LTSE LONG-TERM STOCK EXCHANGE

Building for Generations: Foundations of the LTSE Listing Principles

Working Paper - January 2026[1]

Sections:

- **Introduction**
- **Long-term Stakeholders**
- **Long-term Strategy**
- **Long-term Compensation**
- **Long-term Board**
- **Long-term Shareholders**
- **Conclusion**

[1] This paper builds on and updates a previous version published in July 2020 when the LTSE listing standards were new. The original document was created to share much of the research behind the standards. The previous paper was authored by Michelle Greene, a current Board Member of both the Long-Term Stock Exchange and LTSE Group, former Interim CEO and Board Chair of the Long-Term Stock Exchange, and President Emeritus of the Exchange, and Jeff Bashaw, who was then an employee of the LTSE. LTSE updated the paper to reflect updated research since the previous publication. The updates have been authored on behalf of LTSE by Michelle Greene, author of the original paper, and Viviana Collymore, a consultant to and researcher for the LTSE, with valuable input from Thomas White and Dale Criniti, fco-CMOs of LTSE.

Introduction

The Long-Term Stock Exchange has a set of differentiated listing standards designed to create lasting value for modern public companies and their like-minded investors. These standards require companies listed on the Long-Term Stock Exchange to adopt and publish five policies on: Long-Term Stakeholders, Strategy, Board, Compensation, and Investors. The policies have certain individual requirements, and must also be consistent with a series of underlying principles which reflect the underlying philosophy of the Long-Term Stock Exchange:[2]

1. Long-term focused companies should consider a broader group of stakeholders and the critical role they play in one another's success;
2. Long-term focused companies should measure success in years and decades and prioritize long-term decision-making;
3. Long-term focused companies should align executive compensation and board compensation with long-term performance;
4. Boards of directors of long-term focused companies should be engaged in and have explicit oversight of long-term strategy; and
5. Long-term focused companies should engage with their long-term shareholders.

The principles and policies included in the Long-Term Stock Exchange's differentiated listing standards were developed through years of discussions with executives, founders, workers, investors, policymakers, regulators, financial markets participants, governance experts, academics, trade organizations, and others with perspectives on our current public markets.[3] In addition, substantial research supported and continues to support the specific standards included in the long-term policies.[4]

A version of this paper written in 2020, when the listing standards were originally developed set forth that research on a policy-by-policy basis. This paper incorporates much of that same research and updates it to show the ongoing relevance of the LTSE principles and policies. Despite the discussion of the evidence by policy, it is critical to note that the policies are deeply interconnected. They are not meant to be stand-alone approaches, but rather part of a broader ecosystem designed to promote long-term value creation, resilience, sustainability, and - ultimately - contribute to systemic change.

---

[2] Long-Term Stock Exchange, "LTSE Listing Principles and Policy Guidelines," (October 2019)
[3] We are incredibly grateful to the countless people and organizations who provided their input and perspective. Although the list is far too long to include here, we carefully considered all of the input, and continue to do so every day.
[4] This paper is not intended as a guide to implementation of LTSE policies, but rather to articulate the evidence upon which they are based.

Long-term Stakeholders

Principle: Long-term focused companies should consider a broader group of stakeholders and the critical role they play in one another's success.

Policy: A policy explaining how the company operates its business to consider all of the stakeholders critical to its long-term success, including:

A. Which stakeholder groups the company considers critical to long-term success;

B. The company's impact on the environment and its community;

C. The company's approach to diversity and inclusion;

D. The company's approach to investing in its employees; and

E. The company's approach to rewarding its employees and other stakeholders for contributing to the company's long-term success.

Stakeholder-oriented companies are built for long-term success. Many stakeholders care far more about investing in the future of the company—including investing in human capital and innovation—than in cutting corners or engaging in financial gymnastics to meet quarterly targets. They will support boards and executives in making the hard choices that are right for future growth, even if they are harder in the short-term. Those same stakeholders provide a counterbalance to short-term activism while reinforcing accountability for results.

Today's visionary companies face a different set of expectations from the shareholder primacy model espoused fifty years ago by Milton Friedman.[5] Recognition of the need to think about stakeholders more broadly has become a widespread norm.[6] Leading corporations[7] and

[5] Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," New York Times Opinion (September 13, 1970).
[6] See, e.g., Paul Polman & Andrew Winston, "Stakeholder Capitalism Still Makes Business Sense," Harvard Business Review (August 21, 2024); Martin Lipton, Wachtell, Lipton, Rosen & Katz, "Stakeholder Governance and the Eclipse of Shareholder Primacy," Harvard Law School Forum on Corporate Governance (May 7, 2024); Darrell Rigby, Zach First & Dunigan O'Keefe, "How to Create a Stakeholder Strategy," Harvard Business Review, (May - June 2023).
[7] See, e.g., Johnson & Johnson, "Position on Stakeholder Engagement," KPMG, "Stakeholder Engagement Policy KPMG N.V.," (August 19, 2025); The Pepsi Co, "Stakeholder engagement," (May 22, 2025); McKinsey & Company, "How the best CEOs build lasting stakeholder relationships," (November 26, 2024); Meta, "How Meta engages with stakeholders," (November 12, 2024); BMW, "The BMW Group Stakeholder Engagement Policy," (September 2024); Paul Polman & Andrew Winston, "Stakeholder Capitalism Still Makes Business Sense," Harvard Business Review (August 21, 2024).

investors,[8] the World Economic Forum,[9] and even The Business Roundtable[10] have all recognized the importance of stakeholders. Indeed, in the past decade, a number of industry organizations and experts have put forward frameworks and proposals advocating for consideration of a broader group of stakeholders by companies or for other forms of "stakeholder capitalism."[11]

Today, companies intent on creating long-term value need to manage for stakeholders as well as shareholders.[12] Fundamental changes in the dynamics and expectations of corporations have made stakeholder engagement essential to achieving long-term success. Being a visionary modern company means embracing obligations to do right by all key stakeholders—including employees, customers, suppliers, communities, and long-term shareholders—and recognizing the opportunities this action provides.[13]

---

[8] See, e.g., Sustainability Directory, "Why Should Investors Consider Stakeholder Interests in Their Decisions?" (January 29, 2025); CalPERS, "2022-2027 Strategic Plan," (August 30, 2022) (lists stakeholder engagement as one of their strategic goals and how they strive to enhance communications/services with stakeholders); MFS, "Engagement Policy Statement," (states that engaging with companies that MFS has invested in on behalf of its clients and investors is important to their investment approach) CalSTRS, "Fiscal year 2022-23 Sustainability Report," (2023) (mentions value chain map that identifies stakeholders and strategy to engage and improve stakeholder communications); The Investor Forum CIC and London Business School Centre for Corporate Governance, "What does stakeholder capitalism mean for investors?" (January 2022).

[9] Klaus Schwab, "What stakeholder capitalism is and what it isn't," World Economic Forum (February 25, 2025); "Klaus Schwab Releases 'Stakeholder Capitalism'; Making the Case for a Global Economy that Works for Progress, People and Planet," World Economic Forum (January 29, 2021) (in Schwab's book he makes the case for stakeholder capitalism and how shareholder capitalism has led the world down an unsustainable path).

[10] Business Roundtable, "Statement on the Purpose of Corporation," (August 2019) (corporate entity that now explicitly recognizes that the Purpose of the Corporation includes "fundamental commitment to all of [its] stakeholders)

[11] Glen Justice, "Ed Freeman: Meet the Father of 'Stakeholder Capitalism," Harvard Business School: Institute of Global Society (April 11, 2024) (it has been 40 years since Freeman's book on stakeholder capitalism was published, recently it was re-released and his ideas are re-gaining attention); Peter Georgscu, "Peter Drucker: Prophet Of Stakeholder Capitalism," Forbes(Feb 25, 2022); Martin Lipton, "ESG, Stakeholder Governance, and the Duty of the Corporation," Harvard Law School Forum on Corporate Governance (September 18, 2022); Richard Feloni, "Despite Critics, There's 'No Going Back' From Stakeholder Capitalism, Says The Professor Who Pioneered the Theory in the 80's," Just Capital (August 19, 2021); Strine, Leo E. Jr., "Restoration: The Role Stakeholder Governance Must Play in Recreating a Fair and Sustainable American Economy A Reply to Professor Rock" (2021); "Klaus Schwab Releases 'Stakeholder Capitalism'; Making the Case for a Global Economy that Works for Progress, People and Planet," World Economic Forum (January 29, 2021) (in Schwab's book he makes the case for stakeholder capitalism and how shareholder capitalism has led the world down an unsustainable path); Coalition for Inclusive Capitalism & EY, "Embankment Project for Inclusive Capitalism (EPIC) Report," (2018); International Business Council of the World Economic Forum, "The New Paradigm: A Roadmap for an Implicit Corporate Governance Partnership Between Corporations and Investors to Achieve Sustainable Long-Term Investment and Growth," Document prepared by Martin Lipton (2016); Leo E. Strine, Jr., "Toward Fair and Sustainable Capitalism," University of Pennsylvania, Institute for Law & Economics Research Paper No. 19-39, Harvard John M. Olin Discussion Paper No. 1018 (2019).

[12] See, e.g., Paul Polman & Andrew Winston, "Stakeholder Capitalism Still Makes Business Sense," Harvard Business Review (August 21, 2024); Martin Lipton, Wachtell, Lipton, Rosen & Katz, "Stakeholder Governance and the Eclipse of Shareholder Primacy," Harvard Law School Forum on Corporate Governance (May 7, 2024); Darrell Rigby, Zach First & Dunigan O'Keefe, "How to Create a Stakeholder Strategy," Harvard Business Review (May - June 2023).

[13] See e.g., Bob Sternfels et al. "The art of 21st century leadership: From succession planning to building a leadership factory," McKinsey & Company (October 22, 2024) (successful global organizations will have leaders who engage rigorously with all key stakeholders); Darell Rigby et al, "How to Create a Stakeholder

Long-standing management theories on the importance of stakeholders to corporate performance have given rise to a robust academic literature related to stakeholder capitalism.[14] Despite the variety and nuance within this literature, the central theme—that all firms have a number of key stakeholders and should proactively pay attention to them—is pervasive.[15] The benefits of taking a multi stakeholder approach are demonstrated by empirical evidence linking stakeholder-focused behavior to superior financial and operational performance across multiple dimensions.[16]

Strategy," Harvard Business Review (May-June 2023) (notes that exploring outside perspectives on your company provides the opportunity to overcome confirmation bias and uncover valuable data); Michelle Greene, "Let's Get Concrete About Stakeholder Capitalism," Harvard Law School Forum on Corporate Governance (Feb. 20, 2020).

[14] Dow, S., Shi, Y, "The End and Beginning: The Shift Toward Stakeholder Capitalism," In: Corporate Finance Under Climate Crisis. Palgrave Macmillan, Cham *2025); Ritika Mahajan, Weng Marc Lim, Monica Sareen, Satish Kumar, Rajat Panwar, "Stakeholder theory," Journal of Business Research, Volume 166 (2023); Harry J. Van Buren & Judith Schrempf-Stirling. (2023) "Making the invisible visible: stakeholder capitalism and powerless stakeholders,"*Corporate Governance: The International Journal of Business in Society* 25:1, pages 128-143; Freeman, E., & By, R. T. (2022), "Stakeholder Capitalism and Implications for How We Think About Leadership," *Journal of Change Management*, *22*(1), 1–7; Klaus Schwab & Peter Vanham, "What is Stakeholder Capitalism?" World Economic Forum, January 22, 2021; Michael E. Johnson-Cramer & Shawn L. Berman, "Stakeholder theory seeing the field through the forest," Business and Society 58 (7):1358-1375 (2019); Matteo Pedrini & Laura Maria Ferri, "Stakeholder management: a systematic literature review," Corporate Governance, Vol. 19 No. 1, pp. 44-59 (2019); *Strategic management: A stakeholder approach*, Boston: Pitman Publishing Inc. For quantitative theories of stakeholder management see Michael Magill, Martine Quinzi, & Jean-Charles Rochet, "A theory of the stakeholder corporation," Econometrica 83, 1685–1725 (September 2015); Jeffrey S. Harrison, & Andrew C. Wicks, "Stakeholder theory, value and firm performance," Business Ethics Quarterly, 23, 97-125 (2013); For broader application of managing for stakeholders see Michael E. Porter & Mark R. Kramer, "Creating shared value," Harvard Business Review (January-February 2011 Issue); Michael E. Porter & Mark R. Kramer, "Strategy and Society: The Link Between Competitive Advantage And Corporate Social Responsibility," Harvard Business Review (December 2006 Issue); Michael Jensen, "Value maximization, stakeholder theory, and the corporate objective function," Business Ethics Quarterly, Vol. 12 No. 2, pp. 235-56 (2002) Freeman RE. (1984)

[15] On the plurality of stakeholder theory see Michael E. Johnson-Cramer & Shawn L. Berman, "Stakeholder theory seeing the field through the forest," Business and Society 58 (7):1358-1375 (2019); Andreas Georg Scherer & Morits Patzer, "Where is the Theory in Stakeholder Theory? A Meta-Analysis of the Pluralism in Stakeholder Theory" In Robert. A. Phillips (editor), *Stakeholder theory: Impact and prospects*, 140-162. Cheltenham: Edward Elgar Publishing Ltd. (2011); R. Edward Freeman, et al., (editors) *Stakeholder Theory: State of the Art,* Cambridge, UK: Cambridge University Press (2010)

[16] Anukwe, Grace Ifeoma, Kenechi John Onyeke, and Chiemelie Benneth Iloka, "The Importance of Stakeholder Capitalism in Corporate Sustainability," Global Research Journal of Business Management, (2024) (finds that the essence of stakeholder capitalism in corporate setting is that it helps companies create sustainable performance and will create huge financial gains for shareholders in the long-term); FCLT Global, "Walking the Talk: Valuing a Multi-Stakeholder Strategy," (January 2022) (study found that companies that prioritize a multi-stakeholder approach generate higher returns and long-term companies need to pay attention to a broader group of stakeholders to succeed); Clodia Vurro, Stefano Romito, Mario Benassi, "Too good to say goodbye? Effect of stakeholder orientation on the survival of large firms," Long Range Planning, Volume 55, Issue 5 (2022) (finds that stakeholder orientation can result in higher likelihood of firm survival); Mhlanga D. "Stakeholder Capitalism, the Fourth Industrial Revolution (4IR), and Sustainable Development: Issues to Be Resolved," *Sustainability* (2022) (findings from study demonstrate that stakeholder capitalism helps create sustainable operations for businesses); Jim Hsu, "Think like your stakeholders to build long-term value," EY Parthenon, July 15, 2021; K. J. Martijn Cremers, Scott B. Guernsey, & Simone M. Sepe, "Stakeholder Orientation and Firm Value," (December 27, 2019); Franklin Allen, Elena Carletti, & Robert Marquez, "Stakeholder governance, (2015); Robert G. Eccles, Ioannis Ioannou, & George Serafeim, "The Impact of Corporate Sustainability on Organizational Processes and Performance," Management Science, vol 60(11), pages 2835-2857 (2014); Margaret Cording, et al., "Walking the talk: A multi-stakeholder exploration of organizational authenticity, employee productivity and

These findings are consistent with many case studies showing how businesses succeed by taking a stakeholder-oriented approach.[17] Firms with a stakeholder orientation focus on longer-term horizons, rather than immediate payoffs.[18] Stakeholder focus helps firms accrue important intangible resources. For example, by addressing the interests of consumers, employees, and the natural environment, firms are able to grow intangible assets such as

post merger performance," Academy of Management Perspectives, 28 (1) (2014), 38-56; Witold J. Henisz, Sinziana Dorobantu, Lite J. Nartey, "Spinning gold: The financial returns to stakeholder management," Strategic Management Journal, 35: 1727-1748 (2014); Jaepil Choi & Heli Wang, "Stakeholder relations and the persistence of corporate financial performance," Strategic Management Journal, 30:895-907 (2009); Stijn Claessens & Kenichi Ueda, "Banks and Labor as Stakeholders: Impact on Economic Performance," International Monetary Fund, Working Paper No. 08/229 (2008); Rajendra Sisodia, Jagdish N. Sheth, & David Wolfe, *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, (2007) Upper Saddle River, NJ: Prentice Hall; Amy J. Hillman & Gerald D. Keim, "Shareholder value, stakeholder management, and social issues: What's the bottom line?," Strategic Management Journal, 22: 125-139 (2001); Jeffrey S. Harrison & R. Edward Freeman, "Stakeholders, social responsibility and performance: Empirical evidence and theoretical perspectives," Academy of Management Journal, 42, 479-487 (1999).

[17] Kezia Farnham, "The stakeholder model of corporate governance," Diligent (March 28, 2024) (cites example of BlackRock gaining access to capital through leveraging stakeholder model); Darrell Rigby, Zach First & François Felli, "3 Steps for Creating and Implementing a Stakeholder Strategy," Harvard Business Review (May 24, 2023) (refers to the many organizations that track total stakeholder value that companies produce such as Drucker Institute, Just Capital or Embankment Project which create superior value for those companies); Brian L. Trelstad, "Natura: Weathering the Pandemic at Brazil's Cosmetic Giant," Harvard Business School Case 323-065 (January 2023); Rebecca Henderson, *Reimagining Capitalism in a World on Fire*, (2020) New York, NY: PublicAffairs; Rebecca Henderson & Frederik Nellemann, "Sustainable Tea at Unilever," Harvard Business School Case 712-438, December 2011; George Serafeim & Shannon Gombos, "Turnaround at Norsk Gjenvinning," Harvard Business School Case 116-012 (August 2015).

[18] Nikola Rosecká, Ondřej Machek, Michele Stasa, Aleš Kubíček, "Long-term orientation and corporate social responsibility in small and medium-sized enterprises: the role of strategy formation mode," *Social Responsibility Journal* 20 February 2024; 20 (4): 825–842 (finds that firms with stronger long-term orientation tend to think toward the future, rather than focus on short-term performance); FCLTGlobal, "Study Finds That Stakeholder-Oriented Companies Yield Higher Returns," (January 18, 2022) (study finds that firms that prioritized a multi-stakeholder approach were 50% more likely to issue long-term guidance); Xiaoran Ni, "Does stakeholder orientation matter for earnings management: Evidence from non-shareholder constituency statutes,"Journal of Corporate Finance, Volume 62 (June 2020); Natalie Slawinski & Pratima Bansal, "A matter of time: the temporal perspectives of organizational responses to climate change," Organizational Studies 33(11):1537–1563 (2012); Taiyuan Wang & Pratima Bansal, "Social responsibility in new ventures: profiting from a long-term orientation," Strategic Management Journal, 33(10):1135–1153 (2012).

legitimacy, reputation, and trust, which can lead to a sustainable competitive advantage.[19] A stakeholder-oriented approach also is associated with attracting a higher-quality workforce, as well as fostering employee commitment to organizational values and practices, and retaining talented employees.[20] Similarly, it also enables companies to attract and retain customers and

---

[19] Lim, Joon Soo, and Jun Zhang, "Stakeholder Engagement and Authenticity in Corporate Social Advocacy: Pathways to Corporate Reputation via Perceived Legitimacy," *Journal of Public Relations Research*, April, 1–28 (2025) (finds that the combination between stakeholder engagement and authenticity serves as a powerful driving force in enhancing corporate reputation); PwC, "2024 Trust Survey: 8 Key Findings," (March 12, 2024) (data highlights the importance of building trust with stakeholders; trust levels among employees, consumers and investors can give a clear edge over competitors); Maria Castañon Moats, Paula DeNicola & Matt Giuseppe, "Using transparency to build trust: A corporate director's guide," Harvard Law School on Corporate Governance (April 11, 2023) (Enhancing trust is connected to corporations and their boards creating positive stakeholder dynamics that increase enterprise value); Lawrence A. Crosby, Tohid Ghanbarpour, "The Drucker intangibles measurement system: An academic perspective," Journal of Business Research, Volume 155, Part B (2023); Clodia Vurro, Stefano Romito, Mario Benassi, "Too good to say goodbye? Effect of stakeholder orientation on the survival of large firms," Long Range Planning, Volume 55, Issue 5, (2022); Jefferey Weirens et al., "Building credible climate commitments," Deloitte Insights (June 14, 2021); Michael E. Porter & Mark R. Kramer, "Creating shared value," Harvard Business Review (January-February 2011 Issue); Xueming Luo & C. B. Bhattacharya, "Corporate social responsibility, customer satisfaction, and market value," Journal of Marketing 70(4):1–18 (2006); Michael E. Porter & Mark R. Kramer, "Strategy and Society: The Link Between Competitive Advantage And Corporate Social Responsibility." Harvard Business Review (December 2006 Issue); Sankar Sen & C.B. Bhattacharya, "Does doing good always lead to doing better? Consumer reactions to corporate social responsibility," Journal of Marketing Research 38(2):225–243 (2001); Amy J. Hillman & Gerald D. Keim, "Shareholder value, stakeholder management, and social issues: What's the bottom line?," Strategic Management Journal, 22: 125-139 (2001), David J. Teece, "Capturing value from knowledge assets: the new economy, markets for know-how, and intangible assets" California Management Rev. 40(3):55–79 (1998); Michael V. Russo and Paul A. Fouts, "A resource-based perspective on corporate environmental performance and profitability," Academy of Management Journal, 40(3):534–559 (1997); Daniel B. Turban & Daniel W. Greening, "Corporate social performance and organizational attractiveness to prospective employees," Academy of Management Journal 40(3):658–672 (1997); Stuart L. Hart, "A natural-resource-based view of the firm," Academy of Management Review 20(4):986–1014 (1995); Thomas M. Jones, "Instrumental stakeholder theory: a synthesis of ethics and economics," Academy of Management Review, 20(2):404–437 (1995); Jay B. Barney & Mark H. Hansen, "Trustworthiness as a source of competitive advantage," Strategic Management Journal 15(S1):175–190 (1994).

[20] Parmar, B. L., Wicks, A. C., & Ginena, K. (2023), "The Impact of Employee Stakeholder Orientation on Job Satisfaction and Perspective-Taking," *Business & Society*, *63*(5), 1073-1109; Cen, Xiao and Qiu, Yue and Wang, Tracy Yue, "Corporate Social Responsibility and Employee Retention," (November 27, 2023); Ali, Sher, "The Effect of Corporate Social Responsibility on Employee Satisfaction," Employee Engagement and Employee Retention (2022); Heather Schmidt Albinger & Sarah J. Freeman, "Corporate social performance and attractiveness as an employer to different job seeking populations," Journal of Business Ethics 28(3):243–253 (2000); Daniel W. Greening & B. Turban, "Corporate social performance as a competitive advantage in attracting a quality workforce," Business & Society 39:254–280 (2000); Daniel B. Turban & Daniel W. Greening, "Corporate social performance and organizational attractiveness to prospective employees." Academy of Management Journal 40(3):658–672 (1997); Jonathan M. Karpoff, "On a stakeholder model of corporate governance," University of Washington, European Corporate Governance Institute, April 2021; Mark A. Huselid, "The impact of human resource management practices on turnover, productivity, and corporate financial performance" Academy of Management Journal 38(3):635–672 (1995); John E Sheridan, "Organizational culture and employee retention," Academy of Management Journal 35(5):1036– 1056 (1992); David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, (2005) Washington, DC: Brookings Institution Press

build brand loyalty and stronger brand recognition.[21] Some researchers also connect a stakeholder approach to increased innovation.[22] In addition, a stakeholder-oriented approach may help meet requirements that unlock access to significant capital focused on companies meeting specific requirements.[23]

These findings are consistent with more visible shifts in the attitudes and behavior of consumers, workers, and companies. Increasingly, customers are taking into account a company's impact on society, the environment, and their community when they make purchasing decisions.[24] Brands can be severely damaged by actions that consumers view as unacceptable.[25] Worker expectations have changed as well, as they care more about the

---

[21] Nele Jacobs, Bernhard Swoboda, "How perceived stakeholder orientations affect consumers' perceived firm innovativeness across nations," Journal of Business Research, Volume 189 (2025) (states that consumers easily observe multinational corporations attention and inclusion of interests of stakeholders like customers, employees and society); Adewole, O, "Translating brand reputation into equity from the stakeholder's theory: an approach to value creation based on consumer's perception & interactions," *Int J Corporate Soc Responsibility* 9, 1 (2024); Kezia Farnham, "The stakeholder model of corporate governance," Diligent, March 28, 2024 (states that one of the benefits of adopting a stakeholder orientation is improved reputation and that customers are more likely to buy from a company with a strong reputation); Michael J. Hiscox & Jens Hainmueller, "The Socially Conscious Consumer? Experimental Tests of Consumer Support for Fair Labor Standards," MIT Political Science Department Research Paper No. 2012-15 (2015); Tom J. Brown & Peter A. Dacin "The company and the product: Corporate associations and consumer product responses," Journal of Marketing 61(1):68–84 (1997); Philip Kotler, David Hessekiel, Nancy R Lee, *Good Works!: Marketing and Corporate Initiatives that Build a Better World...and the Bottom Line* (2012) Hoboken, NJ: John Wiley & Sons; Xueming Luo & C. B. Bhattacharya, "Corporate social responsibility, customer satisfaction, and market value," Journal of Marketing 70(4):1–18 (2006); Sankar Sen & C.B. Bhattacharya, "Does doing good always lead to doing better? Consumer reactions to corporate social responsibility," Journal of Marketing Research 38(2):225–243 (2001); Robert J. Williams & J. Douglas Barrett "Corporate philanthropy, criminal activity, and firm reputation: Is there a link?," Journal of Business Ethics 26(4):341–350 (2000)

[22] Adomako, S., & Tran, M. D, "Scaling up sustainable innovation: Stakeholder ties, eco-product innovation, and new product performance," *Sustainable Development*, 32(1), 624–634 (2023) (this study finds that firms with strong stakeholder ties are more likely to engage in eco-innovation); Sena Ozdemir, Juan Carlos Fernandez de Arroyabe, Vania Sena, Suraksha Gupta,"Stakeholder diversity and collaborative innovation: Integrating the resource-based view with stakeholder theory,"Journal of Business Research, Volume 164 (2023); Caroline Flammer & Aleksandra Kacperczyk, "The Impact of Stakeholder Orientation on Innovation: Evidence from a Natural Experiment," Management Science Vol. 62, No. 7 (2015).

[23] See US SIF, "US SIF Trends Report 2024/2025" (December 17, 2024) (analysis shows that $6.5 trillion of the U.S. market size was specifically identified as sustainable or ESG investment)

[24] See PwC, "PwC 2024 Voice of the Consumer Survey," (May 15, 2024) (study shows consumers are willing to spend an average 9.7% more on sustainably produced or sourced goods); Ashley Reichheld, John Peto and Cory Ritthaler, "Research: Consumers' Sustainability Demands Are Rising," Harvard Business Review, (September 18, 2023); McKinsey and Company, "Consumers care about sustainability – and back it up with their wallets," (February 6, 2023) (Both McKinsey and NielsenIQ studies found that consumers are prioritizing environmentally and ethically sustainable products); Michael J. Hiscox & Jens Hainmueller, "The Socially Conscious Consumer? Experimental Tests of Consumer Support for Fair Labor Standards," MIT Political Science Department Research Paper No. 2012-15 (2015); Lois A. Mohr Deborah J. Webb Katherine E. Harris, "Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior," Volume 35, Issue 1 Summer 2001, Pages 45-72.

[25] See e.g., James Darley, "Target's Sales Plummet as DEI Boycotts Bite Back," Sustainability Magazine (May 22, 2025); Lau, K.C., Shimul, A.S. & Phau, I, "The influence of brand ambassador's wrongdoing on consumers' luxury brand desirability: the interplay of attachments, resilience, and empathy," *J Brand Manag* (2025) (study finds that wrongdoing can lessen desirability unless the brand responds in a way that aligns with consumers' moral expectations); Nuruzzaman, N., Makarius, E. E., Mukherjee, D., & Gaur, A,

purpose, mission and and values of the companies where they work, and strong alignment and sense of purpose can be a key motivator in recruiting talent, increasing retention, and enhancing productivity.[26] Many companies are taking aggressive steps to better align operations with the perspectives of their stakeholders, and some high profile businesses are putting positive community impact and sustainability at the heart of their brand identities.[27]

"MNCs' corporate social irresponsibility and foreign subsidiary performance," *Global Strategy Journal*, 1–33 (2024) (research finds that corporate social irresponsibility has a large impact on brands and can hurt international sales); Ratnatunga, Janek, "Brands Behaving Badly: Causes, Cases and Consumer Protections," Journal of Applied Management Accounting Research. 22. 17-32 (2024); Yi Grace Ji, et al. "Staking reputation on stakeholders: How does stakeholders' Facebook engagement help or ruin a company's reputation?," Public Relations Review, Volume 43, Issue 1, March 2017, pp. 201-210; Leslie Gaines-Ross, "Reputation Warfare," Harvard Business Review (December 2010 Issue); Robert G. Eccles, Scott C. Newquist, & Roland Schatz, "Reputation and Its Risks" Harvard Business Review (February 2007 Issue); Benjamin A. Neville, Simon J. Bell, & Bülent Mengüç, "Corporate reputation, stakeholders and the social performance-financial performance relationship," European Journal of Marketing Vol. 39 No. 9/10, 2005 pp. 1184-1198.

[26] Andrew Doerman, "Employees to Employers: We Want You To Share Our Values and Make The World A Better Place," (December 2025); See, e.g., Josh Graff, "Why strong company values are essential for attracting the next generation of professionals," World Economic Forum (April 19, 2023) (research from LinkedIn shows of nearly 10,000 professionals across the globe, 87% of workers in the U.S. consider it important to work for companies that are aligned with their values); Josie Cox, "Despite Economic Headwinds, Employees Still Want To Work For Companies That Care," Forbes (February 15, 2023); Arjan Non, Ingrid Rohde, Andries de Grip, Thomas Dohmen, "Mission of the company, prosocial attitudes and job preferences: A discrete choice experiment," Labour Economics, Volume 74 (2022) (finds that when firms advertise its pro-social practice it attracts more productive employees and that employees are more productive when they work on projects for charitable organizations); Ron Carucci, "To Retain Employees, Give Them A Sense of Purpose and Community," Harvard Business Review (October 11, 2021); Naina Dhingra & Bill Schaninger, "The search for purpose at work," McKinsey & Company (June 3, 2021) (studies have found that employees that live their purpose at work are more likely to go above and beyond to make their company successful); Naina Dhingra, Andrew Samo, Bill Schaninger & Matt Schrimper, "Help your employees find purpose – or watch them leave," McKinsey & Company (April 5, 2021) (states that employees who live their purpose at work are more productive than those who do not)

[27] Betsy Vereckey, "IKEA CEO: 3 ways to gain competitive advantage with sustainability," MIT Management Sloan School (October 28, 2024) (IKEA is on a journey to transform into a circular business aiming to use recycled materials and aiming to eliminate all plastic packaging by 2028); Allbirds, "Allbirds 2023 Flight Status," (October 2024) (mentions commitment to cutting their carbon footprint in half and reducing climate impact); Warby Parker, "Impact Report 2024," (2024) (Warby Parker prioritizes sustainability and valuing their customers, peers, community and the environment is at the core of their business model); ThredUp, "2024 Impact Report" (mentions how ThredUp is committed to its stakeholders through prioritizing sustainability and community giving); "The 'No Excuse' Opportunities to Tackle Scope 3 Emissions in Manufacturing and Value Chains," Industry Net Zero Initiative White Paper, World Economic Forum (December 2023) (Case study 18 references Patagonia's cultural shift strategy to prioritize sustainability and put it at the heart of its business); Denise Rotondo & Paul Chow, "Unlocking green growth: Sustainability as a key driver of corporate innovation," World Economic Forum (January 21, 2025); Thaddeus Swanek, "New Survey Shows Most Small Businesses Prioritize Giving Back to Their Local Communities," (December 14, 2022) (study shows that 80% of small businesses have a clearly defined mission that includes giving back to local community); C.B. Bhattacharya, "Taking ownership of a sustainable future," McKinsey Quarterly (May 12, 2020); Ioannis Ioannou & George Serafeim, "Yes, Sustainability Can Be a Strategy," Harvard Business Review, (February 11, 2019); Yvon Chouinard, Jib Ellison, & Rick Ridgeway, "The Sustainable Economy" Harvard Business Review (October 2011 Issue); Rebecca Henderson & Frederik Nellemann, "Sustainable Tea at Unilever," Harvard Business School Case 712-438, December 2011.

Under LTSE's stakeholder policy, companies identify all of the stakeholder groups the company considers critical to long-term success.[28] In addition, the policy itself identifies a core group of stakeholders and issues, discussed individually below, that visionary companies must consider.[29] While this is not a comprehensive list of stakeholders for any particular company (e.g. customers are clearly a core stakeholder, but the standard does not explicitly identify them), strong evidence supports the inclusion of each of the specifics indicated. And while the reasons for individual companies to consider a broad group of stakeholders are strong, as increasing numbers of companies do so it also has the potential to lead to a new, more long-term oriented form of capitalism.[30]

Environment

Companies overly focused on the next quarter may not see the environment as relevant to their success. But for those companies that think of success over decades and generations, consideration of their environmental impact is both necessary to manage risk and reputation, and a potential source of opportunity and competitive advantage.

Multiple reports and studies demonstrate the business case for action on environmental issues like sustainability and carbon reduction.[31] One study found that companies that embed

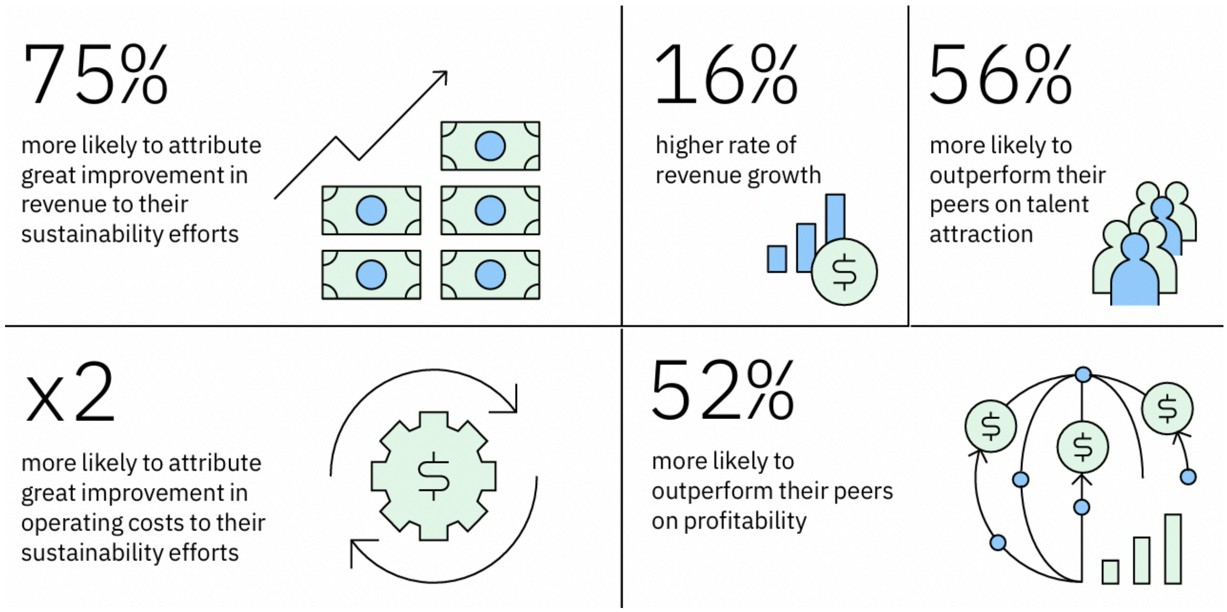
[28] Long-Term Stock Exchange, "LTSE Listings Principles and Policy Guidelines" (October 2019).

[29] Another important factor to note is that many of the stakeholder requirements in this policy are relevant to traditional sustainability metrics and to requirements for Public Benefit Corporations and B-corps. See for Benefit Corporation https://benefitcorp.net/; B-corp, https://bcorporation.net/ While the policy is not designed specifically for these purposes, it does purposefully align with them. Thus, companies disclosing pursuant to the policy requirements may be better positioned in terms of their sustainability performance.

[30] Timothy Hargrave & Jeffery Smith, "A Good Story but not the Whole Story: Stakeholder Theory as an Ethics of Capitalism," Business Ethics, The Environment & Responsibility (January 2, 2025) (references the work of Freeman and a new narrative for an ethics of capitalism, with criticism of the literature); Mazzucato, M. (2022). "Collective value creation: a new approach to stakeholder value." *International Review of Applied Economics*, *38*(1–2), 43–57; International Business Council of the World Economic Forum "The New Paradigm: A Roadmap for an Implicit Corporate Governance Partnership Between Corporations and Investors to Achieve Sustainable Long-Term Investment and Growth," Document prepared by Martin Lipton (2016) Leo E. Strine, Jr., "Toward Fair and Sustainable Capitalism," University of Pennsylvania, Institute for Law & Economics Research Paper No. 19-39, Harvard John M. Olin Discussion Paper No. 1018 (2019)

[31] Karel Cool, Atalay Atasu, and Nathan Furr, "Make a Stronger Business Case for Sustainability," MIT Sloan Management Review (July 9, 2024); Deloitte, "The business case for sustainability: Value creation and the path to profitable growth," (2024); Cyril Garcia, "Why 2024 is the year sustainability develops a credible business case, World Economic Forum (January 26, 2024); Matt Gavin, "3 Real World Examples of Companies Tackling Climate Change" Harvard Business School Online. June 20, 2024; See Jean Rogers & George Serafeim, "Pathways to Materiality: How Sustainability Issues Become Financially Material to Corporations and Their Investors," Harvard Business School Accounting & Management Unit Working Paper No. 20-056 (2019); Mozaffar Khan, George Serafeim, & Aaron Yoon, "Corporate Sustainability: First Evidence on Materiality." The Accounting Review, Vol. 91, No. 6, pp. 1697-1724 (November 9, 2016); George Serafeim, "Turning a Profit While Doing Good: Aligning Sustainability with Corporate Performance." Governance Studies, The Initiative on 21st Century Capitalism, No. 19, Brookings Institution (2014); Robert G. Eccles, Ioannis Ioannou, & George Serafeim, "The Impact of Corporate Sustainability on Organizational Processes and Performance," Management Science, vol 60(11), pages 2835-285 (2014); Shuili Du, et al., "The Business Case for Sustainability Reporting: Evidence from Stock Market Reactions." Journal of Public Policy & Marketing, 36(2), 313-330 (2017). For

sustainability in their operations significantly outperform their counterparts on profitability and have better financial outcomes.[32]



Source: IBM Institute for Business Value[33]

Similarly, studies show financial benefits of reduced carbon emissions.[34] Environmental actions can also result in significant cost savings, and many major businesses and private equity firms champion sustainability as a way to reduce energy costs.[35] Studies have found improved environmental performance and risk

---

broader ESG related benefits see e.g., Witold Henisz, Tim Koller, & Robin Nuttall, "Five ways that ESG creates value," McKinsey & Company; Betsy Atkins, "Strong ESG Practices Can Benefit Companies and Investors: Here's How," Nasdaq (June 5, 2018) (arguing a robust ESG program can open up access to large pools of capital, build a stronger corporate brand and promote sustainable long-term growth benefiting companies and investors); Ella Mae Matsumura, Rachna Prakash, & Sandra C. Vera-Muñoz, "Carbon footprint stomps on firm value," KPMG Global Valuation Institute (December 2012)

[32] Oday Aboosh et al., "Beyond checking the box: How to create business value with embedded sustainability," IBM Institute for Business Value (February 27, 2024) (finds that embedders have a 16% higher rate of revenue growth, are 52% more likely to outperform their peers on profitability and 2x more likely to attribute great improvement in operating costs due to sustainability efforts)

[33] Oday Aboosh et al., "Beyond checking the box: How to create business value with embedded sustainability," IBM Institute for Business Value (February 27, 2024)

[34] Banovsha Ibishova, Bård Misund & Ragnar Tveterås, "Driving green: Financial benefits of carbon emission reduction in companies," International Review of Financial Analysis, Volume 96, Part B (2024); Ayman Issa, "Do emissions reduction initiatives improve financial performance? Empirical analysis of moderating factors," *International Journal of Accounting and Information Management* 13 March 2024; 32 (2): 228–257; Banovsha Ibishova, Bård Misund, Ragnar Tveterås, "Driving green: Financial benefits of carbon emission reduction in companies," International Review of Financial Analysis, Volume 96, Part B, 2024 (findings suggest that companies can enhance financial performance by intensifying carbon emission reduction efforts); Juan Wang, Jing Li, Qingjun Zhang, "Does carbon efficiency improve financial performance? Evidence from Chinese firms, Energy Economics," Volume 104, 2021, 105658 (this study on Chinese firms finds that high carbon efficiency can improve financial performance and reduce the risk of firms).

[35] Daxita Rajcoomar, "Industry Perspective: Beyond Profit: The Multiple Benefits of Prioritising Sustainable Business Practices," World Future Energy Summit (2025); Morley et al. "Sustainability in Private Equity.

management led to reductions in firms' costs of capital.[36]

The growing financial, reputational, and existential risks to companies from environmental factors are requiring businesses to become more proactive and responsive on these issues as well.[37] Customers are making buying decisions based on companies' environmental performance and companies are changing their behavior in response.[38] Indeed, changing public sentiment towards environmental concerns, particularly carbon emission, has led many companies to take unilateral action as a method of legal and regulatory risk management.[39] The

---

2024." Boston Consulting Group. pp. 3 (notes that many portfolio companies are seeing reduced operating costs arising from stronger sustainability practices); Talal, Rafi, "Why sustainability is crucial for corporate strategy," World Economic Forum (9 June 2022); Dominguez Caravilla et al. "Cut Carbon, Cut Costs." Deloitte Insights (references 2021 study surveying European CFOs regarding carbon reduction plans with 38% motivated by the opportunity to save costs); Rebecca M. Henderson, Sophus Reinert, & Mariana Oseguera, "Climate Change in 2020: Implications for Business," Harvard Business School Background Note 320-087 (2020) (noting how many companies have profited by focusing on renewable energy); Robert G. Eccles, George Serafeim, & Tiffany A. Clay, "KKR: Leveraging Sustainability," Harvard Business School Case 112-032 (September 2011) (Revised March 2012) (KKR claims to have saved $1.2 billion in energy costs and now requires firms it purchases to undergo energy and water audits)

[36] Ricky Wong, Hoang Thi My Nguyen, and Nana Abena Kwansa, "ESG performance and cost of capital: what do we know? Evidence from the US," International Journal of Monetary Economics and Finance 2024 17:1, 74-96; Yizhou Wang, Siyu Shen, Jun Xie, Hidemichi Fujii, Alexander Ryota Keeley, Shunsuke Managi. "How corporate climate change mitigation actions affect the cost of capital," Corporate Social Responsibility and Environmental Management (2024); Mark P. Sharfman & Chitru S. Fernando, "Environmental Risk Management and the Cost of Capital," Strategic Management Journal, Volume 29, Issue 6, June 2008, Pages 569-592.

[37] Swenja Surminski & Nicholas Faull, "SDIM24: How businesses can become more resilient to the physical impacts of climate change," World Economic Forum (October 2, 2024); Karin Rives, "70% of global execs say climate change will affect their business this decade," S&P Global (September 11, 2024) (states that more organizations and companies are transforming their business models and strategies to address climate change); Talal, Rafi. "Why sustainability is crucial for corporate strategy." World Economic Forum. 9 June 2022; Emma Cox, Colm Kelly, Barry Murphy & Nicole Rottmer, "Time to get serious about the realities of climate risk," PwC (May 16, 2022); See e.g., Joseph E. Aldy & Gianfranco Gianfrate, "Future-Proof Your Climate Strategy," Harvard Business Review (May-June Issue 2019); Rebecca M. Henderson, Sophus Reinert, & Mariana Oseguera, "Climate Change in 2020: Implications for Business" Harvard Business School Background Note 320-087 (2020); Sinziana Dorobantu & Dennis Flemming, "It's Never Been More Important for Big Companies to Listen to Local Communities," Harvard Business Review (November 10, 2017); also see Victoria Sakal, "Bigger Than The Boardroom Ceo Brand Intel: The Role CEOs Are Expected to Play Today," Morning Consult (2020)

[38] Blasberg et al. "The Sustainability Puzzle: What Do Consumers Really Want?" Bain & Company (2024) pp. 3, 13-21 (global study found that roughly 60% of consumers say their concerns about climate change have increased and US consumers are willing to pay a premium for sustainability); SAP, "Why The Rise of Sustainability Is A Shift In Consumer Consciousness," Forbes (May 14, 2024); McKinsey and Company, "Consumers care about sustainability – and back it up with their wallets," (February 6, 2023) (Both McKinsey and NielsenIQ studies found that consumers are prioritizing environmentally and ethically sustainable products); Bradley Little, "What companies are doing to become more sustainable," WeWork (April 21, 2022) (states that businesses seem to share concerns with consumers about the environment and have already put measures into place); Deloitte Resources 2019 Study. "Energy management: Balancing climate, cost, and choice," Deloitte, (2019); Ken Silverstein, "Big Business Steps Up for Clean Energy, Even as Washington Stands Down," Forbes (April 2019); Andrew Hoffman, "The Next Phase of Business Sustainability," Stanford Social Innovation Review (Spring 2018); Ben Schiller, "The Companies that Are-And Aren't Setting Strong Clean Energy Targets," Fast Company (May 2017).

[39] Centre for Nature and Climate, "How 4 leading companies are tackling supply chain emissions," World Economic Forum (June 3, 2025); George Sarafeim, Shirley Lu, Barbara DeLollis & Glen Justice, "Harvard research: 45% of U.S. public companies in major industries are developing or selling climate solutions," Harvard Business School (November 18, 2024); Maurice Dumrose, André Höck, "Corporate Carbon-Risk

vast majority of large companies now report on environmental sustainability, with 96% of G250 companies reporting on it since 2022,[40] although this is often done without the context of a stated policy and goals regarding environmental impact.

The exogenous threat of severe weather and climate change on business operations, workers, and supply chains are escalating.[41] Executives recognize this risk.[42] Greater insight into a company's approach to the environment enables shareholders to assess emerging risks and opportunities and better understand how companies are addressing their potential impact on strategy and operations.[43]

Community

Company policy toward, and engagement with, their communities (defined hyper-locally, more globally, or beyond geography) is also critical to performance.[44] Companies with greater

---

and Credit-Risk: The Impact of Carbon-Risk Exposure and Management on Credit Spreads in Different Regulatory Environments," Finance Research Letters, Volume 51, 2023; SME Climate Hub, "New data reveals two-thirds of surveyed small businesses concerned over navigating climate action," (February 23, 2022) (finds that 60% of businesses that were surveyed plan to reduce carbon impact); See Joseph E. Aldy & Gianfranco Gianfrate, "Future-Proof Your Climate Strategy," Harvard Business Review (May-June Issue 2019)

[40] See KPMG, "The move to mandatory reporting," (November 2024) (96% of the world's largest 250 largest companies include information on sustainability in their annual reports); IFAC, AICPA & CIMA study shows almost all major global companies (98%) report on sustainability but use of standalone reports have declined over the past few years, reflecting more common approach of including that information in annual or integrated reports (see IFAC, AICPA & CIMA, "The State of Play: Sustainability Disclosure and Assurance," (May 2025)

[41] Gill Einhorn, Dominic King. "How climate hazards are reshaping business realities and responses." World Economic Forum (March 26, 2025) (Recent storms and wildfires highlight growing climate hazard posed to businesses and societies; impact will drive up business costs and operational efficiency); Rebecca M. Henderson, Sophus Reinert, & Mariana Oseguera, "Climate Change in 2020," Harvard Business School Background Note 320-087 (2020).

[42] Karin Rives, "70% of global execs say climate change will affect their business this decade," S&P Global, (September 11 2024) (a new Deloitte survey of 2,103 business leaders found that a majority of them expect climate change to have a major impact on their business strategy); See Deloitte Insights, "The Fourth Industrial Revolution: At the Intersection of Readiness and Responsibility," (January 2020) and related infographic (finding 89 percent of the 2,000 executives surveyed felt that climate change would negatively impact their company in some way)

[43] Michael Bondar et al.. "How can the enterprise earn investor trust through sustainability disclosures?" Deloitte (March 12, 2024) (Deloitte and Tufts Fletcher School study finds that investors are increasingly incorporating sustainability factors into investment decisions but report barriers in clarity and reliability of data on sustainability); Dax Lovegrove, "Comment: Europe's new reporting directive may seem like a burden, it's actually an opportunity," Reuters (February 22, 2024) (discusses the case of disclosure rules in Europe aiming to improve sustainability transparency for investors and high priority critical impacts to be measured in greater detail)

[44] See e.g. Airbnb, "Airbnb Unveils Roadmap to Bring Magical Travel to Everyone," (September 25, 2025) (a part of the roadmap is investing in community, including its valued community of hosts, through updated benefits); Stand Together Foundation, "Why Helping Your Community is Good For Business: A Q&A with Evan Feinberg," (February 8, 2024) (finds that community collaboration provides mutual benefit where companies get a healthier environment to do business and a homegrown talent pool which creates tremendous opportunity); Jeffrey Bussgang and Jono Bacon. "When Community Becomes Your Competitive Advantage." Harvard Business Review (January 21, 2020); Sinziana Dorobantu & Dennis Flemming, "It's Never Been More Important for Big Companies to Listen to Local Communities," Harvard Business Review (November 10, 2017); Yves Fassin, Simone de Colle, & R. Edward Freeman,

engagement are more likely to avoid conflict with community stakeholders, a finding aligned with the importance of community in terms of workforce, customer base, and government interaction.[45] Conversely, companies with weak or superficial community engagement can become entangled in expensive conflict with reputational consequences. These findings are particularly salient for companies given the potential of social media to amplify negative or embarrassing stories. There are positive effects and opportunities community engagement can have on businesses who prioritize decision-making with community input, stakeholder support, and maintaining a social license to operate through intentional connection.[46] Overall, community investment can serve as both a safeguard against reputational risk and an asset that can build public trust and drive long-term business performance.

Diversity and inclusion

Companies that want to succeed over the long-term increasingly rely upon the quality of their

---

"Intra-stakeholder alliances in plant-closing decisions: A stakeholder theory approach," Business Ethics Volume26, Issue2, April 2017, Pages 97-111

[45] Hassan, Ahmed & Mohamed, Aliaa & Ebrahim, Medhat & Micheal, Jonson & ali, Zakria, "Stakeholder Engagement and Conflict Management in Mega Projects: A Systematic Review and Best Practice Framework," Misr University for Science & Technology (2025); Sustainability Magazine, "What Are The Long-Term Effects of Community Engagement?" (March 1, 2025) (states that by engaging communities from the outset there is a reduction in conflict, proactive engagement can prevent disputes and legal challenges); See e.g. Starbucks, "Starbucks Reports Preliminary Q4 and Full Fiscal Year 2024 Results." Starbucks Coffee (October 22, 2024); Arpita Raj, "The Risks of Reputational Damage." Sigwatch, (October 16, 2024) (engaging with stakeholders can mitigate potential reputational damage in the future because they help form public opinion; Michael Flynn et al., "Community engagement 'for good,'" (March 13, 2024) (states that while increasing community engagement might further lengthen the public input process, it may de-risk projects by preventing public opinion from shutting down the process in its design phase); Kujala, J., Sachs, S., Leinonen, H., Heikkinen, A., & Laude, D, "Stakeholder Engagement: Past, Present, and Future," (2022) *Business & Society*, *61*(5), 1136-1196; Witold J. Henisz, Sinziana Dorobantu, & Lite J. Nartey (2014) "Spinning Gold: The Financial Returns to Stakeholder Engagement," Strategic Management Journal, 35 (12), 1727-1748 (2014); Daniel M. Franks, et al., "Conflict translates environmental and social risk into business costs." Proceedings of the National Academy of Sciences May 2014, 111 (21) 7576-7581; Deanna Kemp & John R. Owen, "Community relations in mining: Core to business but not 'core business'," Resources Policy 38(4):523–531 (2013); Steven Herz et al., "Development Without Conflict: The Business Case for Community Consent," World Resources Institute (May 2007)

[46] Patagonia, "Patagonia to Publish, 'Tools To Save Our Home Planet: Best Advice From 56 Leading Activists," (January 31, 2025) (an example of one of Patagonia's efforts to connect with local environment organizations and activists); See Ben & Jerry's "How We Do Business," (states that the company is committed to intentional investment in Black owned and Black led suppliers to support growing wealth in those communities).

talent to outperform.[47] Survey data suggests U.S. workers are attracted to diverse workplaces[48] so that firms with diverse workforces and a broader scope of potential talent have a competitive advantage in recruitment.[49] In addition, those firms that successfully manage to make all employees feel included are more likely to retain top talent.[50]

---

[47] "Putting Talent at the Centre: An Evolving Imperative for Manufacturing," McKinsey & Company and World Economic Forum White Paper (February 2025) (states that the long-term viability of any company depends on sufficient access to skilled and capable talent); Melissa Burke, "88% of business transformations fail to achieve their original ambitions; those that succeed avoid overloading top talent," Bain & Company (April 15, 2024) (survey of over 400 executives and senior leaders found the strongest predictor of a transformation's success is how well the company retains, develops and acquires the right talent and capabilities); See McKinsey & Company, "The State of Organizations 2023," (research from McKinsey Global Institute finds that companies that successfully develop people and manage them well gain a long-term performance edge)

[48] Brenda Mills, "Gen Z in the Workplace," Adobe (May 8, 2024) (study finds that 77 percent of Gen Z in the US find it important to work for a company that cares about diversity, equity and inclusion); Rachel Minkin, "Diversity, Equity and Inclusion in the Workplace," Pew Research Center (May 17, 2023) (study finding that 56% of employed U.S. adults find focusing on increasing D&I in the workplace as a good thing); Jung Ho Cho et al, "Do Jobseekers Value Diversity Information? Evidence From a Field Experiment," Stanford Graduate School of Business, Working Paper No. 4010 (February 2022) (study of 267,494 job seekers found that disclosing diversity scores in job postings increases click-through for firms with higher D&I scores); Glassdoor, "Diversity and Inclusion Workplace Survey," (October 1, 2020) (more than 3 in 4 employees and job seekers (76%) report a diverse workforce is an important factor when evaluating companies and job offer).

[49] See World Economic Forum, "Future of Jobs Report 2025 Insight Report," (January 2025) (Future of Jobs survey finds increased emphasis by employers on diversity and inclusion connected to a growing perception of its potential to increase talent availability; tapping into diverse talent pools is now considered among the top five most important business practices to increase talent availability) Vincent Bérubé et al., "Increasing your return on talent: The moves and metrics that matter," McKinsey & Company (April 15, 2024) (companies have widened their hiring process and have expanded their sourcing pools both in terms of quantity and diversity); Opada, F. M. M., Ibrahim, M. B. H., Irawan, A., Akbar, M. A., & Rasyid, A. (2024). "Talent Acquisition Strategies: A Comprehensive Examination of Recruitment Policies for Organizational Success," *Advances in Human Resource Management Research*, *2*(2), 63–77 (states that through fostering a diverse and inclusive work environment, organizations can tap into a broader talent pool and gain a competitive edge in the marketplace); Gadgil, Aashish A., Supriya S. Shanbhag, and Vivek Pachauri. "Recruitment and HR in talent acquisition: Best practices for hiring top talent." *African Journal of Biological Sciences* 6 (2024): 314-323 (the analysis conducted shows that of best practices for hiring top talent, prioritizing diversity and inclusion can enhance competitive advantage and position companies for long term success); David Rock & Heidi Grant, "Why Diverse Teams Are Smarter," Harvard Business Review (November 4, 2016)

[50] Pal, Shreya & Harminder, Dr & Gujral, Harminder, "Role of Workplace Diversity in Employee Retention and Organizational Culture," International Journal for Research in Engineering Application & Management (IJREAM) (May 2024) (finds that organizations that embrace diversity-related initiatives frequently see increases in employee retention); Kasih, Ekawahyu & Ruslaini, Ruslaini, "The Impact of Diversity and Inclusion Initiatives on Organizational Performance," SSRN Electronic Journal (January 2024) (this study finds that fostering a diverse and inclusive workplace is a strategic imperative for enhancing employee retention); Frances X. Frei and Anne Morriss, "10 Reasons Why Inclusion is a Competitive Advantage," Harvard Business Review (October 10, 2023); Gabrielle Novacek et al., "Inclusion Isn't Just Nice. It's Necessary," Boston Consulting Group, February 2023 (finds that senior leadership commitments to diversity and inclusion have dramatic benefits when it comes to attracting and retaining highly valued employees; Kathryn Kuhn, Eric Lamarre, Chris Perkins & Suman Thareja, "Mining for tech-talent gold: Seven ways to find and keep diverse talent," McKinsey & Company (September 7, 2022); See Harvard Business Review, "Inclusive Workplaces Start with Inclusive Leaders," (June 27, 2022) (states that leaders who make model inclusivity and diversity make a difference in retention and culture)

Firms define diversity across multiple dimensions which may include age, geography, gender, race and ethnicity, socioeconomic status, education and cultural perspective, among other factors. Studies have shown that the relationship between diversity and firm financial performance is complex and context-dependent. While there is research that demonstrates how diversity can improve company performance, like outperforming peers in share price[51] or increased corporate innovation output [52], some studies show neutral effects and many base findings on correlation rather than causation.[53] Research linking diversity to company performance shows that inclusive workplace environments and diverse teams can enhance innovation and encourage diverse idea exchange[54], as well as strengthen a firm's competitive advantage.[55] Companies that encourage diversity and inclusion are also able to better understand customer experience by reflecting their consumer base which can lead to more trust, loyalty and a better chance at growth.[56]

---

[51] See Morgan Stanley, "Gender Diversity Keeps Paying Dividends." (7 March 2023)

[52] Griffin, Dale & Li, Kai & Xu, Ting. (2019). "Board Gender Diversity and Corporate Innovation: International Evidence." Journal of Financial and Quantitative Analysis. 56. 1-32.

[53] Jost Sieweke, Tanja Hentschel, Brooke A. Gazdag, Levke Henningsen, "The business case for demographic diversity in strategic leadership teams: A systematic and critical review of the causal evidence," The Leadership Quarterly, Volume 36, Issue 1, 2025; Almeida et al., "Diversity, Equity and Inclusion is not bad for business: Evidence from employee review data for companies listed in the UK and the US," The Growth and Governance Hub (G&G), The Inclusion Initiative, The London School of Economics and Political Science 2Citi, Global Data Insights (October 2024) (overall conclusion states that diversity and inclusion has a positive or neutral association with firm performance); Klick, Jonathan. "Review of the Literature on Diversity on Corporate Boards." American Enterprise Institute, (6 April 2021) (looks at existing research on the causal relationship between firm performance and board makeup and cites many sources that point to correlation rather than causation in arguing the positive effects of diversity)

[54] Rohit Piplani. "Why diverse teams are more profitable," Melbourne Business School (January 30, 2025); Thomas Covington, Thanh Dat Le, Julie Ngo, "Diversity and inclusion in the workplace and corporate innovation." Finance Research Letters, Volume 76 (2025); Quinetta Roberson, "How Integrating DEI Into Strategy Lifts Performance," MIT Sloan Management Review (November 7, 2024); Hoever, Betancourt, Chen, and Zhou. "How others light the creative spark: Low power accentuates the benefits of diversity for individual inspiration and creativity." Organizational Behavior and Human Decision Processes 176 (2023); Monika Mahto, Susan K. Hogan & Brenna Sniderman, "A rising tide lifts all boats," Deloitte Insights, (January 18, 2022) (notes that diversifying the workforce in terms of neurodivergent workers could be integral to innovative solutions and valuable ways of thinking); (on cultural perspective) Max Nathan & Neil Lee (2013) "Cultural Diversity, Innovation, and Entrepreneurship: Firm-level Evidence from London," Economic Geography, 89:4, 367-394

[55] Ron Carucci, "One More Time: Why Diversity Leads To Better Team Performance," Forbes (January 24, 2024); McKinsey & Company. "Diversity matters even more: The case for holistic impact." (December 5, 2023); Kumar, A. (2021). "Diversity and Inclusion: A Competitive Edge," *NHRD Network Journal*, *14*(3), 298-302; Journal of Business Research, Volume 143, 2022, Pages 119-139; Josh Bersin & Tomas Chamorro-Premuzic, "The Case for Hiring Older Workers," Harvard Business Review (September 26, 2019); (on race and ethnicity) Richard, O., McMillan, A., Chadwick, K., & Dwyer, S. "Employing an Innovation Strategy in Racially Diverse Workforces: Effects On Firm Performance" *Group & Organization Management*, *28*(1), 107–126;(2003)

[56] Sahoo, Debabrata & Mishra, Somabhusana & Rout, Debasish, "Marketing Diversity: How Inclusive Workplaces Attract Customers and Improve Brand Image," International Journal of Multidisciplinary Trends, 2024, 14-19 (states that inclusive workplaces are more suited to understand needs of a varied client base); Jason Frazier, "How Diversity and Inclusion From Within Can Grow Your Customer Base," Forbes (January 3, 2024); Simone Siebeke, "How diversity can drive next level customer service," SpencerStuart (January 2023).

These findings on the benefits of diversity also extend to boards. Diverse directors can provide new perspectives, as well as deepen trust and understanding, which is essential to board effectiveness[57] - but only when it is done in a meaningful and effective way that works for the particular company and board. For these efforts at the board level to be impactful, they must be accompanied by an environment where all members feel empowered to share their perspectives and where their contributions are actively valued and integrated into decision-making.[58]

Some have argued that diversity efforts have overreached and some companies have faced pressure to rollback some initiatives.[59] Many companies have responded by de-emphasizing such efforts.[60] Other companies, however, are maintaining programs because of their belief in the value of these efforts to their long-term business performance. In a number of recent cases, shareholders have supported diversity and inclusion initiatives in the face of opposition based on an understanding that a more diverse workforce contributes to achieving their specific business goals.[61] Costco's board defended its initiatives based on their belief that diversity efforts "enhance [their] capacity to attract and retain employees who will help [their] business succeed."[62] Other companies such as Apple, Levi's, Delta, and McKinsey & Company, echoed the sentiment that their strength comes in part from hiring "people with diverse backgrounds and perspectives" which is therefore critical to their businesses.[63] Others reaffirmed that these initiatives help make their companies distinctive, leading to better

---

[57] Anthony Goodman et al., "The Optimal Board: 4 ways to get the best out of your board," Korn Ferry White Paper (April 8, 2024) (Korn Ferry survey of over 180 board members showed that 81% recognize benefits of diversity on the board); Spierings, Merel. US Public Company Board Diversity in 2023: How Corporate Director Diversity Can Contribute to Board Effectiveness. Harvard Law School Forum on Corporate Governance (24 November 2023); Justin G. Davis, Miguel Garcia-Cestona "Financial reporting quality and the effects of CFO gender and board gender diversity." *Journal of Financial Reporting and Accounting* 5 April 2023; 21 (2): 384–400;C. José García, Begoña Herrero, "Female directors, capital structure, and financial distress," Journal of Business Research, Volume 136, 2021,Pages 592-601; Scott Berinato, "Banks with more women on their boards commit less fraud," Harvard Business Review, May - June 2021.

[58] "Diversity and inclusion in boardrooms: Advantages and strategies for improvement," Diligent (March 4, 2024); Stephanie J. Creary, Janet Foutty & Kwasi Mitchell, "How Diversity Can Boost Board Effectiveness," MIT Sloan Management Review, April 3, 2023.

[59] Jonathan Stempel, "Glass Lewis, ISS sue Texas over law limiting DEI, ESG proxy advice," Reuters (July 25, 2025). Sean Sands, Carla Ferraro, "DEI rollbacks: Consequences and considerations for brand managers," Business Horizons, February, 13 2025; Eleanor Hawkins, "Which companies are rolling back DEI and which are standing firm," AXIOS (February 12, 2025).

[60] Business & Human Rights Resource Centre, "Big Tech companies scale back DEI programs amid Trump administration policy shifts," (March 10, 2025); The Associated Press, "Which US companies are pulling back on diversity initiatives?" (February 21, 2025); Sean Sands & Carla Ferraro, "DEI rollbacks: Consequences and considerations for brand managers," Business Horizons, 2025.

[61] James Darley, "99% of Levi's Shareholders Vote to Stand Resolute on DEI," Sustainability Magazine, (April 24, 2025); Maiden, Ben. "The week in GRC: Apple shareholders reject anti-DEI proposal and Goldman Sachs drops diversity section from 10K." Governance Intelligence (28 Feb 2025); Scott Neuman and Alana Wise, "Costco's Shareholders overwhelmingly reject anti-DEI proposal," NPR Illinois. January 23, 2025; Stephen Nellis, "Apple shareholders vote to keep its diversity policy," Reuters (February 26, 2025); Salil Tripathi, "Some companies are doubling down on DEI – more should follow," Institute for Human Rights and Business, (January 29, 2025).

[62]James Darly, "Costco Stands Resolute Against the Anti-DEI Movement," Sustainability Magazine. (January 7, 2025)

[63] Eleanor Hawkins, "Which companies are rolling back DEI and which are standing firm," AXIOS, (February 12, 2025)

performance.[64]

It is important to recognize that a one-size-fits-all approach to diversity and inclusion can undermine the effectiveness of these initiatives.[65] Inclusion is important because other studies suggest that effects can be negative if diversity is managed poorly.[66] Firms should articulate a clear link to their business strategy in order for these initiatives to transform into meaningful long-term progress.[67] Transparency about how the company's approach creates long-term value enables employees, investors, and customers to understand the relevance and contribution.

Investing in employees

Since talent is an increasingly important differentiator, firms that want to do well over time invest in their employees. Economic theory and research demonstrate how worker education and training can enhance productivity and provide significant financial benefits.[68] Many studies demonstrate a strong positive correlation between investment in workers and financial outcomes including total shareholder return, return on assets, return on earnings, return on investment, and return on capital employed.[69] These findings extend to

---

[64] James Darley, "99% of Levi's Shareholders Vote to Stand Resolute on DEI," Sustainability Magazine, (April 24, 2025); Kelly Tyko, "Costco shareholders overwhelmingly reject anti-DEI measure," AXIOS, (January 23, 2025); See Microsoft, "Global Diversity and Inclusion Report," October 2024; Dan Primack, "Cisco CEO Chuck Robbins Defends DEI at his company," AXIOS (January 22, 2025)

[65] Curtis L. Odom, Charn P. McAllister, and Ryan Soffer, "Why Belonging Matters More Than Just Diversity," MIT Sloan Management Review (May 26, 2025); Traci Sitzmann, Shoshana Schwartz & Mary Lee Stansifer, "Research: The Most Common DEI Practices Actually Undermine Diversity," Harvard Business Review (June 14, 2024); Seval Gündemir, Rouven Kanitz, Floor Rink, Inga J. Hoever, Michael L. Slepian, "Beneath the surface: Resistance to diversity, equity, and inclusion (DEI) initiatives in organizations," Current Opinion in Psychology, Volume 60, 2024. Lauryn Burnett, Herman Aguinis, "How to prevent and minimize DEI backfire," Business Horizons, Volume 67, Issue 2, 2024.

[66] Traci Sitzmann, Shoshana Schwartz & Mary Lee Stansifer, "Research: The Most Common DEI Practices Actually Undermine Diversity," Harvard Business Review, June 14, 2024; Lauryn Burnett, Herman Aguinis, "How to prevent and minimize DEI backfire," Business Horizons, Volume 67, Issue 2, 2024.

[67] Quinetta Roberson, "How Integrating DEI Into Strategy Lifts Performance," MIT Sloan Management Review (November 7, 2024); Catalyst, "Embedding DEI into your business strategy: Key insights from industry leaders," (December 21, 2023); See McKinsey & Company, "The State of Organizations 2023.

[68] Gorgens, Marelize; Nayak, Mahesh Dinkar, "Human Capital Umbrella Program: Investing in People to Meet Global Challenges - Annual Report 2024," Washington, D.C: World Bank Group; Leoni, S."A Historical Review of the Role of Education: From Human Capital to Human Capabilities." *Review of Political Economy*, *37*(1), 227–244 (August 29, 2023). Anu Madgavkar et al, "Human capital at work: The value of experience," McKinsey & Company, June 2, 2022; See Gary S. Becker, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, University of Chicago Press (1964) (seminal publication on human capital); Nguyen Ngoc Thang, Truong Quang, and Dirk Buyens, "The Relationship Between Training and Firm Performance: A Literature Review," Journal of Research and Practice in Human Resource Management 18 (1) (2010): 18–45.

[69] Dr. Farheen Ahmad et al., "The Interconnection of HR Strategies and Financial Performance in Modern Organizations," Journal of Information Systems Engineering and Management (January 10, 2025); Chali, Birhanu Daba, and Vilmos Lakatos (2024). "The Impact of Human Resource Management on Financial Performance: A Systematic Review in Cooperative Enterprises" *Journal of Risk and Financial Management*

investments in worker training, professional development and strong benefits programs.[70] International studies reveal these investments increase productivity of workers at a rate surpassing the corresponding increase in wages.[71] Some employers are taking more steps to invest in workplace well-being to foster growth.[72] Investing in employee well-being can reduce healthcare costs, increase productivity, and lower employee turnover.[73] Through initiatives such as employee resource groups, mental health programs, and health benefits, workers are better able to thrive within their organizations and better help their organizations to succeed.[74]

Firms have long understood this link, however, changing economic dynamics put increasing value on "intangible assets," including intellectual property and human capital. Estimates suggest intangible assets now commanding around 90% of market value of the S&P 500, which has increased about 6% even since 2015.[75] One recent study found that human capital contributed 6-8 times more than firms themselves to innovation outcomes, underscoring the central value of skilled and productive employees to corporate development and long-term

---

17, no. 10: 439; Aaron Bernstein & Larry Beeferman, "The Materiality of Human Capital to Corporate Financial Performance," Pensions and Capital Stewardship Project, Labor and Work life Program, Harvard Law School (April 2015) (review of studies).

[70] Jolanda Grob, "Developing a resilient workforce: Public and private sector strategies for continuous people development and meaningful jobs," World Economic Forum (January 10, 2025); Mikko Ranta, Mika Ylinen, "Employee benefits and company performance: Evidence from a high-dimensional machine learning model," Management Accounting Research, Volume 64 (2024) (findings indicate that high-growth companies tend to provide an array of benefits to their employees); ResearchFDI, "The Crucial Role of Workforce Development Programs in Fostering Economic Growth," (August 4, 2023) (states that workforce development contributes significantly to economic growth through bridging skills gaps and enhancing competitiveness, which builds an educated and skilled workforce, attracts foreign investments and in turn leads to economic expansion); FCLTGlobal, "The People Factor: How Investing in Employees Pays Off," (March 2023) (non-wage related benefits exhibit positive effects as it pertains to sales growth).

[71] Xinwei Dong et al., "Training, Productivity and Wages: Direct Evidence from a Temporary Help Agency", (September 30, 2022) (finds evidence that skill acquired through training increases productivity more than wages); Jozef Konings & Stijn Vanormelingen, "The Impact of Training on Productivity and Wages: Firm Level Evidence," (Bonn, Germany: Institute for the Study of Labor, 2010); Bapna, Ravi and Langer, Nishtha and Mehra, Amit and Gopal, Ram D. and Gupta, Alok, Human "Capital Investments and Employee Performance: An Analysis of IT Services Industry," (May 9, 2012). Management Science, 59 (3), pp. 641-658; Lorraine Dearden, Howard Reed, & John Van Reenen, "The Impact of Training on Productivity and Wages: Evidence from British Panel Data," Oxford Bulletin of Economics and Statistics 68 (4) (2006): 397–421.

[72] Anthea Ong, "Why prioritizing employee well-being is good for business," World Economic Forum, (March 28, 2025); Elufioye, O. A., Ndubuisi, N. L., Daraojimba, R. E., Awonuga, K. F., Ayanponle, L. O., & Asuzu, O. F., "Reviewing employee well-being and mental health initiatives in contemporary HR Practice," *International Journal of Science and Research Archive*, *11*(1), 828-840 (2024).

[73] Barbara Jeffrey et al., "Thriving workplaces: How employers can improve productivity and change lives," McKinsey Health Institute (January 16, 2025); Garcia, A. G, "The impact of sustainable practices on employee well-being and organizational success," *Brazilian Journal of Development*, *11*(3) (2025); Mikko Ranta, Mika Ylinen, "Employee benefits and company performance: Evidence from a high-dimensional machine learning model," Management Accounting Research, Volume 64 (2024); S&P Global, "Prioritizing employee wellbeing may help stem the tide of rising turnover," (August 27 2024) (the business case for emphasizing employee happiness shows that a happier workforce can lead to improved productivity, lower turnover and greater collaboration)

[74] Vyas-Doorgapersad, S., "Employee wellness programmes for improved performance," (2024). International Journal of Educational Review, Law and Social Sciences |IJERLAS; Wu, Ashley et al, "Organizational Best Practices Supporting Mental Health in the Workplace," *Journal of occupational and environmental medicine* vol. 63,12 (2021)

[75] Ocean Tomo, A Part of J.S. Held, Intangible Asset Market Value Study, (2020).

growth.[76]

Many major investors and investor organizations are prioritizing human capital and company culture engagement priorities.[77] Frameworks such as the Global Reporting Initiative (GRI), the International Sustainability Standards Board (ISSB), and the International Standards Organization (ISO) all identify human capital investment as a key value driver for companies.[78] Despite the materiality of human capital to company value, spending on worker training shows up as an operating expense rather than a capital investment in a firm's financial statements and therefore is considered overhead in reporting.[79]

Modern companies increasingly recognize that spending on human capital, through training, development and employee well-being, is essential to long-term success. By sharing their approach to human capital with their investors, workers, and others as part of their stakeholder policy, companies can show their commitment to this critical ongoing investment.

Rewarding employees and other stakeholders

Given the importance of employees and stakeholders to performance, long-term companies are at the forefront of implementing established and novel ways to reward these groups. Research shows a strong positive association between shared capitalism programs and corporate

[76] Tong Liu, Yifei Mao, Xuan Tian, "The role of human capital: Evidence from corporate innovation, Journal of Empirical Finance." Volume 74, 2023, 101435, ISSN 0927-5398.
[77] Daniel Rourke, "Why investors are looking carefully at human capital management," J.P Morgan Private Bank (April 28, 2025); Solange Charas, "From Expense to Investment: Human Capital - A Driver of Business Value," Forbes (October 1, 2024); Anu Madgavkar et al., "Performance through people: Transforming human capital into competitive advantage," McKinsey & Company (February 2, 2023); See BlackRock Investment Stewardship (BIS), "Investment Stewardship's approach to engagement on human capital management," (January 2020); CalPERS, "CalPERS Beliefs: Our Views Guiding Us into the Future," (2014) (stating long-term value creation requires effective management of three forms of capital: financial, physical, and human); Council of Institutional Investors (CII) sent a letter to the SEC supporting improved human capital reporting (October 17, 2019).
[78] "Feedback Statement: IFRS Sustainability Disclosure Standards," IFRS Foundation (June 2024) (the ISSB added to its work plan a research project to explore information about opportunities associated with human capital); ISO 30414:2018 Human resource management — Guidelines for internal and external human capital (providing guidelines and metrics for human capital reporting, including diversity, organizational cultural, health and safety, recruitment and turnover, skills and capabilities).
[79] IFRS Sustainability, "Research Project - Human Capital," (February 2025) (states that workforce expenditures are treated as costs versus investments and value may not be evident in statements); Angela Hanks, et al., "Workers or Waste? How Companies Disclose—or Do Not Disclose— Human Capital Investments and What to Do About It," Center for American Progress Report (June 2016); Laurie Bassi, et al., "The Impact of U.S. Firms' Investments in Human Capital on Stock Prices." (2004).

performance.[80] This has led to the development of a shared ownership movement, where a number of companies have given employees the opportunity to participate in the benefits of the value they create.[81] As of 2023, approximately 18% of employees (about 25 million workers across the nation) had some form of ownership stake where they work, including employee stock ownership, broad-based stock options, profit-sharing bonuses, and paid group incentive schemes (gain sharing).[82] These types of programs are linked with higher worker productivity, greater loyalty, reduced turnover, and greater willingness to work hard due to employees feeling invested and connected.[83] Employee stock ownership can boost business performance, while also enhancing corporate culture and uplifting families.[84] Over the last few years, more companies are using employee stock ownership plans as a strategy to drive long-term growth.[85]

---

[80] Xia Liu, FangJingya Cheng, Ronghe Zhang, Zhuohang Li, "Impact of employee compensation structure on company performance: Moderating effects of ownership concentration," Finance Research Letters, Volume 74, (2025) (study finds that employee compensation is positively correlated with company performance); Phuong Lan Le and Hoa Thi Thanh Nguyen, "Effects of employee stock ownership plans on firm performance – evidence from listed commercial banks of Vietnam," *Banks and Bank Systems*, *18*(2), 202-213 (2023) (study finds that ESOP had a positive impact on the performance of banks and an overall positive effect on the financial ratios of joint stock commercial banks); Lee, J., Kruse, D. L., & Blasi, J. R, "Shared Capitalism and Corporate Sustainability: Broad-Based Employee Share Ownership, CEO Ownership, and Corporate Environmental Performance," *Business and Society*, *64*(1), 163-208 (2025) (results from this study find that broad-based employee share ownership is linked to positive corporate environmental performance).

[81] Ownership Works, "The Movement Builders: The People Leading the Shared Ownership Movement," 2024 (states to date 85 prominent investors and institutions have committed their expertise and resources toward advancing shared ownership); Ownership Works, "A closer look at employee ownership in action." (lists the companies that have implemented ownership programs, such as InsightGlobal, Harley Davidson, Gibson, and more).

[82] Joseph Blasi & Douglas Kruse, "Employee Ownership and ESOPs," Aspen Institute (June 2023).

[83] "The Movement Builders: The People Leading the Shared Ownership Movement," Ownership Works Impact Report 2024 (shared ownership builds a long term investment because it rewards workers for staying with the company); Joseph R. Blasi, et al. "Creating a Bigger Pie? The Effects of Employee Ownership, Profit Sharing, and Stock Options on Workplace Performance" (Chapter 4), Arindrajit Dube & Richard B. Freeman, "Complementarity of Shared Compensation and Decision-Making Systems: Evidence for the American Labor Market," (Chapter 5), Alex Bryson & Richard B. Freeman, "How Does Shared Capitalism Affect Economic Performance in the United Kingdom," (Chapter 6), Erika E. Harden, Douglas L Kruse, & Joseph R. Blasi, "Who Has a Better Idea? Innovation, Shared Capitalism, and Human Resources Policies," (Chapter 7) in Douglas L. Kruse, Richard B. Freeman, & Joseph R. Blasi (Editors), *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-based Stock Options*, National Bureau of Economic Research Conference Report, University of Chicago Press (2011); also see Dennis Campbell, John Case, & Bill Fotsch, "More Than a Paycheck" Harvard Business Review (January-February Issue, 2018).

[84] See e.g. Bob's Red Mill, "Securing the Future Through Employee Ownership," Forbes, March 22, 2024 (for employees ownership has meant retirement security, higher morale and productivity); See e.g. Pariveda, "Cultivating People-Centric Growth Through Employee Ownership at Pariveda," Forbes, December 3, 2024; Ownership Works, "The Movement Builders: The People Leading the Shared Ownership Movement," 2024.

[85] See the case of JPMorgan Chase, "JPMorgan Chase Announces More than $2 Million in Support of Employee Ownership Initiatives that Bolster Business Dynamism and Resilience in Local Communities," November 1, 2024; Loren Rodgers, "Private Equity Giant Blackstone Commits to Employee Stock Grants," National Center for Employee Ownership, May 22, 2024; Bob Violino, "An employee wealth-building tool that's helping companies attract and retain talent," The ESOP Association, December 28, 2023; "New Nonprofit Ownership Works Launches Movement to Help Create at Least $20 Billion in Wealth for Working Families Through Employee Ownership Programs," Leonard Green & Partners, April 5, 2022 (Ownership Works launched with the support of over 60 partners demonstrating the support of many public, private and non profit companies that recognize the value in the employee ownership model).

Shared capitalism programs also are linked with increased innovation and are positively associated with driving strategic outcomes, corporate environmental performance and boosting overall sustainability.[86] Studies also show increased resilience with firms more likely to survive major economic shocks like recessions.[87]

The benefits of shared capitalism extend beyond corporate performance with improvements to worker well-being, including higher compensation, benefits, and wealth, as well as greater participation in decision making and increased job security.[88] Shared capitalism has been found to increase employee satisfaction, trust, and positive relations with employers.[89] While worker satisfaction may be an end in its own right, the benefits to overall corporate performance are non-trivial and studies have connected employee satisfaction with share performance.[90]

---

[86] Lee, J., Kruse, D. L., & Blasi, J. R. (2024). Shared Capitalism and Corporate Sustainability: Broad-Based Employee Share Ownership, CEO Ownership, and Corporate Environmental Performance. Business & Society, 64(1), 163-208.

[87] National Center for Employee Ownership, "Measuring the Impact of Ownership Structure on Resiliency in Crisis," (December 2021) (finds that being an ESOP is associated with measured resiliency); The ESOP Association, "ESOP Companies are more likely to survive recessions," (July 16 2020); Fidan Ana Kurtulus & Douglas L. Kruse, *How Did Employee Ownership Firms Weather the Last Two Recessions?: Employee Ownership, Employment Stability, and Firm Survival in the United States: 1999-2011*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research (2017); Rhokeun Park, Douglas Kruse, & James Sesil, "Does Employee Ownership Enhance Firm Survival?," Advances in the Economic Analysis of Participatory and Labor-Managed Firms, Volume 8, 3-33; Joseph Blasi, Douglas Kruse, & Dan Weltmann, "Firm Survival And Performance In Privately Held Esop Companies" (2013) Advances in the Economic Analysis of Participatory and Labor-Managed Firms. 14. 109-124.

[88] Adrianto Adrianto et al. "Sharing is Caring: Employee Stock Ownership Plans and Employee Well-Being in U.S. Manufacturing." IZA Institute of Labor Economics. Deutsche Post Foundation. August 2024; Schur, L., Wang, J., Kruse, D., & Kato, T. (2024), "Disabilities, shared capitalism, and wealth: evidence from health and retirement survey." *International Review of Applied Economics*, 1–17; Douglas L. Kuse, Richard B. Freeman, and Joseph R. Blasi, "Do Workers Gain by Sharing? Employee Outcomes Under Employee Ownership, Profit Sharing, and Broad-Based Stock Options." (Chapter 8), Edward J. Carberry, "Who Benefits for Shared Capitalism? The Social Stratification of Wealth and Power in Companies with Employee Ownership." (Chapter 10), Robert Buchele, et al., "Show Me the Money: Does Shared Capitalism Share the Wealth?,"in Douglas L. Kruse, Richard B. Freeman, & Joseph R. Blasi (Editors), *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-based Stock Options*, National Bureau of Economic Research Conference Report, University of Chicago Press (2011).

[89] Maxwell Johnson, "The Emergence of Employee Ownership Trusts in the US." Aspen Institute, November 23, 2023; Kruse, D. "Does employee ownership improve performance?" IZA World of Labor 2022; Alex Bryson, Andrew E. Clark, Richard B. Freeman, Colin P. Green, "Share Capitalism and Worker Wellbeing" Labour Economics, Volume 42, October 2016, Pages 151-158; Alex Bryson & Richard Freeman, "Profit Sharing Boosts Employee Productivity and Satisfaction." Harvard Business Review (December 13, 2016)

[90] Boustanifar, Hamid and Kang, Young Dae, "Employee Satisfaction and Long-run Stock Returns." 1984-2020 (September 30, 2021), Financial Analysts Journal, 78:3, 129-151 (a study analyzing data from 1984 to 2020 found that companies prioritizing employee satisfaction outperformed the market by 2% to 2.7% annually); Becker, Mary et al. "Employee satisfaction and stock returns during the COVID-19 Pandemic," *Journal of behavioral and experimental finance* vol. 33 (2022) (research finds that companies with higher employee satisfaction demonstrated better stock performance during economic downturns); Blasi, Joseph, and Jonathan Michie. 2025. "The Theory and Practice of Employee Ownership." *International Review of Applied Economics* 39 (2–3); Alex Edmans, "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices" (January 20, 2010); Journal of Financial Economics 101(3), 621-640 (a widely cited study examining the relationship between employee satisfaction and long-run stock returns, which found a value-weighted portfolio of the "100 Best Companies to Work For in America" earned significantly better returns over a 25 year period).

Alternative models such as performance bonuses and share plans serve as reflections of employee engagement and success. When thoughtfully designed, these mechanisms can reward success, maximize team performance and strengthen employees' sense of value and belonging.[91] Leading companies such as Unilever, Salesforce and Southwest Airlines have successfully implemented performance-based awards, ranging from annual bonuses to performance share plans.[92] Similarly, employee recognition programs, such as achievement-based awards, can sustain motivation and contribute to a positive company culture.[93] By acknowledging individual contributions, these programs can contribute to overall organizational success.

Ultimately, sharing success helps foster increased employee satisfaction, which helps lead to stronger company performance and better relationships between firms and their employees.[94]

Long-term Strategy

Principle: Long-term focused companies should measure success in years and decades and prioritize long-term decision-making.

Policy: A policy explaining how the company prioritizes long-term strategic decision-making and long-term success, including discussion of:

A. What time horizon the company considers long-term;

B. How this time horizon relates to the company's strategic plans;

C. How the company aligns success metrics with its long-term time horizon; and D.

How the company implements long-term prioritization throughout the organization.

---

[91] Farrukh Aziz et al., "The Role of Incentive-Based Compensation in Enhancing Sales Team Motivation, Brand Expansion, and Profitability," (2025). *Research Journal for Social Affairs*, *3*(5), 529-539; Christian Charles Nana Akuffo-Aduamah (2025). Christian Charles Nana Akuffo-Aduamah, "The Impact of Compensation on Employees' Performance in Organizations," International Journal of Multidisciplinary Studies and Innovative Research, 13(1), 57-69.
[92] "Success stories: Companies excelling in employee engagement," Higginbotham, May 3, 2024; See Unilever "Our Benefits, Well-Being & Learning,"; Salesforce, "Why Incentive Compensation Matters – And How To Build the Program that Suits Your Business," August 20, 2024.
[93] "Employee recognition and rewards programs," Higginbotham, January 30, 2024; Joseph, Nnamdi, "The Impact of Employee Recognition Programs on Employee Engagement and Motivation: A Case Study of Southwest Airlines," 2023.
[94] Elisa del Sordo & Alessandro Zattoni, "The Role of Employee Ownership, Financial Participation, and Decision Making in Corporate Governance: A Multilevel Review and Research Agenda," Corporate Governance: An International Review, Volume 33, Issue 3, Pg. 529-549, August 26, 2024; See for example, Dennis Campbell, John Case, & Bill Fotsch, "More Than a Paycheck" Harvard Business Review (January-February Issue, 2018); Peter Walsh, Michael Peck, & Ibon Zugasti, "Why the U.S. Needs More Worker-Owned Companies" Harvard Business Review (August 8, 2018).

There is broad recognition of the value of companies emphasizing long-term strategy.[95] Analysis and survey data indicate most investors are most interested in long-term strategy, which is consistent with the popular narrative espoused by prominent investors.[96] Studies examining market movements resulting from overall strategy presentations find investors value information on strategy as demonstrated by positive boosts to share price.[97]

A substantial body of research details the negative effects of focusing too heavily on short-term plans and performance. Studies have found companies where senior management placed greater emphasis on short term earnings experienced greater share price volatility, higher costs of capital, and lower returns on equity.[98] Indeed, building on this research, some industry organizations and investor groups have argued for the elimination of short-term earnings guidance.[99] Others – including the Long-Term Stock Exchange — have gone even further,

---

[95] See e.g., McKinsey & Company, "Tying short-term decisions to long-term strategy," (May 20, 2024); See FCLTGlobal, "Driving the Conversation: Long-Term Roadmaps for Long-Term Success" (February 21, 2019); McKinsey & Company, "Where companies with a long-term view outperform their peers," (2017); The Aspen Institute, "Long-term value creation: Guiding principles for corporations and investors," 2007; Committee for Economic Development, "Built to Last: Focusing Corporations on Long-Term Performance" (2007); U.S. Chamber of Commerce, "Commission on the regulation of U.S. capital markets in the 21st century: Report and recommendations," (2007); CFA Centre For Financial Market Integrity & Business Roundtable for Corporate Ethics, "Breaking the Short-Term Cycle," CFA Institute (2006).

[96] See PwC's, "Global Investor Survey 2024," December 4, 2024; Myles Corson & Nicolas Lecoq, "How can CFOs be confident in value creation without confidence in reporting?" EY (October 23, 2024); Baruch Lev, "How to Win Investors Over," Harvard Business Review (November 2011 Issue); Thomas E. Copeland, Aaron Dolgoff, & Alberto Moel, "The Role of Expectations in Explaining the Cross-Section of Stock Returns," Review of Accounting Studies 9, 149–188 (2004); Thomas E. Copeland, "What Do Practitioners Want?," Journal of Applied Finance, Volume 12, Issue 1, Spring/Summer 2002. For survey data see CFA Institute Centre for Financial Market Integrity, "Short-Termism Survey: Practices and Preferences of Investment Professionals," (May 28, 2008); CFA Centre For Financial Market Integrity & Business Roundtable for Corporate Ethics, "Breaking the Short-Term Cycle," CFA Institute (2006). For prominent investors see e.g., Jamie Dimon & Warren E. Buffett, "Short-Termism Is Harming the Economy" Wall Street Journal, (June 6, 2018).

[97] Guo, W., & Yu, T., "What Do Investors Value? A Multidisciplinary Review." *Journal of Management*, *50*(1), 216-263 (May 2023). See Richard Whittington, Basak Yakis-Douglas, & Kwangwon Ahn, "Cheap talk? Strategy presentations as a form of chief executive officer impression management," Strategic Management Journal, Volume 37, Issue 12, December 2016, Pages 2413-2424 (finding company strategy presentations were associated with a same day average stock value rise of 2 percent, which translated into a $1.1 billion gain in market value); Brian Bushee, Michael J. Jung Gregory S. Miller "Conference Presentations and the Disclosure Milieu," Journal of Accounting Research, Volume 49, Issue 5, December 2011, Pages 1163-1192 (finding positive average abnormal stock return and share turnover signals following company presentations at conferences)

[98] James Dow, Jungsuk Han & Francesco Sangiorgi, "The short-termism trap: Catering to informed investors with limited horizons," Harvard Law School Forum on Corporate Governance (August 13, 2024); Resilience in the Age of Short-Termism," Kenan Institute of Private Enterprise (May 28, 2024); Stephen J. Terry, "The Macro Impact of Short-Termism," Boston University & NBER, April 2023; Dominik M. Rösch, Avanidhar Subrahmanyam, Mathijs A. van Dijk,"Investor short-termism and real investment,"Journal of Financial Markets, Volume 59, Part B (2022); François Brochet, George Serafeim, and Maria Loumioti, "Short-Termism: Don't Blame Investors," Harvard Business Review (June 2012 Issue); François Brochet, Maria Loumioti, and George Serafeim, "Speaking of the short-term: disclosure horizon and managerial myopia," Review of Accounting Studies, volume 20, pages 1122–1163 (2015)

[99] Victoria Tellez, "'Gold Standard' Companies Have Ditched Quarterly Guidance, You Should Too," FCLTGlobal (April 15, 2025); Allen He, "The End of Quarterly Guidance: A New Era for Corporate Strategy," FLCTGlobal (October 17, 2024); See FCLTGlobal, "Driving the Conversation: Long-Term Roadmaps for Long-Term Success" (February 21, 2019); FCLTGlobal, "Moving Beyond Quarterly Guidance: A Relic of the Past" (October, 23, 2017); Gabriel Karageorgiou & George Serafeim, "Earnings

advocating for the elimination of the quarterly cadence of mandatory reporting.[100] The core argument is that short-term plans and communications can lead to myopic behavior that distorts investment and encourages earnings management.[101] For example, one study found that 80% of CFOs admitted that they would decrease discretionary spending, including on critical long-term investments, like R&D, to avoid missing quarterly earnings targets.[102] Others have found that an excessive focus on quarterly earnings reduces investment in research and development.[103] Successful long-term companies instead "take a long-term strategic view" and disclose specific and measurable long-term goals consistent with that view.[104]

The Long-Term Strategy Policy is designed to help move the narrative of a company's success from a quarterly cadence to a long-term focus with appropriate accountability metrics that are not quarterly EPS. The business case for developing and sharing long-term strategy extends beyond boosting share price; these strategies can help solidify commitments among companies, investors, and stakeholders. Research demonstrates that deepening the dialogue

---

Guidance - Part of the future or the Past?," KKS Advisors & The Generation Foundation (January, 2014); The Aspen Institute, "Long-term value creation: Guiding principles for corporations and investors," 2010; Committee for Economic Development, "Built to Last: Focusing Corporations on Long-Term Performance" (2007); CFA Centre For Financial Market Integrity & Business Roundtable for Corporate Ethics, "Breaking the Short-Term Cycle," CFA Institute (2006); McKinsey & Company, "The misguided practice of earnings guidance," (2006)

[100] George Calhoun, "The Case Against Quarterly Reporting By Public Companies – Part 1, The Fundamentals," Forbes (November 2, 2025); Matthew Kaplan, Paul Rodel and Steven Slutzky, "The End of Quarterly Reporting in the United States?" Harvard Law School on Corporate Governance (October 5, 2025); Long Term Stock Exchange, "Petition for Rulemaking to Amend Quarterly Reporting Requirements Under the Securities Exchange Act of 1934," (September 30, 2025); Reuters, "Nasdaq supports reforms to reduce burden on public companies, CEO Friedman says," (September 15, 2025); See Norges Bank Investment Management, "Corporate reporting frequency and long-term value creation," (January 21, 2025); FCLTGlobal, "Gold Standard: Companies Have Ditched Quarterly Guidance — You Should Too." (March 2020).

[101] MFS Investment Management, "Principles of Long-Term Investing Resilience," (MFS, 2025); George Calhoun, "The Case Against Quarterly Reporting By Public Companies – Part 1, The Fundamentals," Forbes (November 2, 2025); Yuya Koga, "Does Quarterly Reporting Encourage Companies to Engage in Managerial Myopic Behavior?" Chuo University (April 16, 2025); Brannon, Ike and Jennings, Robert, "Too Much Information," Cato Institute, (Fall 2020); Graham, John R., Harvey, Campbell R., and Rajgopal, Shiva, "The Economic Implications of Corporate Financial Reporting," Journal of Accounting and Economics Section 4.1., (2005).

[102] Graham, John R., Harvey, Campbell R., and Rajgopal, Shiva, "The Economic Implications of Corporate Financial Reporting," Journal of Accounting and Economics Section 4.1., (2005).

[103] García Osma, B., Guillamón Saorín, E., & Mercado, F, "Quarterly earnings guidance and real earnings management," *Journal of Business Finance & Accounting*, 50, 1029–1059 (2023); Yezen Kannan, Ashraf Khallaf, Kimberly Gleason, Ibrahim Bostan, "The relationship between R&D intensity, conservatism, and management earnings forecast issuance," Advances in Accounting, Volume 62 (2023); Brannon, Ike and Jennings, Robert, "Too Much Information," Cato Institute, (Fall 2020)

[104] Margaret Engel, Louisa Heywood, Grace Tan & Cedrick Jean-Louis, "Current State of Forward Goal Disclosure in Long-Term Incentive Plans," Compensation Advisory Partners (April 16, 2025); See McKinsey & Company, "Tying short-term decisions to long-term strategy," (May 20, 2024); Aabha Sharma and Howard Dicker, "Commonsense Principles 2.0: A Blueprint for US Corporate Governance?" Harvard Law School Forum on Corporate Governance (October 30, 2018); Aabha Sharma and Howard Dicker, "Corporate Governance: The New Paradigm," Harvard Law School on Corporate Social Governance (January 2017); See Business Roundtable, "Principles of Corporate Governance," (August 2016)

and communication around long-term strategy can attract longer-term investors.[105] Others have argued companies with strong long-term strategies are more likely to attract and retain professional talent.[106] Various groups have put forward frameworks and best practices for how to share long-term strategies.[107] Importantly, sharing a long-term strategy does not equate to divulging all details of a company's long-term strategy or any competitively sensitive information.[108] Rather, it is an approach to sharing appropriate information to provide meaningful accountability and shared understanding with investors and other key stakeholders to enable a narrative for success that minimizes the primacy of quarterly EPS as a success metric.

With an ongoing rise in the use of artificial intelligence, responsible AI governance is becoming an increasingly essential component of long-term strategic planning.[109] As AI reshapes how companies interact with customers and other stakeholders, thoughtful governance of these

---

[105] Joseph Cyriac, "McKinsey survey shows investors seek fundamentals and long-term vision," McKinsey & Company (August 25, 2025) (survey demonstrates that investors look for data on fundamentals tied to long-term resilience, suggesting that when companies communicate long-term strategy metrics they are more likely to appeal to long-term investors); See Tom Koller & Prateek Gakhar, "The power of performance: What long-term intrinsic investors really want from companies," McKinsey & Company (June 23, 2025); FCLTGlobal, "Driving the Conversation: Long-term roadmaps for long-term success," (February 2019); George Serafeim, "Integrated Reporting and Investor Clientele" (January 14, 2014). Journal of Applied Corporate Finance, Volume 27, Number 2. Spring 2015; François Brochet, Maria Loumioti, & George Serafeim, "Speaking of the short-term: disclosure horizon and managerial myopia," Review of Accounting Studies, volume 20, pages 1122–1163 (2015)

[106]Jarrod Haar, Stephen James Kelly, "Firm strategy, employee retention and organizational performance: a moderated mediation study of New Zealand SMEs," *International Journal of Manpower*, 45 (9): 1772–1796 (29 October 2024)(finds a direct relationship between firm strategy and employee retention); Tim Youmans & Brian Tomlinson, "Six Reasons Why Companies Should Start Sharing Their Long-Term Thinking With Investors," MIT Sloan Magazine (2018).

[107] See, e.g. Caeleigh MacNeil, "How to accomplish big things with long-term goals," Asana (April 29th, 2025); See Norges Bank Investment Management, "Corporate reporting frequency and long-term value creation," (January 21, 2025); FCLTGlobal, "FCLT Gold Standard," (September 2024) (the FCLT Gold Standard is a set of criteria that represents key attributes of long-term oriented companies and organizations); CECP, "Integrated Long-Term Plan Framework," (updated and renamed version the initial 2017 framework) (2023); Brian Tomlinson & Michael P. Krzus, "Method of Production of Long-Term Plans," CECP: Strategic Investor Initiative White Paper No. 3 (January 25, 2019); Coalition for Inclusive Capitalism & EY, "Embankment Project for Inclusive Capitalism (EPIC) Report," (2018); FCLTGlobal, "Driving the Conversation: Long-Term Roadmaps for Long-Term Success," (February 21, 2019); FCLTGlobal, "A roadmap for focusing capital on the long term," (March, 2015); CFA Centre For Financial Market Integrity & Business Roundtable for Corporate Ethics, "Breaking the Short-Term Cycle" CFA Institute (2006).

[108] LTSE listing principles do not require disclosure of any competitively sensitive information.

[109]Deloitte, "Four Futures of Generative AI in the Enterprise: Scenario Planning for Strategic Resilience and Adaptability," *Deloitte Insights* (October 25, 2024) (argues that organizations must embed AI into scenario planning and strategic foresight to ensure resilience); Institute of Directors, "AI Governance in the Boardroom", (June 2025) (finds that boards recently view AI oversight as a strategic imperative requiring incorporation of AI risks, ethics, and opportunities into long-term corporate planning and decision-making); National Association of Corporate Directors, "2025 Governance Outlook: Tuning Corporate Governance for AI Adoption", (January 2025) (62% of organizations cite a lack of data governance as a major barrier to AI initiatives); BayTech Consulting, "AI Governance and Asset Management: The Strategic Framework for the Modern Enterprise," (September 4, 2025) (found that 83% of business leaders identify AI as a top priority in strategic business plans); International Association of Privacy Professionals & Credo AI, AI Governance Profession Report (2025) (77% of surveyed companies are currently working on AI governance and 47% reported governance was the top AI-related strategic priority in 2024);

technologies is increasingly critical to long-term value creation, including preserving trust, managing systemic risks, and aligning innovation with long-term interests.[110] Executives and boards are increasingly expected to oversee and assess the transparent and ethical use of AI, anticipate workforce impacts, and ensure that deployment supports sustainable growth.[111] While this is an emerging field[112], with principles and best practices still taking shape, numerous frameworks provide direction for building comprehensive long-term AI strategies. This guidance consistently converges on core pillars such as oversight, accountability, security, fairness, and transparency.[113] Building on this growing consensus, long-term companies may consider many factors, including how AI shapes competitive advantage, the governance mechanisms required for oversight, safeguards for data protection, and how adoption aligns with broader sustainability goals.[114] Intentional AI governance has the potential to be not only a safeguard against risk, but

---

[110] Organisation for Economic Co-operation and Development, OECD AI Principles (2019, updated 2024); (highlights human-centered values, transparency, fairness, accountability, and security as priorities); UNESCO, "Recommendation on the Ethics of Artificial Intelligence," (2021) (first global AI ethics standard first global standard on AI ethics emphasizing transparency, fairness, and accountability as means of protecting stakeholder rights); World Economic Forum, AI Governance Alliance: Briefing Paper Series (January 2024); Partnership on AI, Guidelines for AI and Shared Prosperity, (June 2023); Partnership on AI, Guidelines for AI and Shared Prosperity, (June 2023); BSR, "Conducting Effective Stakeholder Engagement", (2011)

[111] McKinsey & Company, "The State of AI: How Organizations Are Rewiring to Capture Value" (March 12, 2025) ("28% percent of respondents whose organizations use AI report that their CEO is responsible for overseeing AI governance"); Institute of Directors, "AI Governance in the Boardroom", (June 2025) (nearly 700 directors surveyed emphasized AI adoption and governance is a board-level strategic issue, not a technical one); National Association of Corporate Directors, Implementing AI Governance, (2025); John Bremen, "How Board-Level AI Governance Is Changing," Forbes (March 28, 2025); National Association of Corporate Directors, Five Questions Boards Should Ask about the AI Road Map, (May 2025); Anekanta AI and Anekanta Consulting, "Responsible AI Governance Framework for Boards", (2020); Lara Abrash, Arno Probst & Karen Edelman, "Governance of AI: A Critical Imperative for Today's Boards," Harvard Law School Forum on Corporate Governance (May 27, 2025)

[112] McKinsey & Company, "The State of AI: How Organizations Are Rewiring to Capture Value" (March 12, 2025) (only 1% of surveyed executives "describe their gen AI rollouts as 'mature'")

[113] Organisation for Economic Co-operation and Development, OECD AI Principles (2019, updated 2024); (highlights human-centered values, transparency, fairness, accountability, and security as priorities); National Institute of Standards and Technology, "Artificial Intelligence Risk Management Framework" (January 2023) (risk-based framework built around four functions: Govern, Map, Measure, and Manage. Intended as a practical guide to building trustworthy AI systems and managing risk); UNESCO, "Recommendation on the Ethics of Artificial Intelligence," (2021) (first global AI ethics standard, applicable to all 194 member states of UNESCO); World Economic Forum, AI Governance Alliance: Briefing Paper Series (January 2024); Partnership on AI, Guidelines for AI and Shared Prosperity, (June 2023); International Organization for Standardization, ISO/IEC 42001:2023 — Artificial Intelligence Management System (December 2023) (sets out organizational structures, risk controls, and governance processes to ensure accountability and transparency in enterprise AI deployment); Michael Wade & Tomoko Yokoi, "How to Implement AI — Responsibly," Harvard Business Review (May 10, 2024); Partnership on AI, Decoding AI Governance: The AI Governance Stack, (July 2025); Harvard Business School, Building a Responsible AI Framework: 5 Key Principles for Organizations, (June 2025); BSR, Impact-Based Approach to Responsible AI, (October 2024); BSR, Human Rights–Based Practitioner Guides for Responsible AI, (February 2025); Deloitte, AI Governance Roadmap (2024) (emphasizes that robust governance functions, such as monitoring AI outcomes and embedding ethics into design, empower companies to scale AI responsibly)

[114] McKinsey & Company, The State of AI 2024, McKinsey Global Survey (May 30, 2024) (see Exhibit 11: Organizations seeing the largest returns from generative AI are more likely than others to follow a range of best practices); Institute of Directors, "AI Governance in the Boardroom", (June 2025) (notes Boards should assess AI maturity/readiness, resilience, ROI, and climate impact, and impact assessments should

a driver of enduring value and stakeholder trust.[115]

Long-term Compensation

Principle: Long-term focused companies should align executive and board compensation with long-term performance metrics.

Policy: A policy explaining the company's alignment of executive compensation and board compensation with the company's long-term success and long-term success metrics.

Compensation creates incentives for executives and board directors to pursue long-term value creation. Companies recognize that executive compensation is critical to their ability to keep and retain the talent they need to succeed. For long-term investors, alignment of executive compensation with long term goals is a top priority.[116] In recent decades, two trends have driven generally escalating executive compensation figures. First, boards have sought to meet or exceed compensation of "peer" companies, consistently driving executive compensation

---

evaluate fairness, transparency, and societal effects); Russell Reynolds Associates, "Embracing the Unknown: How Leaders Engage with Generative AI in the Face of Uncertainty" (January 22, 2024) (provides a list of questions for Boards and CEOs to consider when navigating AI adoption)

[115] Lara Abrash & Beena Ammanath, "Generative AI: Navigating Trust in a New Tech Era" Deloitte & Wall Street Journal, (2023); BayTech Consulting, "AI Governance and Asset Management: The Strategic Framework for the Modern Enterprise," (September 4, 2025) (notes, "governed AI fosters trust, which enables faster and safer scaling, which in turn leads to higher and more sustainable ROI, ultimately building a wider and more defensible competitive moat…governance is not a brake on innovation but the very engine of sustainable, AI-driven growth"); PwC, "AI and Transparency: A New Age of Corporate Responsibility," (May 29, 2025) (PwC's 2024 Global Investor Survey found that "investors are increasingly scrutinising the quality and transparency of a company's governance practices, viewing them as critical indicators of long-term sustainable value"); Russell Reynolds Associates, "The ROI of Responsible AI: Leveraging the Synergies Between Sustainability and AI to Create Enterprise Value" (March 11, 2024)

[116] See, e.g., Jake Hennessey, "Aligning management incentives to investor interests," Barclays (June 9, 2025); Gavin Hinks, "Executive pay is investors' top concern for 2025," Board Agenda (February 13, 2025) (Poll of international fund managers finds that executive pay will be the top engagement issue for investors around the world in 2025 – investors will highlight the importance of "aligning" pay with long-term performance); Joel Paula, "The CEO Shareholder: Straightforward Rewards for Long-Term Performance," Harvard Law School Forum on Corporate Governance (October 23, 2023); See Council of Institutional Investors, "CII Policies on Executive Compensation Adopted September 17, 2019" (2019); Alfred Rappoport, *Saving Capitalism from Short-Termism* (McGraw Hill, 2011); also see proxy advisor guidance emphasis on long-term value in ISS "ISS and Glass Lewis Update Their Proxy Voting Guidelines for the 2020 Proxy Season" (Nov. 2019); Glass Lewis "2020 Proxy Paper Guidelines: An Overview of the Glass Lewis Approach to Proxy Advice" (2019)

higher.[117] Second, companies have largely sought to align incentives through equity-based compensation, with stock awards accounting for 71.6% of the median pay package in the past year.[118] As a result, CEO compensation has skyrocketed in the last several decades, growing an estimated 1,085 percent since 1978.[119]

This has subjected executive compensation to heightened scrutiny, with concomitant increases in regulatory requirements.[120] While reporting requirements have increased, this has not necessarily led to more effective transparency, due to the complexity of the disclosures.

Choosing how best to maximize managerial time horizons and incentivize long-term behavior is a primary responsibility of boards and compensation committees and should be tailored to meet the individual circumstances and needs of each company. To be most effective, compensation plans should be linked to well-defined performance indicators and leaders should be clear on the connection between pay and company objectives.[121]

Current practice for executive compensation generally focuses on three years, however there is growing support among investors to lengthen performance and vesting periods.[122] For instance, a survey demonstrated that 66% of investors felt that "long-term vesting" should last

---

[117] Woon Sau Leung, "Compensation Consultants and CEO Pay Per Peer Groups," Harvard Law School on Corporate Governance (May 27, 2024) (finds that recent line of research argues the widespread use of "peer groups" to benchmark CEO pay contributing to CEO pay inflation); Alex Edmans, Tom Gosling, Dirk Jenter, "CEO compensation: Evidence from the field," Journal of Financial Economics, Volume 150, Issue 3, 2023; Boris Groysberg, Sarah Abbott, Michael R. Marino & Metin Aksoy, "Compensation Packages That Actually Drive Performance," Harvard Business Review, January-February 2021; See e.g., Steven Clifford, *The CEO Pay Machine*, (New York: Blue Rider Press, 2017); Michael Dorff, *Indispensable and other myths: why the CEO pay experiment failed and how to fix it*, (Berkeley: University of California Press, 2014); Alfred Rappaport, *Saving Capitalism from Short-Termism*, (McGraw-Hill, 2011); Lucian A. Bebchuk & Jesse M. Fried, *Pay Without Performance*, (Cambridge: Harvard University Press, 2004).
[118] Amit Batish, "2025 Equilar | Associated Press Study CEO Pay Study," (May 29, 2025); Lucian A. Bebchuk & Jesse M. Fried, "Paying for Long-term Performance," University of Pennsylvania Law Review, Vol. 158, pp. 1915-1959 (2010); Harvard Law and Economics Discussion Paper No. 658.
[119] Josh Bivens, Elise Gould & Jori Kandra, "CEO Pay Declined in 2023," Economic Policy Institute, (September 19, 2024).
[120] See e.g., Wachtell, Lipton, Rosen & Katz, *Compensation Committee Guide*, Chapter I, (April 2024)
[121] Martha Cook, Katherine Savage & Frederic Barge, "Linking Executive Pay to Sustainability Goals," Harvard Business Review (February 7, 2023); Boris Groysberg, Sarah Abbott, Michael R. Marino & Metin Aksoy, "Compensation Packages That Actually Drive Performance," (January - February 2021)(companies have started to adjust performance metrics and revising goals to serve stakeholder interest and have executive compensation improve performance); Andrew McElheran, "Understanding Performance Measurement in Executive Compensation," (March 2021) (states that as organizations reevaluate their executive compensation plans, they should consider which financial metrics are most important as well as how to incorporate non-financial indicators)
[122] Warren Chen & Emanuele Cicalese, "2025 ISS Global Benchmark Policy Survey," ISS Governance (September 25, 2025) (survey found investor support for longer vesting schedules, with around half of investors believing executive awards should have at least 5 years vesting); Dmitiri Zagoroff, Glass Lewis & Co., "Policy Survey 2024: Executive Pay," Harvard Law School on Corporate Governance (December 4, 2024) (survey shows market participants advocating for equity awards that are time-based with extended vesting periods, often five years); See, e.g., Joel Paula, "The CEO Shareholder: Straightforward Rewards for Long-Term Performance," Harvard Law School Forum on Corporate Governance (October 23, 2023); Matthew Leatherman, "The Risk of Rewards: Tailoring Executive Pay for Long-term Success," FCLTGlobal (March 8, 2021).

at least five years, while 25% thought it should last at least seven.[123] Others have also recommended extending performance and vesting periods.[124]

Research overwhelmingly supports the comparative benefits of lengthening executive time horizons and the negative effects of shorter-term incentives. Shorter CEO time horizons are associated with greater levels of financial engineering and reduced investment, including reductions in R&D spending.[125] Conversely, longer executive time horizons are associated with better long-term financial performance and increased investment in R&D.[126] Longer executive time horizons have been linked with greater levels of innovation, with one study finding strong evidence that increased CEO tenure enhanced innovation and development.[127] Increased executive time horizons have also been correlated with hiring more inventors, setting longer-term incentives for researchers, and increasing firms' investments in long-term innovative strategies and stakeholder relationships.[128]

Given the central importance of executive compensation to companies, compensation for board directors is often overlooked. However, directors are important in setting long-term strategy and

---

[123] David Bixby and Eddie Capistran, "How Longer Vesting Periods Could Reshape Equity Pay," Meridien Compensation Partners (June 2025) (both ISS and Glass, Lewis & Co. survey results indicate desire for change with preferences for a revised approach); Council on Institutional Investors, "Policies on Corporate Governance," Updated March 11, 2025.
[124] See, e.g., Joel Paula, "The CEO Shareholder: Straightforward Rewards for Long-Term Performance," Harvard Law School Forum on Corporate Governance (October 23, 2023); Matthew Leatherman, "The Risk of Rewards: Tailoring Executive Pay for Long-term Success," FCLTGlobal (March 8, 2021).
[125] Hui Liang James, Pornsit Jiraporn, Hongxia Wang, "CEO tenure and labor investment efficiency," Journal of Contemporary Accounting & Economics, Volume 21, Issue 2, 2025 (finds that longer tenured CEOs are associated with more efficient labor investment); Alex Edmans, Vivian W. Fang, & Katharina A. Lewellen, "Equity Vesting and Investment," The Review of Financial Studies, Volume 30, Issue 7, July 2017, Pages 2229–2271 (finding vesting equity induces CEOs to reduce investments in long-term projects and to take actions that increase short-term stock price); Alex Edmans, Vivian W. Fang, & Allen Huang, "The Long-Term Consequences of Short-Term Incentives" (March 13, 2020), European Corporate Governance Institute (ECGI) - Finance Working Paper No. 527/2017 (showing that short-term stock price concerns connected to compensation induce CEOs to take value-reducing actions); Patricia M. Dechow & Richard G. Sloan, "Executive Incentives and the Horizon Problem," Journal of Accounting and Economics, 14 (1991) 51 (findings suggest CEOs spend less on R&D during their final years in office, but these reductions are mitigated through CEO stock ownership); Daniel B. Bergstresser & Thomas Philippon, "CEO Incentives and Earnings Management," Journal of Financial Economics, Forthcoming; HBS Finance Working Paper No. 640585 (providing evidence that the use of discretionary accruals to manipulate reported earnings is more pronounced at firms where the CEO's potential total compensation is more closely tied to the value of stock and option holdings)
[126] Song, Jing, Haomin Zhang, Tao Ye, and Haibo Ye. 2025. "CEO Career Horizon and Prospective Business Strategy." *Technology Analysis & Strategic Management*, April, 1–17; R. Gopalan, T. Milbourn, F. Song, and A. Thakor, "Duration of executive compensation," Journal of Finance 69(6): 2777–2817 (2014) (showing correlation between longer pay duration and firms with more growth opportunities, more long-term assets, greater R&D intensity); Juanita González-Uribe & Moqi Groen-Xu, "CEO Contract Horizon and Innovation," (2016).
[127] Linzhi Liu, Guoyiming Zhu, Fu Yu, "How does CEO tenure affect enterprises' green innovation? Evidence from Chinese listed firms from 2007 to 2021", Journal of Cleaner Production, Volume 454 (2024)
[128] Tima Bansal, "To Navigate Today's Chaos, Lengthen Your Time Horizon," Forbes (April 22, 2025) (states that executives who continue to look long-term maintain their strategic advantage and introduce new products faster during turbulent times); Wang, L., Verousis, T. & Zhang, M., "Market value of R&D, patents, and CEO characteristics," *Financ Innov* 11, 8, January 2, 2025; Linzhi Liu, Guoyiming Zhu, Fu Yu, "How does CEO tenure affect enterprises' green innovation? Evidence from Chinese listed firms from 2007 to 2021", Journal of Cleaner Production, Volume 454, 2024; Caroline Flammer & Pratima Bansal, "Does a long-term orientation create value? Evidence from a regression discontinuity," Strategic Management Journal (December 2016)

ensuring management actions are consistent with creating long-term value. Indeed, investors cite board remuneration as an often-overlooked but critical component of aligning incentives.[129] Careful consideration must be given to designing incentives that encourage a long-term orientation for the board as well.[130]

At a fundamental level, executive and board compensation approaches are designed to attract and retain talent and align incentives. But the specifics of how to structure compensation to effectively meet these goals continues to evolve.

The other four policies have direct ties to long-term compensation. Performance metrics can be aligned with the long-term strategy and related metrics. The time horizons identified in the long-term strategy policy help guide compensation timeframes. The long-term board policy closely aligns with board compensation.

Long-term Board

Principle: Boards of directors of long-term focused companies should be engaged in and have explicit oversight of long-term strategy.

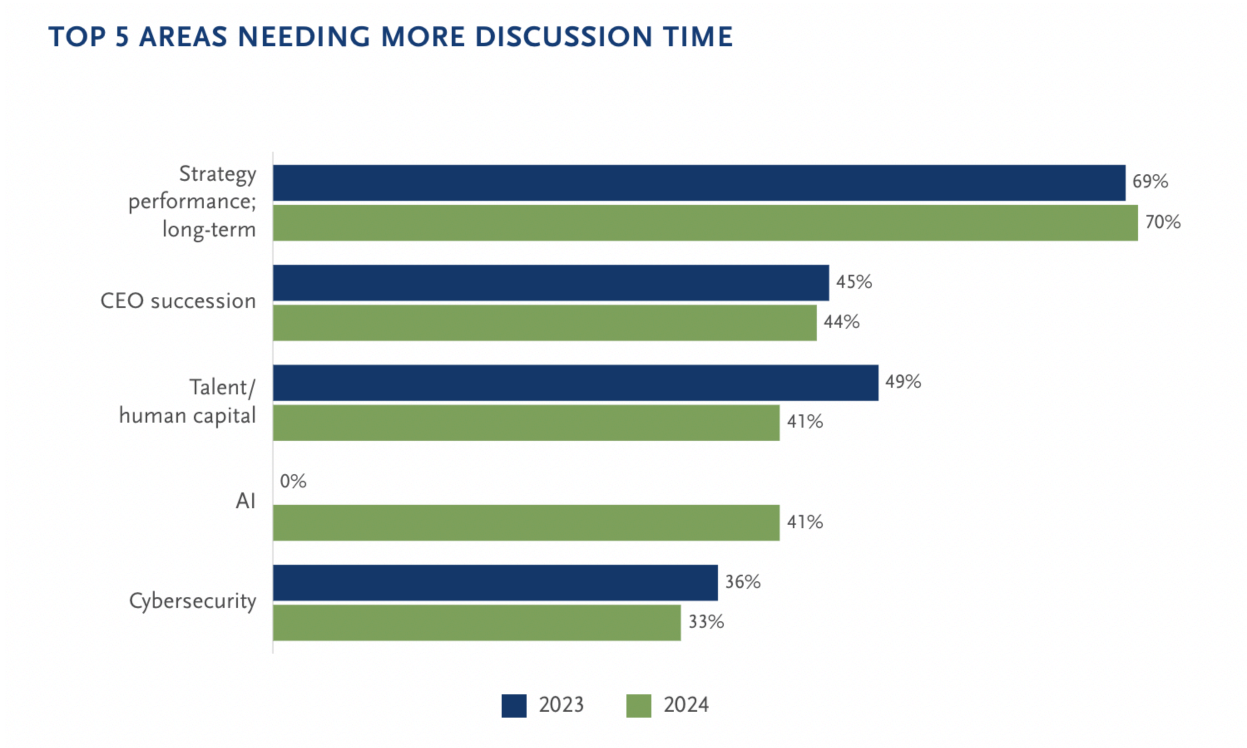
Policy: A policy explaining the engagement of the company's board of directors in the company's long-term focus, including discussion of whether the board and/or which board committee(s), if any, have explicit oversight of and responsibility for long-term strategy and success metrics.

Boards of directors are critical leaders in creating long-term value.[131] The board's role in shaping strategy, determining executive compensation, upholding their fiduciary duty to investors, and leading on stakeholder issues means boards are required to make decisions on all four of the other principles for long-term success.

Reports on board activity indicate directors spend the majority of their time on backwards looking tasks including quarterly reports, audit reviews, budgets, and compliance.[132] These

[129] From LTSE interviews with institutional investors.
[130] See KPMG, "Incentivizing long-term value creation," (March 2025); See FCLTGlobal, "The Long-Term Habits of Highly Successful Boards." (March 2019)
[131] Victoria Tellez & Matthew Leatherman, "The Board Playbook: Winning Strategies for Long-Term Value Creation," FCLTGlobal (May 19, 2025); See PwC, "Sustainability oversight: the corporate director's guide," 2025 (boards can provide ESG oversight into a competitive advantage and source of long-term value) Robyn Bew, "How to achieve enduring board effectiveness," EY (September 13, 2022); See e.g., Shawn Cooper, et al., "Tone at the Top: The Board's Impact on Long-term Value," Russell Reynolds Associates & FCLTGlobal (April 2020); FCLTGlobal, "The Long-Term Habits of Highly Successful Boards," (March 2019)
[132] Megan Pantelides, "The state of board effectiveness in 2025," Board Intelligence (2025) (43% of attendants at recent Board Intelligence webinar said their biggest challenge with board meetings were that they were too backward-looking); "Building a forward looking board," Beyond Governance (2024) (research shows that many boards allocated 70% of their time to reviewing quarterly reports, audit results, and budgets); Christian Casal & Christian Caspar, "Building a forward-looking board," McKinsey Quarterly (February 1, 2014).

monitoring tasks comprise important fiduciary duties focused on holding managers accountable (i.e., solving the inherent “principal-agent” problem of corporate governance).[133] Yet, in addition to monitoring, boards serve as advisors and thought partners.[134] Companies look to boards for their knowledge and expertise, particularly with regard to setting corporate strategy (arguably the most fundamental board task). Despite the importance of this task, increased demands on directors are leaving less time for critical strategic discussions.[135]



Source: Spencer Stuart Director Pulse Survey: Time Commitment 2024[136]

The “dual role” of boards as both monitors and advisors, makes them key arbiters of a company's time horizon. If a board chooses to prioritize a long-term orientation (in terms of both monitoring and advising), this will likely affect the behavior of company managers and employees. Many commentators and market participants argue for boards taking a long-term

---

133 “Fiduciary Duties of the Board of Directors,” Practical Law Corporate and Securities (2023); Christian Casal & Christian Caspar, “Building a forward-looking board,” McKinsey & Company (February 1, 2014); Renée Adams, Benjamin E. Hermalin, Michael S. Weisbach, “The role of boards of directors in corporate governance, A conceptual framework and survey,” Journal of Economic Literature 48(1), 58–107 (2010); Michael C. Jensen, & William H. Meckling, “Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure,” Journal of Financial Economics, 3,4, pp. 305-360 (1976)

134 What is a board of directors?” McKinsey & Company (July 7, 2023); Renée Adams, “The Dual Role of Corporate Boards as Advisors and Monitors of Management: Theory and Evidence,” AFA 2002 Atlanta Meetings.

135 “In Search of Growth, from Anywhere,” Korn Ferry (January 9, 2025) (Korn Ferry research on S&P 500 firms finds that 37% of directors cited lack of conversation about strategic direction as one of their top concerns); Spencer Stuart, “Spencer Stuart Director Pulse Survey: Time Commitment 2024,” (July 2024) (survey of 1025 directors finds that of the top five areas that need more additional discussion time, strategy/performance ranks number one)

136 Spencer Stuart, “Spencer Stuart Director Pulse Survey: Time Commitment 2024,” (July 2024)

orientation.[137] A highly effective board of directors not only strengthens management but also plays a critical role in shaping company success.[138] While no single governance model is universally applicable, there are board design options that allow companies to address their own unique challenges and strengthen the foundation for long-term success.[139] With the appropriate expertise and agenda, boards can foster innovation, enhance the company's competitive edge and build long-term growth.[140]

By making the responsibility for long-term strategy and metrics an explicit responsibility of the Board or a designated committee, the LTSE principle seeks to ensure active board engagement in and oversight of these critical points, as well as ensuring they receive adequate focus at the highest levels.

Long-term Shareholders

Principle: Long-term focused companies should engage with their long-term shareholders.

Policy: A policy explaining how the company engages with long-term investors.

Long-term shareholders are focused on returns measured over multiple years and even decades. One of the primary purposes of the long-term listing standards overall is to align long-term investors and modern companies. When companies have a strong long-term investor base that believes in their mission and strategy, they are better positioned to find ongoing support as they remain steadfast in achieving those goals.

Making the right short-term choices to lead to long-term growth can be difficult in today's public markets.[141] Having an investor base whose time horizons align and who have transparency into the company's long-term strategy and metrics, its approach to stakeholders and compensation,

---

137 Marcel Bucsescu, "Building Long-Term Value: Insights from Leading Investors," National Association of Corporate Directors (December 11, 2024); Peter R. Gleason, "What Do Investors Want From Directors? Board Votes on Strategy, Succession Add Most Value, Research Indicates," National Association of Corporate Directors (September 5, 2024); Yasmine Chahed & William Touche, "Board effectiveness and the chair of the future: Five fundamental forces that define the modern chair's role," Deloitte Insights, September 6, 2022; Christian Casal & Christian Caspar, "Building a forward-looking board," McKinsey & Company (February 1, 2014); Dominic Barton & Mark Wiseman, "Where Boards Fall Short," Harvard Business Review (January-February 2015 Issue); CFA Institute, "Visionary Board Leadership: Stewardship for the Long Term," (June, 2012).

138 Robyn Bew, "How to achieve enduring board effectiveness," EY (September 13, 2022).

139 Jess Gaspar, "The Myth of the One Size Fits All Board," FCLTGlobal (April 15, 2024); EY Center for Board Matters, "How to achieve enduring board effectiveness," (July 2022).

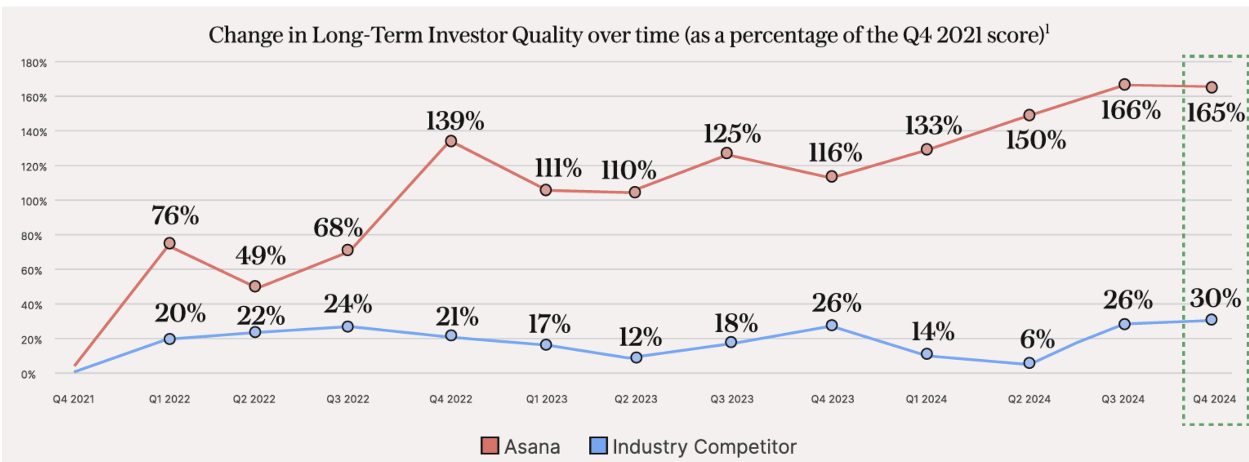
140 "Building a forward looking board," Beyond Governance (2024).

141 EY Institutional Investor Survey, "How can investors balance short-term demands with long-term sustainability?" (December 2024); James Dow, Jungsuk Han & Francesco Sangiorgi, "The short-termism trap: Catering to informed investors with limited horizons," Harvard Law School Forum on Corporate Governance (August 13, 2024); Rebecca Henderson & Clayton Rose, "Investor 'Short-Termism': Really A Shackle?," Harvard Business School Technical Note 315-084, (January 2015).

and the engagement of its board, will help to ensure ongoing alignment.

Evidence not only demonstrates significant benefits of long-term investors, but also suggests companies can be effective in attracting long-term investors.[142] The long-term listing standards were developed in consultation with long-term institutional investors to ensure that LTSE-listed companies follow principles and provide information that such shareholders are seeking.

For example, Asana, a company that created a comprehensive work management platform, listed with the Long-Term Stock Exchange and saw an increase in long-term investor quality over time, outperforming their top industry competitor.[143]



Source: Long-Term Stock Exchange

Similar benefits can be seen with ThredUp, which is listed with the Long-Term Stock Exchange and is seeing an improvement in attracting long-term investors.[144]

Institutional investors, including pension funds, insurance companies, and sovereign wealth

---

[142] Evidence suggests investors appear to prefer companies that provide the type of information that complements their investment style. Tim Koller, "The power of performance: What long-term intrinsic investors really want from companies," McKinsey & Company (June 23, 2025) (states that intrinsic investors are paying closer attention to potential to create value over the long-term); Long-Term Stock Exchange, "Discover how listing on theLong-Term Stock Exchangedelivered the results that matter most: ThredUp Infographic," (2025) (survey shows that 88% agree that the partnership between Asana and LTSE strengthened their consideration for doing business with Asana); Long-Term Stock Exchange, "By The Numbers: A long-term partnership built on results: ThredUp Infographic," (2025); Williamson, S.K. and Babcock, A. (2020), "Attracting Long-Term Shareholders," Journal of Applied Corporate Finance, 32: 78-84; Brian Bushee, "Identifying and Attracting the "right" Investors: Evidence on the Behavior of Institutional Investors," Journal of Applied Corporate Finance, Volume 16, Issue 4, Fall 2004, pp 28-35; Francois Brochet, Maria Loumioti, & George Serafeim, "Speaking of the Short-Term: Disclosure Horizon and Managerial Myopia," Review of Accounting Studies, Volume 20, Issue 3, pp 1122–1163 (2015) (finding that companies that were able to signal they were more long-term aligned attracted more long-term investors).

[143] Long-Term Stock Exchange, "Discover how listing on theLong-Term Stock Exchangedelivered the results that matter most: Asana Infographic," (2025).

[144] Long-Term Stock Exchange, "By The Numbers: A long-term partnership built on results: ThredUp Infographic," (2025).

funds have longer holding time horizons than most other investor classes.[145] Research has found that companies with more institutional investors are less likely to degrade real economic activities to meet short-term earnings targets.[146] They are more likely to invest in both long-lived real assets and in R&D, which can also lead to greater levels of innovation.[147] They are also better-positioned to thwart short-term focused activism.[148]

---

[145] CFA Institute, "Portfolio Management for Institutional Investors," (a common characteristic of institutional investors include a long-term investment horizon) (2025); Natalie Chladek, "Understanding Time Horizons of Alternative Investments," Harvard Business School (July 29, 2021) (states that institutional investors are generally long-term investors); Hamdi Driss, Wolfgang Drobetz, Sadok El Ghoul, Omrane Guedhami, "Institutional investment horizons, corporate governance, and credit ratings: International evidence," Journal of Corporate Finance, Volume 67 (2021) (an important dimension of that sets institutional investors apart is their time-horizon); See e.g., PwC, "The rising attractiveness of alternative asset classes for Sovereign Wealth Funds,"2018 (states that sovereign wealth funds tend to have broader objectives and longer term investment horizons); Francois Brochet, Maria Loumioti, & George Serafeim, "Speaking of the Short-Term: Disclosure Horizon and Managerial Myopia," Review of Accounting Studies, Volume 20, Issue 3, pp 1122–1163 (2015).

[146] Kim, Hwanki Brian, "The Effect of Investor Horizons on Corporate Investment Horizons," (January 17, 2025) (finds that firms with higher share of long-term oriented investors are less likely to cut R&D in favor of short-term gains); Drobetz, W., S. El Ghoul, O. Guedhami, and X. Yu. 2025, " Beyond Ownership: The Role of Institutional Investors in International Corporate Governance," *Corporate Governance: An International Review* 33, no. 5: 1024–1038 (states that long-term institutional investors are associated with long-term value creation while short-term investors often promote short-term managerial decisions driven by immediate gains); See Rebecca Henderson & Clayton Rose, "Investor 'Short-Termism': Really A Shackle?," Harvard Business School Technical Note 315-084, (January, 2015); Brian J. Bushee, "The Influence of Institutional Investors on Myopic R&D Investment Behavior," The Accounting Review, 73:3 (July 1998) 305; Sugata Rowchowdhury, "Earnings Management Through Real Activities Manipulation," Journal of Accounting and Economics, Volume 42, Issue 3, December 2006, Pages 335-370; Ping-Sheng Koh, "Institutional investor type, earnings management and benchmark beaters," Journal of Accounting and Public Policy, Volume 26, Issue 3, May–June 2007, Pages 267-299; also see Rebecca Henderson & Clayton Rose, "Investor 'Short-Termism': Really A Shackle?," Harvard Business School Technical Note 315-084, (January, 2015).

[147] Shihao Wang, Keyun Wang, Mengting Guo, Umer Sahil Maqsood, Xuezhao Chen, "Common institutional ownership and R&D manipulation," Technological Forecasting and Social Change, Volume 217 (2025) (findings point to common institutional ownership significantly improving R&D input and total productivity); FCLTGlobal, "Unlocking Value by Targeting Long-Term Shareholders," (March 2023) (analysis finds that an increase in the proportion of long-term shareholders is associated with significantly higher allocation to R&D); Philippe Aghion, John Van Reenen, & Luigi Zingales, "Innovation and Institutional Ownership," American Economic Review 2013, 103(1): 277–304 (finding that higher levels of institutional ownership —mostly dedicated investors, with transient institutional ownership of only 8 percent—not only had a positive effect on R&D levels, but also led to greater R&D productivity); Sunil Wahal and John J. McConnell, "Do Institutional Investors Exacerbate Managerial Myopia?" Journal of Corporate Finance, 6 (2000) 307; Gary S. Hansen and Charles W.L. Hill, "Are Institutional Investors Myopic? A Time-Series Study of Four Technology-Driven Industries," Strategic Management Journal, 12 (1991)

[148] Drobetz, W., S. El Ghoul, O. Guedhami, and X. Yu (2025) " Beyond Ownership: The Role of Institutional Investors in International Corporate Governance," *Corporate Governance: An International Review* 33, no. 5: 1024–1038; FCLTGlobal, "Making the Call: The Role of Long-term Institutional Investors in Activism," (June 25, 2020).

Conclusion

The LTSE Long-Term Principles and Policies are designed to align long-term investors and visionary companies to better enable sustainable value creation. While research and extensive input from participants support each individual policy and principle, they are meant to work together and are designed to reinforce each other as part of a holistic ecosystem. That is why they were incorporated as listing standards on the Long-Term Stock Exchange.

LTSE spent years developing its principles and policies, based on extensive research, as well as engagement with a wide range of relevant stakeholders. We continue to track emerging research and engage with key stakeholders from throughout the corporate and financial markets ecosystems. We are committed to learning and adapting to achieve the goal of better positioning companies to create long-term value. As a result, this paper will continue to be updated. We welcome input and comments at: BuildingFutures@LTSE.com