



Compliance with Long-Term Policies by Listed Companies

Companies listed on the Long-Term Stock Exchange are required to adopt and publish long-term policies in accordance with LTSE Rule 14.425. The Securities and Exchange Commission recently [approved](#) amendments to LTSE rules to delineate the compliance process with respect to the long-term policies.¹

The long-term policies differentiate the Exchange from other listing venues.² Companies listing on LTSE must adopt and publish policies in five core areas that are critical to the success of a long-term business: (i) stakeholders, (ii) strategy, (iii) executive and director compensation, (iv) engagement of the board and (v) engagement with long-term investors.

Through these policies, Companies signal their long-term commitments and operationalize approaches to aligning with people and organizations that share in their long-term view. For example, a Company's long-term stakeholder policy would be an instrument for communicating how its business impacts all stakeholders, such as the environment and its community, the company's approach to diversity and inclusion, as well as its investment in employees. A Company's board policy would explain how its board engages with its long-term focus and oversees its long-term strategic initiatives.

By nature of LTSE's principles-based approach, a Company's long-term policies are intended to be flexible.³ Through their adoption, each listed Company can actualize their unique vision, goals and practices encompassing five fundamental areas of corporate operations and governance in alignment with the broader market and regulatory focus on environmental, social and governance performance at public companies.

As stated in LTSE Rule 14.425(b), listed Companies "have flexibility in developing what they believe to be appropriate policies for their businesses." Additionally, Rule 14.425(c) mandates that listed Companies annually review their long-term policies because the Exchange has

¹ Securities Exchange Act Release No. 91287 (March 10, 2021), 86 FR [14511](#) (March 16, 2021).

² Securities Exchange Act Release No. 86722 (August 21, 2019), 84 FR [44952](#) (August 27, 2019).

³ LTSE Rule 14.425(b).

anticipated that, over time, Companies may choose to or need to recalibrate their policies with new objectives or initiatives, consistent with the principles enumerated in Rule 14.425(b).

If LTSE identifies a compliance issue with the long-term policy requirement in Rule 14.425, the recent amendments establish a path and process to address any concerns. Specifically, under the Exchange's rules, Exchange staff will request information from such a listed Company regarding the compliance issue.⁴ The Exchange staff will then discuss potential solutions with the Company to ensure the policies remain consistent with rule requirements.

If after any dialogue between the Company and Exchange staff, the Exchange staff reach a deficiency determination, the Exchange will issue a notification, which then triggers a 45-day time period for the Company to submit a plan of compliance to remediate the deficiency.⁵ This process is designed to provide flexibility, which is consistent with the Exchange's approach to enforcement of its corporate governance requirements.⁶

The Exchange believes that a Company's ability to tailor its long-term policies to changing circumstances, while remaining anchored to the principles enumerated in LTSE Rule 14.425(b), is essential for ensuring that the policies are effective and meaningful tools for supporting long-term value creation for listed companies and their investors. Consistent with that objective, this procedural amendment allows listed Companies to develop a plan to regain compliance if a deficiency arises with respect to their long-term policies.

Questions regarding this RIC can be directed to regulation@longtermstockexchange.com.

⁴ LTSE Rule 14.207(a)(1) provides that the Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a Company's continued listing.

⁵ LTSE Rule 14.501. Specifically, Company submission of a plan of compliance is permitted under LTSE Rule 14.501(d)(2)(A)(iii).

⁶ Under Rule 14.501(d)(2)(A)(iii), submission of a plan of compliance is also allowed, for example, with respect to LTSE Rules 14.408(a) (Meetings of Shareholders), 14.408(c) (Quorum), 14.411 (Review of Related Party Transactions), 14.412 (Shareholder Approval), 14.406 (Code of Conduct) or 14.414 (Internal Audit Function).