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# Letter from the CEO

Dear members and friends of FCLTGlobal,

As 2021 draws to a close, FCLTGlobal celebrates its fifth year in operation. Our mission is to focus capital on the long term to support a sustainable and prosperous economy, and we are rewiring capital markets to drive long-term value creation for savers and communities.

In 2016, we came together with leading businesses and investors around the world who recognized the consequences of short-term actions. In the five years since, we have worked tirelessly to provide evidence and tools to overcome short-term behavior that has long-term costs.

In 2021, most business and investment leaders now understand the importance of focusing capital on the long term, but many still struggle to do so. A two-year-long pandemic has irrevocably changed our economic landscape, but the data tells us that companies and investors still find themselves on different wavelengths. Rather than narrowing, their respective time horizons have grown further apart since the onset of COVID-19.

Looking ahead to 2022, investors and companies continue to grapple with the same issues—multi-stakeholder capitalism, funding a sustainable climate transition, and mobilizing capital for building value through long-term growth. These issues are critical to our members, to their stakeholders, and to all those who rely on a prosperous, sustainable, and well-functioning global economy.

We know, through data and experience, that creating long-term value for a broad range of stakeholders is the most effective way to build sustainable performance. Companies that invest in workers, suppliers, customers, society, or the environment—just like they invest in brand, technology, or property—build long-term value for their shareholders

and other stakeholders alike, and time horizon is often the link between the two. Building prosperity for all stakeholders relies on pulling the levers of long-term value creation: governance, incentives, investor-corporate engagement, metrics, and policy.

Companies and investors that value long-term performance are wrestling with how to incorporate climate change into their strategies. As a result, they are setting climate goals in ever increasing numbers to demonstrate their intentions. Turning intentions into capital allocation strategy is the next step, and more work remains for companies and investors to determine how to deploy capital in support of these efforts. Success will require addressing the risks and opportunities of climate change in long-term strategies and working towards real-world decarbonization outcomes.

FCLTGlobal's members continue to drive the movement towards sustainable capitalism. The size of that movement has grown considerably: we now have 73 in 14 countries around the world. We are tackling the most pressing issues in capital markets today with practical research, a collaborative problem-solving community, and broad outreach. While we have made significant progress and the world has changed since our start five years ago, FCLTGlobal's mission has never been more important.

We are committed to drive that long-term focus, and we thank you, as always, for your continued partnership and support.

Sincerely,



**Sarah Keohane Williamson**  
Chief Executive Officer, FCLTGlobal

# FCLTGlobal by the Numbers

1 January to 31 December 2021



**73**

MEMBERS



**13**

COUNTRIES  
REPRESENTED



**60%**

MEMBER  
CHIEF EXECUTIVE  
ENGAGEMENT<sup>1</sup>



**7**

PUBLICATIONS



**20**

PROGRAMS



**91%**

MEMBERS  
INVOLVED IN  
RESEARCH<sup>1</sup>



**12**

RESEARCH  
WORKING GROUPS



**22**

STAFF



**60%**

BUDGET  
ALLOCATED TO  
RESEARCH

<sup>1</sup>Trailing 12 months.

# Our Membership

Our members shape our research and drive the future of global markets. Becoming a member of FCLTGlobal is no small commitment, and each of the organizations below is an integral part of the FCLTGlobal community.



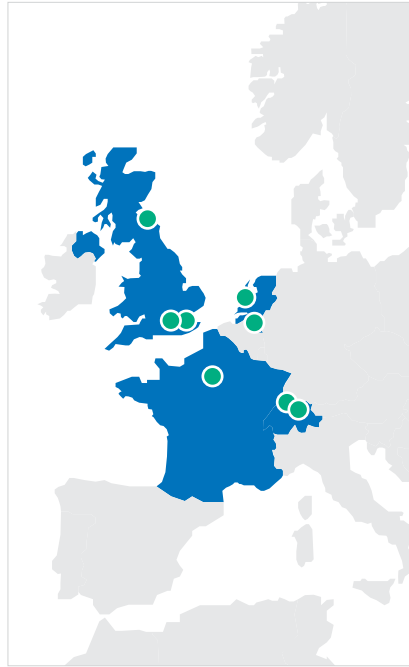
# Global Reach

Our members are headquartered in 14 countries and collectively operate in nearly every country around the world.



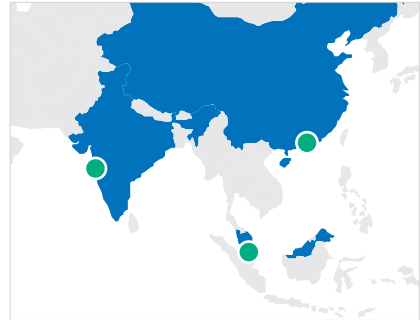
## Americas

Edmonton, Canada  
Montreal, Canada  
Toronto, Canada  
Austin, United States  
Bentonville, United States  
Boston, United States  
Chicago, United States  
Charlotte, United States  
Chesterfield, United States  
Kirkland, United States  
Midland, United States  
New York, United States  
Olympia, United States  
Purchase, United States  
San Francisco, United States  
San Jose, United States  
Westport, United States  
São Paulo, Brazil



## Europe

Paris, France  
Amsterdam, The Netherlands  
Heerlen, The Netherlands  
Baar, Switzerland  
Basel, Switzerland  
Brentford, United Kingdom  
London, United Kingdom  
Edinburgh, United Kingdom  
Oslo, Norway  
Stockholm, Sweden



## Asia/Pacific

Melbourne, Australia  
Hong Kong  
Mumbai, India  
Auckland, New Zealand  
Singapore

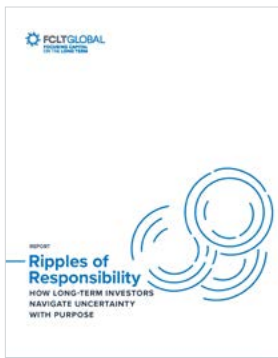
# Our Research

FCLTGlobal's research and tools explore the key levers that can elevate long-term performance. By creating the practical steps that all market participants can take, we aim to make long-term practices the norm across the investment value chain. Here is some of the research we completed in 2021. To read more, visit [fcltglobal.org](https://fcltglobal.org).



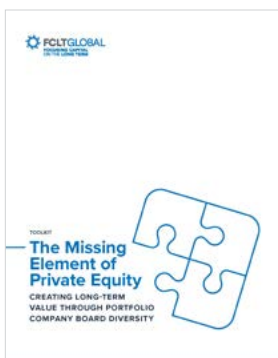
## The Risk of Rewards: Tailoring Executive Pay for Long-term Success

Both investors and corporate directors strongly believe in the importance of using performance-linked pay, but studies find that performance-linked pay motivates people effectively only for routine tasks— and a CEO's job is anything but routine. This suggests that performance-linked pay is not an easy solution to executive remuneration, and that pay linked to the wrong metrics simply compounds the problem. The most effective remuneration structures are tailored to a company's objectives, strategy, and management. Careful tailoring of long-term remuneration packages involves directors—and their shareholders—taking multiple steps over time. This report offers practical tools to aid in taking those critical steps, providing standardized frameworks for communicating, evaluating, and designing long-term pay plans.



## Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose

Investment organizations today face expectations that go well beyond traditional notions of return targets or liability matching. Such expectations can create responsibilities that are broader than fiduciary duty or asset stewardship. This report provides tools for understanding and fulfilling these responsibilities. FCLTGlobal member organizations piloted this research in six key areas of responsibility: economic impact at home and abroad, equity lending and stewardship, impasses in corporate engagement, racial and gender diversity of portfolio companies, climate and environmental impact, and reputation management.



## The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity

As private equity-backed companies comprise a significant and growing proportion of the economy, the diversity of their boards is receiving increased attention and provides an opportunity to promote diversity, equity, and inclusion (DEI) alongside long-term value creation. To improve in each of these areas, FCLTGlobal convened numerous roundtables over the course of the past year, the outputs of which are in-depth guides that both GPs and LPs can use to evaluate, implement, and report on DEI in the boardrooms of their portfolio companies. Whether first steps or a refinement of plans already in motion, these recommendations are a means to putting leaders in the boardroom of private companies who are representative, forward-looking, and positioned to create long-term value.



## Adapting Corporate Sustainable Value Creation Indicators for Investors

### WEF Global Future Council on Investing in collaboration with FCLTGlobal

While there has been much work and discussion globally about the need for non-traditional sustainability metrics, the focus has been on corporations. But investors are recognizing that attention to sustainability topics increasingly generates important information that may not be revealed by financial focused analysis alone—and that holds true for investors as well. Non-traditional metrics have become important to both the investment and business communities as an indicator of long-term value. This document is meant to help investors look in the mirror and serve as a basis for analyzing key aspects of their long-term strategy.



## Unpacking the Value of Corporate Net Zero Commitments

Since the Paris Agreement, many companies have committed to different levels of decarbonization in line with climate goals. From making net zero commitments to setting targets aligned with the Science Based Targets initiative, more and more companies are signaling their commitment to climate. In this paper, we examine pre- and post-commitment equity and fixed income trends and find that climate pledges do not cost companies money in the short run. Over the medium to long run (past three to five years), companies with net zero pledges have significantly outperformed their peers, as evidenced in the equity and fixed income markets.



## Climate Transition Conversation Guide

Investors are looking for clearer insights on the impact of climate change on corporate capital allocation plans, opportunities for revenue generation, and changes to strategic goals and KPIs. Companies are looking to communicate how they are evolving their business model and approach for resilience in a transitioning world. This guide provides a framework for both to engage on how climate change impacts corporate plans for long term value creation and provides real-world examples of how companies have communicated their transition plans to investors.





## The Economics of Resilience: Capital Allocation and Investment Horizons During COVID-19

**FCLTCompass** is our annual benchmarking tool that tracks long-term investments on a global scale. The project anchors long-term investing to quantitative data reported in years and dollars, painting a clearer picture of the status quo, and framing the conversation around sustainable finance in a more actionable light for the first time.

The theme of FCLTCompass 2021 is divergence—there was not one unified approach to withstanding the effects of COVID-19, and strategies and capital allocation decisions varied between companies and investors and between national economies. In the face of volatility, companies are committing to the long term, while investors appear headed in the opposite direction. But investors—or savers more broadly—are anything but homogeneous.

When faced with the startlingly sudden COVID-19 shutdown of the global economy in just a few short weeks, many companies opted to focus on the long term. And they did that in the face of debt and public equity holding periods that fell by over 10 percent in the same period, contributing to a widening of

the gap—by more than two years—between the time horizons of corporate sources of capital and corporate uses of capital.

Many of the meaningful shifts we see in allocations and investment time horizons are likely due to market volatility as a result of the pandemic, and the associated changes in market valuations, rather than a true change in strategy. Unprecedented government intervention in reaction to the global economic shock was a key factor in this year's data. How that intervention plays out over time will have important long-term implications for the investment horizons of capital market participants.

Our goal for this project is to further contribute to our ongoing practical research to help companies, investors, and savers alike practice long-term decision-making as the norm, not the exception. We welcome your comments and suggestions as we continue our work to focus capital on the long term to support a sustainable and prosperous economy.

To learn more, visit [www.fcltglobal.org/fcltcompass](http://www.fcltglobal.org/fcltcompass).

### **Webinar: The Economics of Resilience: Capital Allocation and Investment Horizons**

During COVID-19 In December 2021, FCLTGlobal held a webinar for the launch of the 2021 edition of FCLTCompass, our annual report and interactive dashboard that analyzes 10+ years of financial data to reveal important insights regarding the state of worldwide capital markets. The panel of experts discussed the critical changes in capital allocation trends over the past year, corporate and investor resilience, and the dynamic between interconnected markets and disconnected responses to COVID-19. [Watch here.](#)

# Global Impact

FCLTGlobal partners with the world's top asset owners, asset managers, and companies to share our findings with the broader investment community. Our expanding engagement with global leaders produces the insights that we use to develop practical tools for market-leading organizations and build momentum for our shared long-term mission. Due to the virtual nature of events in 2021, recordings of many of these events can be found at [www.fcltglobal.org](http://www.fcltglobal.org).

## Thought Leadership

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### Multi-stakeholder Capitalism

#### Multi-stakeholder Capitalism in Practice: Building a Long-term, Sustainable Economy

While many organizations recognize the importance of considering constituencies such as workers, suppliers, customers, society, and the environment in business and investment decision-making, implementation of new practices and behaviors has been inconsistent, and their effectiveness has been hard to measure. In September 2021, we hosted a webinar featuring **Peter Bakker** (WBCSD), **Alan Jope** (Unilever), **Ron O'Hanley** (State Street), **Carine Smith Ihenacho** (NBIM), and **Ronald Wuijster** (APG) to explore the challenges and opportunities in implementing a multi-stakeholder approach.

[Watch here.](#)

### Board Diversity and Long-term Value Creation

#### Improving Diversity and Inclusion on PE-Backed Company Boards

In March 2021, FCLTGlobal reconvened CEOs in a roundtable aimed at improving diversity and inclusion on PE-backed company boards. Leaders discussed how they can drive progress and measure their impact while examining the industry trends and their implications for private markets. [Learn more.](#)

### Climate Transition Series

#### Investing in the Food and Agriculture Transition

In April 2021, FCLTGlobal hosted a webinar featuring **Martin Davies** (Nuveen), **Nick Halla** (Impossible Foods), **Chen Lichtenstein** (Syngenta), **Audrey Lucas** (McKinsey), and **John Vaske** (Temasek) exploring how to position the food and agriculture industry for a more sustainable lower-carbon future in the face of short-term pressures. [Watch here.](#)

#### Investing in the Sustainable Infrastructure Transition

In May 2021, FCLTGlobal hosted a webinar highlighting the critical challenges the world's infrastructure systems are facing as we aim to meet the needs of growing, increasingly urban populations, while also dramatically reducing carbon emissions. **Carolyn Hansard** (TRS), **Emmanuel Jaclot** (CDPQ), **Sean Klimczak** (Blackstone), **Scott Lawrence** (CPP Investments), and **Kule Mangini** (IFM Investors) discussed how companies are integral to global infrastructures, with an emphasis on how to facilitate innovation and solutions while capitalizing on significant opportunities along the way. [Watch here.](#)

## Taking Action After COP26

In the wake of COP26, FCLTGlobal hosted a webinar featuring **David Blood** (Generation Investment Management), **Jim Fitterling** (Dow), **Pam Holding** (Fidelity Investments), and **Kim Thomassin** (CDPQ) to discuss how companies and investors can work together to drive the actions needed for a positive long-term impact on the world's organizations, the global economy, and the planet. Leaders discussed the need for public and private finance to fund the development of infrastructure, technology, and innovation at speed and scale for the successful transition to a more climate-resilient world. [Watch here.](#)

## Long-term Risk Management

### Risk Webinar Series

Our 2018 work on risk management, *Balancing Act: Managing Risk Across Multiple Time Horizons*, considered various risks and tools that long-term investors could use to better manage their impact. In 2021, we hosted a series of virtual events featuring risk experts from across the global investment community to share their long-term insights, experiences, and practices.

#### Featured guests included:

**Mark Carey**  
GARP Risk Institute

**Kim Chong**  
Hong Kong Monetary Authority

**Juhi Dhawan**  
Wellington Management

**Ahren Estabrooks**  
Ontario Teachers' Pension Plan

**Ben Falk**  
EY

**Carol Geremia**  
MFS Investment Management

**Daniel Godfrey**  
Federated Hermes

**Chris Goolgasian**  
Wellington Management

**Will Kinlaw**  
State Street Associates

**Mark Kritzman**  
State Street Associates and  
Windham Capital

**Bryan Lewis**  
US Steel Pension

**Andrew Lo**  
MIT Sloan

**Jacques Longerstaeey**  
Nuveen

**Iain McAra**  
CFA Institute

**Deborah Ng**  
Ontario Teachers' Pension Plan

**Alison Taylor**  
NYU Stern School of Business

**David Turkington**  
State Street Associates

This series was encapsulated in a compilation to be used by risk professionals, highlighting the most impactful insights from the project. To learn more, [click here.](#)

**FCLTGlobal leadership and staff members participate in external conferences to share our work and learn from others. We would like to thank the following organizations for including us in their programming:**

BritishAmerican Business

CFA Institute

Columbia Law School  
Millstein Center

Competent Boards

Council on Foreign Relations

Harvard Business School

International Finance Corporation

MIT Sloan School

NYU Law School

Oxford Saïd Business School

United Nations SDG Investment Fair

World Business Council on  
Sustainable Development

World Economic Forum

Yale School of Management

## Podcast: *Going Long with FCLTGlobal*

Sarah Keohane Williamson interviews today's leaders in global business and investing to discuss how they are running their companies for the long term, on issues including capital allocation, risk management, climate change, sustainability, and more. Guests include:



James Anderson  
*Baillie Gifford*



Mark Carney  
*Brookfield Asset Management*



Carmine Di Sibio  
*EY*



Charles Emond  
*CDPQ*



Henry Fernandez  
*MSCI*



Adena Friedman  
*Nasdaq*



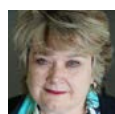
Alan Jope  
*Unilever*



Chow Kiat Lim  
*GIC*



Mark Machin  
*CPP Investments*



Heather McGregor  
*Edinburgh Business School*



Clarke Murphy  
*Russell Reynolds Associates*



Nitin Nohria  
*Harvard Business School*



Paul Polman  
*IMAGINE*



Bob Pozen  
*MIT*



Mary Pryshlak  
*Wellington Management Company*



Christian Sinding  
*EQT*



Robert Smith  
*Vista Equity Partners*



Leo Strine  
*Wachtell, Lipton, Rosen & Katz*



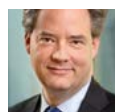
Bill Thomas  
*KPMG*



Matt Whineray  
*New Zealand Super Fund*



Theresa Whitmarsh  
*Washington State Investment Board*



Mark Wiedman  
*BlackRock*



Ronald Wuijster  
*APG Asset Management*

## Strategic Partnerships



### Launching the Panmure House Prize to Support Research into Long-term Funding for Innovation

Announced in January 2021, the Panmure House Prize is an annual award of \$75,000 for research into long-term investing and its relationship with innovation. The Prize is awarded to emerging leaders in academia who are planning to produce outstanding research on the topic of the long-term funding of innovation in the spirit of Adam Smith.

The Panmure House Prize is administered through a partnership between Edinburgh Business School at Heriot-Watt University and FCLTGlobal. The opportunity is open to academics in economics and finance whose entries are shortlisted and judged by our specially appointed Panmure House Prize Panel.

The 2021 Prize was awarded to Professor Rachelle C. Sampson from the University of Maryland. The Emergent Thought Award was added to award \$25,000 each year over the next five years judged on the same criteria as the Prize. The 2021 Emergent Thought Award was awarded to Matteo Tranchero based at the University of California.

Prize winners will utilize the award to conduct the proposed research from their home institution, working to publicize and publish their findings widely within peer-reviewed journals, national and international press, as well as curating first-look updates and interactive sessions here on the Panmure House website.

The next Call for Proposals will open in early 2022—to learn more, [click here](#).



### Working to Increase Transparency of Diversity & Inclusion Within Private markets

In November, we announced that we would be working with Nasdaq and the Institutional Limited Partners Association (ILPA) to enhance DEI within private markets through a new Diversity Metrics Template and data collection platform for limited partners and general partners.

The initiative centers around ILPA's updated Due Diligence Questionnaire (DDQ) and Diversity Metrics Template, which will standardize investors' due diligence process and provide a framework monitoring progress on diversity, equity, and inclusion (DEI) among private equity portfolio companies. This framework includes FCLTGlobal's Disclosure Template for Portfolio Company Board Diversity, as published in *The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity*.

Nasdaq concurrently announced that it will collect and make its DEI data available for investors free of charge via the Nasdaq eVestment platform in an effort to improve transparency and standardization. Private fund managers are invited to provide their data to ensure their firm is accurately represented.

To learn more about FCLTGlobal's research on the impacts of diversity within private equity-backed company boards, [click here](#).

# In the News

AGENDA

BARRON'S

CARDS INTERNATIONAL

CNBC

Edinburgh News

the  
Edinburgh  
Reporter

FT  
FINANCIAL  
TIMES

Finextra

Forbes

institutionalassetmanager

INVESTMENT & PENSIONS GUIDANCE  
IPE

PE Hub

Pensions & Investments

Seeking Alpha<sup>α</sup>

StreetInsider.com

THE SUNDAY TIMES

European Sting  
Your Political Newspaper

THE SCOTSMAN

The Standard

top1000funds.com

THE WALL STREET JOURNAL

The Washington Post

yahoo!  
finance

## Will Covid-19 Shake Up Capitalism?

*Wall Street Journal, 17 January*

The pandemic sped up demands for changes in the economic system. Shareholders might want to brace for change.

## How to Take the Long-term View in a Short-term World

*FT, 26 February*

There is more agreement about the damage short-termism is doing than about how to defeat it. But the evidence is piling up on how long-term thinking need not sacrifice returns now.

## COVID-19 Canceled Quarterly Guidance—This Bad Habit Shouldn't Come Back

*Forbes, 8 April*

Companies' focus on short-term metrics often leads them to prioritize decisions that will yield the most attractive results on a quarterly basis and neglect their long-term strategies.

## A Lesson in Stakeholder Capitalism from the Failed Super League

*Forbes, 21 April*

Surely, creating a league between the top clubs in the world would be a windfall for everyone who has a financial stake in them. Why, then, should the owners need to worry about the other parties involved?

## Why Investors are Skeptical About all Those Big Corporate Climate Pledges

*Barron's, 4 October*

On the face of it, these commitments set the stage for capital to be deployed at scale to decarbonize the global economy. Yet the reality has proved to be more complicated.

## What a Tax on Stock Buybacks Would, and Wouldn't, Mean for the Bull Market

*CNBC, 8 October*

While the tax could strike a balance between deterrent and government revenue needs, it is not nearly high enough to assuage buyback critics.

## Investing—Rather than Divesting—for a Greener Future

*Forbes, 1 November*

Today's typical approach to climate investing concentrates on divestment and exclusion. While divestment seems appealing, it comes with limitations.



# Professional, Sustainable Organization

## Board of Directors and Strategic Advisors

Guidance from our Board of Directors plays a large part in the impact FCLTGlobal makes on global capital markets. Leaders of FCLTGlobal member organizations in their own right, our directors and advisors are tireless advocates for the long term.

### Board of Directors

**Carmine Di Sibio**

Global Chairman  
and CEO  
EY

**Adena Friedman**

President and CEO  
Nasdaq

**John Graham**

President and  
Chief Executive Officer  
CPP Investments

**Peter Harrison**

Group Chief Executive  
Schroders

**Alan Jope**

Chief Executive Officer  
Unileverw

**Kewsong Lee**

Chief Executive Officer  
The Carlyle Group

**Chow Kiat Lim**

CEO  
GIC

**Geraldine Matchett**

Co-CEO  
Member of the  
Managing Board  
Royal DSM

**David Neal**

Chief Executive  
IFM Investors

**Kevin Sneader**

Co-President of  
Asia Pacific Ex-Japan  
Goldman Sachs

**Bob Sternfels**

Global Managing Partner  
McKinsey & Company

**Howard Ungerleider**

President and CFO  
Dow

**Theresa J. Whitmarsh**

Chief Executive Officer  
Washington State  
Investment Board

**Mark Wiedman**

Senior Managing Director  
BlackRock

**Sarah K. Williamson**

Chief Executive Officer  
FCLTGlobal (ex-officio)

**Ronald Wuijster**

CEO  
APG Asset Management

**Lei Zhang**

Founder and CEO  
Hillhouse Capital Group

### FCLTGlobal Strategic Advisors

**Else Bos**

Executive Director and Chair  
of Prudential Supervision  
De Nederlandsche Bank

**Natarajan Chandrasekaran**

Chairman  
Tata Sons

**Larry Fink**

Chairman and CEO  
BlackRock

**Lady Lynn Forester de Rothschild**

CEO  
E.L. Rothschild, LLC

**Martin Lipton**

Founding Partner  
Wachtell, Lipton, Rosen & Katz

**Andrew N. Liveris**

Former Chairman and CEO  
Dow

**Nitin Nohria**

Former Dean  
Harvard Business School

**Paul Polman**

Co-founder and Chair  
IMAGINE

**Mark Weinberger**

Former Global Chairman and  
CEO

# Professional, Sustainable Organization

## Staff and Fellows

Our staff is responsible for working toward our mission of making long-term investing and decision-making the norm through advocacy and thought leadership. We have built a team that has both deep experience in the investment and business communities and a dedication to our goals.

## Staff and Fellows



**Peggy Adams**  
Managing Director



**Ariel Babcock**  
Head of Research



**Savannah Behrent-Clark**  
Membership Associate



**Natasha Braginsky Mounier**  
Senior Fellow



**Steve Boxer**  
Managing Director



**Bryn Costello**  
External Relations Associate



**Allen He**  
Associate Director



**Kersten Lanes**  
COO



**Matthew Leatherman**  
Head of Programs



**Demi McClure**  
Events Associate



**Michelle Mei**  
Operations Analyst



**Kate O'Donnell**  
Events Consultant



**Ross Parker**  
Director, Communications



**Joel Paula**  
Research Director



**Veena Ramani**  
Research Director



**Anna Maria Recupero**  
Executive Assistant to the CEO



**Prem Samtani**  
Senior Fellow



**Sara Simonds**  
Director



**Sam Sterling**  
Manager, Member Engagement



**Luke Stidham**  
Fellow



**Devin Weiss**  
Research Associate



**Sarah Keohane Williamson**  
CEO



# Long-term Roadmap

Encouraging companies to create long-term roadmaps is a cornerstone of our philosophy on sound business strategy. These plans forgo projecting the next quarter or fiscal year and give stakeholders a clear, concise statement of a company's future goals and how it intends to reach them. Naturally, we have one of our own—our long-term roadmap lays out our trajectory as an organization.



## An Ambitious Research Agenda

In the last year, we have developed research products in the following areas that encourage long-term behaviors in business and investment decision-making.

## 2021

### CATALYZING CLIMATE INVESTMENT

We will explore how investors can build practical, non-concessionary net-zero carbon portfolios while employing alternative financing structures or mechanisms to catalyze greater long-term investment in climate solutions.

*A Top-Down Approach to Net-Zero Portfolios, Published March 2021*

### DIVERSITY ON PRIVATE EQUITY BACKED CORPORATE BOARDS

We will look at ways to increase the number of diverse directors serving on PE-backed company boards, with the hopes that this improved representation will foster greater board diversity in both private and public firms.

*The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity, Published July 2021*

### EXECUTIVE REMUNERATION

We will consider how current compensation models may be influencing short-term or long-term behaviors and evaluate example long-term compensation proposals, including implementation constraints and practical remedies.

*The Risk of Rewards: Tailoring Executive Pay for Long-term Success, Published March 2021*

### NON-TRADITIONAL METRICS

We will focus on shortlisting metrics from existing frameworks to identify a core set of metrics material to investment-decision makers and (to the extent possible) backed by academic evidence. The second stage of the project will focus on driving adoption and implementation of the shortlisted metrics.

*Adapting Corporate Sustainable Value Creation Indicators for Investors, Published September 2021*

## LONG-TERM INVESTING IN THE CLIMATE TRANSITION

Returns on successful climate-related financial innovation are significant and carry similarly significant potential for global impact. But the climate solutions the world needs are often underfunded. Market failures, such as short-term bias, present barriers to climate-supporting investments. Similarly, fiduciary duty considerations are often interpreted too narrowly to allow for climate-supporting investments, and risk profiles of many climate investment vehicles do not yet meet the needs of a more traditionally managed investment portfolio. We are exploring ways investors can build practical, non-concessionary net-zero carbon portfolios while employing alternative financing structures to catalyze greater long-term investment in climate solutions.

## MULTI-STAKEHOLDER CAPITALISM IN PRACTICE

Global corporations are increasingly adopting a multi-stakeholder approach to business decisions, but investors' support is needed to fully implement such a model. Competing definitions, inconsistent priorities, and lack of proof that such an approach supports sustainable business all contribute to investors' skepticism. We are conducting research, including insights from both companies and investors, aimed at developing new tools emphasizing shared responsibilities and resilience to help reframe the multi-stakeholder business model with new practicality.

## EVOLVING THE INVESTMENT MANDATE—INSTITUTIONAL INVESTMENT MANDATES: ANCHORS FOR LONG-TERM PERFORMANCE

The next edition of our research on investment mandates will respond to growing demand by including mandate-related findings from *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose*, as well as featuring elements of our work on investing in the climate transition. It also will include additional case studies of member implementation, adding to the existing library of examples featured in our initial 2018 report.

## TAILORING ENGAGEMENT STRATEGIES FOR SHAREHOLDER COMPOSITION

Understanding a company's shareholder composition can have far-reaching effects. Different groups of shareholders often have different agendas and anticipating those priorities and likely strategies is not always a simple task for managers. Concurrently, investors struggle with stewardship and engagement strategy across their portfolio companies, where equal ownership stakes and similar tactics can yield vastly different results. A closer examination of underlying shareholder composition may help companies more effectively communicate their strategy to target and attract long-term shareholders. It may also help investors evaluate the effectiveness of past engagement tactics by comparing past outcomes to shareholder composition. FCLTGlobal is developing new tools to help companies cater their investor dialogue to their targeted audiences, and to help investors better select the engagement strategies most likely to deliver productive dialogue – leading to better long-term outcomes for all parties involved.

## DECARBONIZATION OPPORTUNITIES FOR PRIVATE EQUITY

Private equity is playing an increasingly pivotal role in climate change, having emerged as a critical source of finance for transitioning companies and industries. At the same time, GPs are under increasing pressure from their LPs to rapidly decarbonize their portfolios – putting GPs looking to capitalize on investing in the transition of carbon-intensive assets in a difficult position. Well-structured and mutually reinforcing partnership terms between GPs and their LPs (covering fund agreements and governance, compensation, and disclosure) may incentivize private equity firms to swiftly clean up or wind down transitioning assets within their portfolios and earn the related return for decarbonization-as-a-service. FCLTGlobal is developing tools that will help both GPs and LPs realign their partnership terms or create new private investment vehicles and incentives to achieve both portfolio and real-world decarbonization outcomes.



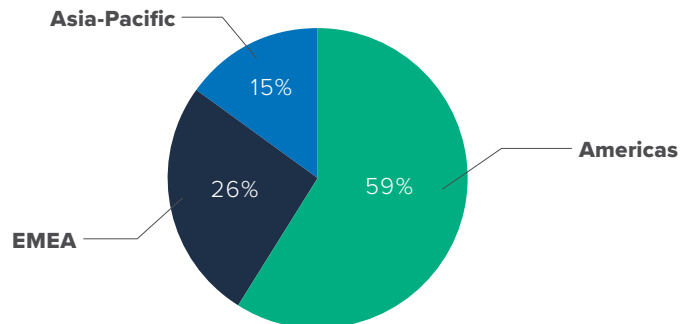
## A Global Member Base

We welcome widely respected organizations representing a cross section of the investment value chain to join our global membership.

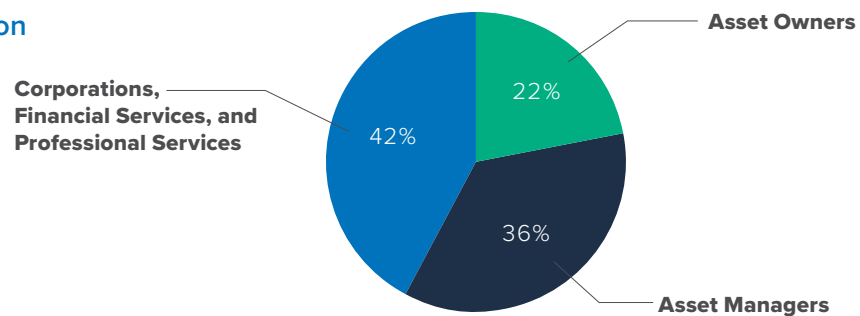
**Current Membership: 73    Membership Goal: 80**



### Even Member Distribution Across Geographies



### Even Member Distribution Across Sectors



**FOCUSING CAPITAL  
ON THE LONG TERM**

