

# Buybacks Playbook

In the right circumstances, buybacks can further long-term goals; new tools and guidelines could help evaluate buybacks on their long-term merits.

Party	Area	Action(s)
Companies	Strategy and Performance	<ul style="list-style-type: none"> <li>Assess a buyback objectively in the capital allocation process. Compare the ROI and cost-of-capital of a buyback to other uses of cash like investments in talent, R&amp;D, CapEx, and M&amp;A and pursue only if no superior alternatives exist</li> <li>Take a price-average approach over a longer time horizon to evaluate ROI on buybacks, to combat behavioral biases, and to avoid poorly timed repurchases</li> <li>Avoid overdistributing capital to shareholders by maintaining healthy liquidity and leverage ratios (e.g., avoid negative book equity)</li> </ul>
	Executive Compensation	<ul style="list-style-type: none"> <li>Evaluate potential impact of buybacks on executive compensation</li> <li>Restructure remuneration plans to strip out influence of buybacks on EPS links and anti-dilution measures</li> </ul>
	Investor Relations Communication	<ul style="list-style-type: none"> <li>Use a roadmap to lay out a long-term plan for the company. Clearly communicate long-term vision and how each aspect of capital allocation, including buybacks, fits in</li> <li>Offer clearer explanations of buyback intentions (e.g., in categories such as neutralizing executive stock options, return strategies, and regular returns of cash to shareholders)</li> </ul>
Investors	Engaging with Corporates	<ul style="list-style-type: none"> <li>Encourage use and disclosure of a long-term roadmap. Hold companies accountable for clear explanations and disclosures on what buybacks were used for and how they support the long-term strategy of the company</li> </ul>
	Voting	<ul style="list-style-type: none"> <li>Based on available information, evaluate whether buybacks are the most efficient use of capital                             <ul style="list-style-type: none"> <li>For countries where shareholders approve of buybacks, use their vote directly to support or oppose buybacks</li> <li>For countries where the board approves of buybacks, use their vote to influence other related issues, like the structure and metrics used for compensation and re-election of directors</li> </ul> </li> </ul>
Policymakers and Regulators	Tax Treatment	<ul style="list-style-type: none"> <li>Level the tax treatment playing field between dividends and buybacks (e.g. levy a buyback tax to bridge the difference) so that shareholders are agnostic between the two</li> <li>Reconcile offering tax advantages with rhetoric on buybacks</li> </ul>
	Executive Trading	<ul style="list-style-type: none"> <li>Mandate blackout windows on internal stock trading around buyback announcements and execution</li> <li>Designate legal trading windows for corporate employees</li> </ul>
	Improvements to Disclosure	<ul style="list-style-type: none"> <li>Require more prompt disclosure of buybacks, including the number of shares repurchased and volume-weighted average price (VWAP). Certain markets already require daily or weekly disclosures</li> <li>Recommend stricter policies around volume, price, and timing restrictions for buybacks (e.g., no buybacks within 15 days of earnings announcements)</li> </ul>