# The Impact of Board Director Equity Ownership on Long-Term Value Creation

FCLTGLOBAL
FOCUSING CAPITAL ON THE LONG TERM

Project Brief

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Around the world, corporate time horizons are shrinking. In such a context, boards play a critical role in steering companies toward long-term value creation – yet many independent directors have limited incentive to push for long-term outcomes. Academic evidence suggests that firms with more substantial board ownership may achieve higher long-term returns on invested capital than their "zero ownership" counterparts. Private equity boards, where equity ownership is the norm, can offer valuable examples of how director alignment can support long-term decision-making and accountability.

## Objectives

- Assess how widespread board equity ownership practices are across global public markets.
- Determine whether board equity ownership aligns directors' interests with shareholders and improves long-term company performance through quantitative analysis of companies with and without board ownership.
- Understand under what conditions board share ownership is most effective and what barriers exist to implementing or increasing board ownership.
- Provide practical recommendations for CEOs, boards, and investors on governance and incentive alignment.

## Facts & Figures

- Over 95% of S&P 500 companies require independent directors to hold equity or retain stock until retirement.
- In Japan and Germany, equity ownership by independent directors is rare (~12% and limited use, respectively).
- In the UK, roughly 29% of firms use equity-based compensation, often paired with long holding periods.

## Key Questions

FCLTGlobal will hold a Research Forum in December 2025 to dive into the following emerging questions:

### Companies

- In your view, under what conditions is board equity ownership most effective? How do factors like company structure, strategy, geography, or holding periods shape its impact?
- Does your board compensation approach truly align with your company's long-term strategy?
- What barriers prevent your board from embracing long-term ownership? Cultural norms, board dynamics, risk aversion, or regulation?
- Should directors be required to hold shares for 5+ years — and if so, how might that change board behavior?
- How often do investors engage with your company on director equity ownership, incentives, or alignment? If they don't, what do they focus on instead?

### Investors

- How do you assess whether board directors are genuinely aligned as long-term owners?
- When engaging with portfolio companies, how often do you raise issues of director equity ownership and alignment?
- If you don't raise ownership, what other aspects of board behavior or structure do you prioritize instead?

## Preliminary Tools in Development

- CEO–Board Conversation Guide: Framing alignment, ownership expectations, and tradeoffs
- Director Self-Assessment: Reflecting on incentives and long-term commitment
- Investor Checklist: Encouraging board ownership in line with long-term stewardship principles