

Business leaders unite to advance long-term value measures

The health of corporations and financial markets - and public trust in both - is critical to economic growth. Our collective future strongly depends on vibrant and sustainable capital markets, and market participants have a role to ensure long-term value creation that can benefit all.

Today, a company's value is increasingly reflected not just in its short-term financial performance, but also by intangible assets such as intellectual property, talent, brand and innovation, as well as impacts on society and the environment, that are not fully captured by traditional financial statements.

Eighteen months ago, the Coalition for Inclusive Capitalism and EY created the Embankment Project for Inclusive Capitalism (EPIC) around the simple belief that we are more likely to incentivize and create sustainable value over the long term if we can better identify, measure and articulate the actions which create that value. With the contribution of over 30 global business leaders, the project brought together a collection of participants with both market strength and diversity across the entire investment chain, representing \$30 trillion of assets under management and almost 2 million employees.

Balancing pragmatism and materiality, our teams collaboratively identified and focused on four key value drivers of long-term, sustainable growth:

Talent:

the way companies manage their human capital when it comes to compensation and benefits; recruitment; training and development; diversity and inclusion; well-being and creating a purpose-driven culture of engagement

Innovation:

fulfilling unmet needs and maintaining focus on the end user during the innovation process and fostering trust in the organization

Society and Environment:

the impact on external stakeholders and communities by contributing to business-relevant social and environmental goals

Governance:

the effectiveness of the board in providing appropriate oversight, governance mechanisms to ensure board quality and independence, and the ability of leadership, in conjunction with the board, to develop and assess long-term strategy

In the report released today, available at EPIC-value.com, we outline several of these intangible assets and possible metrics for helping companies communicate their ability to generate long-term value to both investors and society as a whole. The metrics and the underlying methodology are designed to be flexible enough to allow companies to adapt them to their specific circumstances and long-term value narrative.

We recognize that more work needs to be done to capture the full range of corporate activities and assets that create long-term value and will continue to test the project results, as well as work with other like-minded initiatives, to continue this journey.

Ultimately, we believe that if the EPIC value drivers and associated narratives are reported by companies through applicable metrics, we will have a clearer understanding of how businesses create both long-term value and stable and inclusive economies. This would go a long way to improving trust and confidence in the capital markets.



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