



## Ensure board composition reflective of the future

- Identify key characteristics of long-term oriented board members
- Explicitly recruit long-term oriented board members
- Encourage tenure structure designed to balance tenure and new talent
- Consider staggered terms, rather than annual terms
- Cultivate expertise in relevant disruptive technology or business models related to long-term strategy
- Reflect the firm's long-term customers (e.g. millennials)
- Pursue appropriate demographic mix (gender, age, geography)
- Recognize need for board members suited for both times of crisis and calm



## Align rewards for board service with long-term value creation

- Compensate board members primarily in stock
- Lock-up board members' stock awards through or beyond their terms of service
- Encourage board members to purchase stock in addition to being granted shares
- Recognize role of intangible rewards for being a board member, including the fulfillment of driving long-term value creation and growth for the board members
- Periodically remind board members of the corporate mission to encourage them to see themselves as long-term trustees of that mission, just as not-for-profit directors do



## Strengthen board's understanding of long-term shareholder objectives

- Conduct board level discussions of targeted investor segments, current shareholder composition, and their investment objectives
- Facilitate direct board engagement with key shareholders to provide long-term context and solicit feedback
- Dedicate board members to engage with long-term shareholders
- Create and distribute formal statement of board duties to long-term shareholders

# Long-term Boards in a Short-term World



### Reallocate time to activities that create long-term strategic value

- Start meetings with a review of the mission statement and long-term strategic roadmap with KPIs
- Define and limit the amount of time allocated to short-term compliance and financial issues
- Allocate greater amount of time to discussing long-term business strategy, durable capital structure, talent development strategy and enterprise risk management
- Discuss long-term “soft topics,” such as values, culture, purpose and employee engagement
- Dedicate staff for board members to better leverage their time and expertise towards more strategic work
- Focus board materials on strategic issues and limit the length
- Analyze and/or report on allocation of board time to various topic areas



### Consider pros and cons of delegating to subcommittees

- Delegate critical long-term issues to dedicated long-term strategy, capital allocation, enterprise risk, or disruption committee
- Assign short-term issues, such as the quarterly cycle or regular compliance, to committees
- Establish dedicated shareholder relations committee to focus on long-term shareholders



### Focus on the long-term growth and development of board directors

- Implement an in-depth development process with focus on long-term strategy
- Consistently evaluate board member contribution and impact on long-term issues
- Set clear expectations of a long-term focus for board members
- Immerse in innovative or long-term areas of the business and/or locations

## SUMMARY

In summary, boards can create an environment that engenders a long-term approach to value creation. By revisiting their processes, boards can set a long-term tone and lead by example. We encourage corporations to consider how these or other tools may provide mechanisms to focus on the long term, and we encourage long-term asset owners and asset managers to support those long-term boards.

We welcome your experiences, perspectives, and feedback at [research@fcltglobal.org](mailto:research@fcltglobal.org).