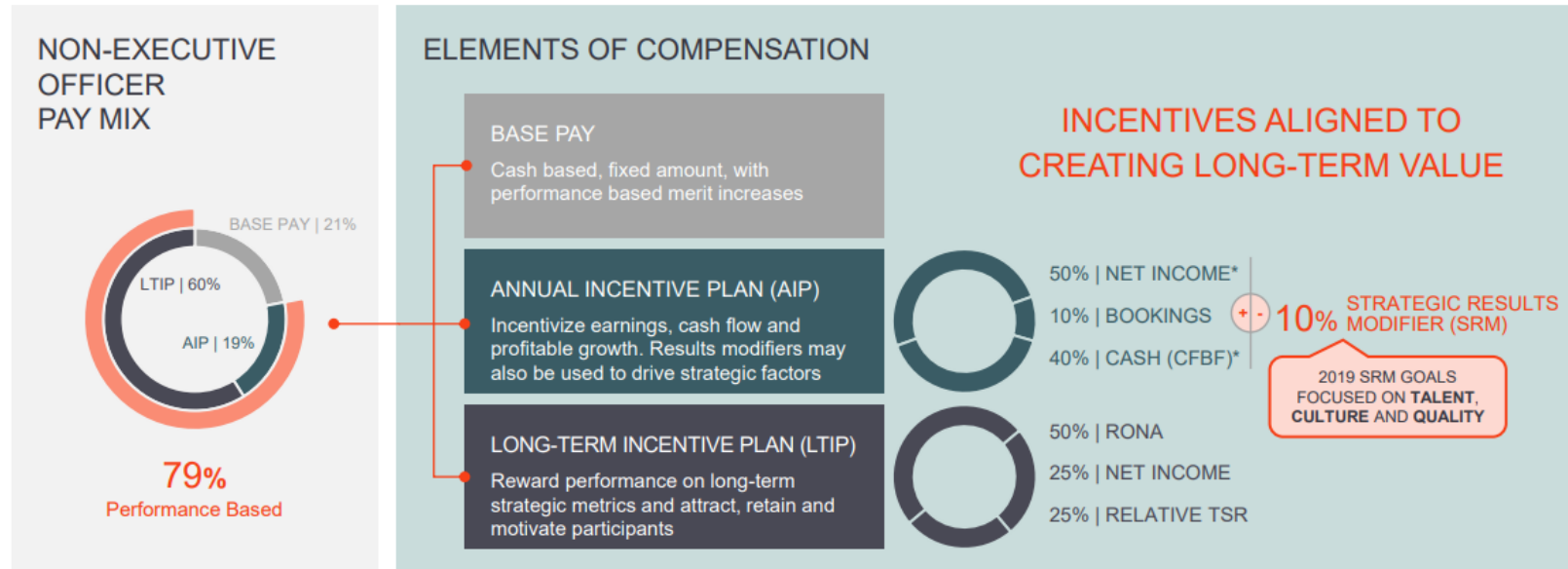


Corporate Governance Example

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



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

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

Corporate Governance Example

STRATEGY

MAXIMIZING ENGAGEMENT WITH OUR BOARD OF DIRECTORS HOW WE DO IT

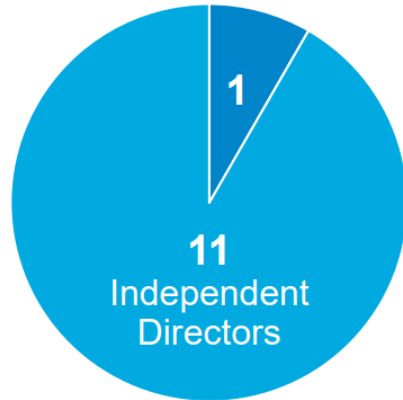
				
STRATEGY OVERSIGHT	GLOBAL CUSTOMER & SITE VISITS	BROAD MANAGEMENT VISIBILITY	COMMITTEES	AGENDA DEVELOPMENT
<p>Review strategies of one of our four Business Groups and one of our four Super Regions at each quarterly meeting</p>	<p>Rotate quarterly Director site visit opportunities with customers, government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

Corporate Governance Example

BOARD COMPOSITION

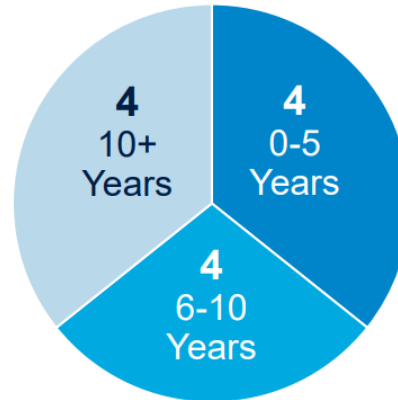
**AN ENGAGED AND DIVERSE BOARD OF DIRECTORS
HELP BRING A MORE DIVERSE AND AWARE MINDSET**

BOARD INDEPENDENCE



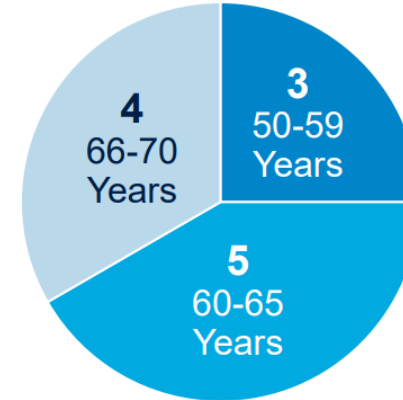
INDEPENDENT
LEAD DIRECTOR

BOARD TENURE



6 NEW DIRECTORS SINCE 2011
AVERAGE TENURE 8.6 YEARS

AGE MIX



63 AVERAGE AGE

25% FEMALE REPRESENTATION | 25% ETHNIC DIVERSITY

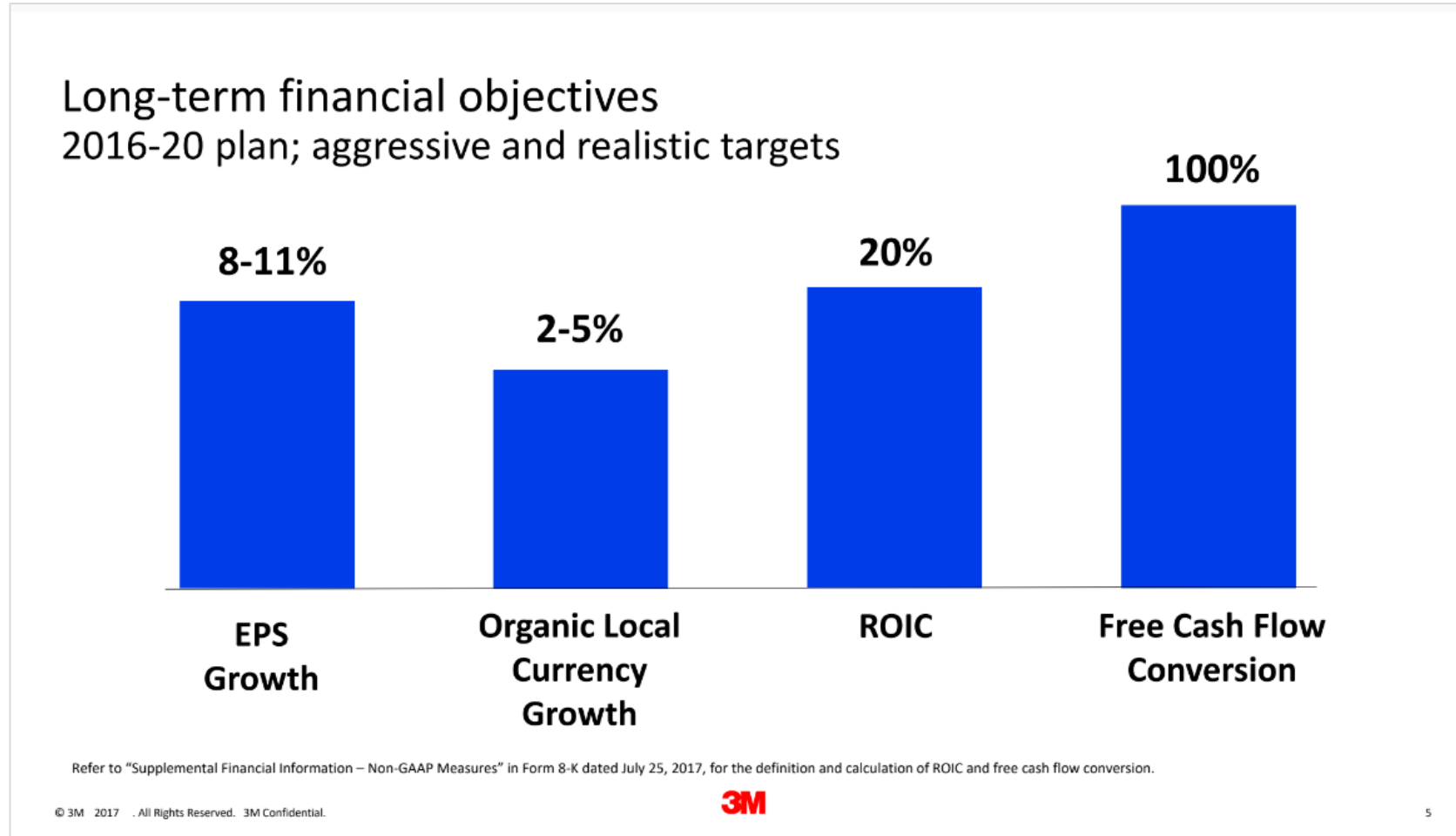
*2017 BOARD COMPOSITION

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



Financial & Operational Performance Example

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.

9

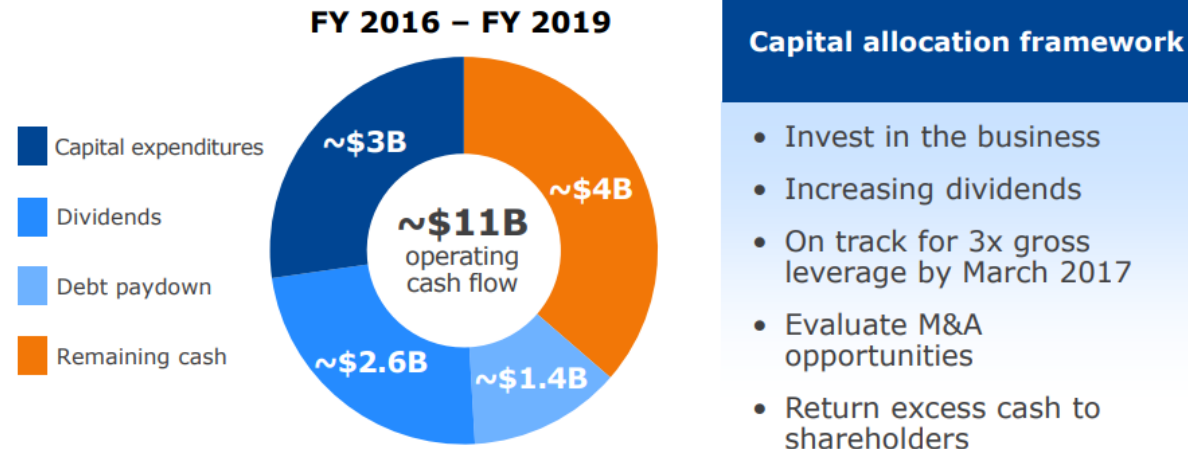
Capital Allocation

- 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



10

Appendix



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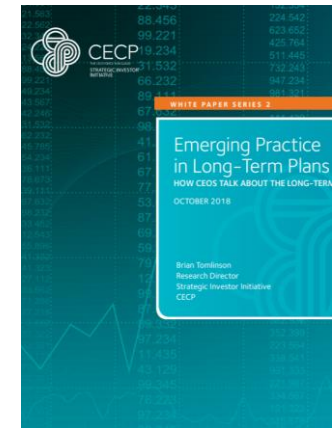


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The Strategic Investor Initiative

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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