FCLT Gold Standard

INFORMATION AND RESOURCES

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ABOUT THE FCLT GOLD STANDARD

What does it mean to be “long-term”?

In an era marked by rapid economic shifts, the need for long-term decision-making has never been more evident. Data shows that long-term-oriented investors deliver superior performance, and long-term-oriented companies outperform in terms of revenue, earnings, and job creation. Despite this evidence, short-term pressures are hard to avoid.

The FCLT Gold Standard is a set of criteria that represents the key attributes of long-term-oriented companies and investment organizations. The project is comprised of three sets of criteria, each defining recommended practices for (1) companies, (2) asset owners, and (3) asset managers across four strategic areas that are required for strong long-term performance: (1) Governance, (2) Incentives, (3) Engagement & Dialogue, and (4) Metrics. The standard is based on FCLTGlobal’s library of work, third-party research, and proven long-term strategies of leading companies and institutional investors.

Over the past several years, FCLTGlobal has developed this initiative in consultation with its 70+ member organizations, including best-in-class institutional investors and leading corporations headquartered in more than a dozen countries around the world, as well as numerous other NGOs and industry groups.

The standard is meant to serve as a shared frame of reference for investors and corporates to model their own behaviors, rather than yet another compliance or disclosure exercise. The project will evolve over time – as new practices are developed and further research conducted, new criteria may be added to the standard in the future.

Through this standard, we hope to foster responsible, forward-thinking, and sustainable approaches to long-term value creation across the global investment value chain.

Governance	1. Is your organization formally separated from the political cycles of the governing institution?
	2. Does your board include investment professionals who are independent?
	3. Does your board delegate asset manager selection decisions to your organization's staff?
	4. Is your board comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?
Incentives	5. Are your investment staff's compensation, benefits, and career opportunities competitive relative to those of other investment professionals?
	6. Are senior investment staff accountable for multi-year, total fund performance in their compensation and performance reviews?
Engagement & Dialogue	7. Do your investment professionals focus their engagement with external asset managers on long-term issues (e.g., strategy, capital allocation, governance, and compensation) as opposed to short-term issues?
Metrics	8. Is your fund fully funded (for pension liabilities) and/or achieving long-term return targets (for non-pension funds)?
	9. Does your fund use internal charges for key unpriced externalities (e.g., carbon)?
	10. Does your organization report performance with an emphasis on multi-year metrics?

1. Is your organization formally separated from the political cycles of the governing institution?

Governments, whether regional or national, manage and preserve funds for central banks, public pensions, sovereign wealth funds, and development initiatives. They also enact legislation that broadly affects investors. In contrast, politics, along with political candidates, may adjust their priorities based on election cycles, making them especially vulnerable to short-term pressures.

Political interference can lead to decisions that prioritize short-term gains over sustainable returns. Detachment allows funds to make investment decisions based on economic fundamentals and market opportunities rather than current political considerations.

From the FCLTGlobal library:

"Determining which expectations to drive or accept as responsibilities, rather than defer or decline, is based on the long-term purpose of the investment organization, its constituents, and the trade-offs that accepting such a responsibility would entail."

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

Relevant resources:

- FCLTGlobal. *ICPM and FCLTGlobal Consider Emerging Investor Responsibilities*. December 2020.
- FCLTGlobal. *Integrating Investor Responsibilities into Investment Mandates*. May 2022.

2. Does your board include investment professionals who are independent?

A forward-looking board of directors is comprised of professionals with varied expertise, including investment experience. The board also represents constituents for whom the capital is being invested. A board with robust investment expertise is crucial for ensuring long-term value creation for constituents.

From the FCLTGlobal library:

"Asset owners that added net value over ten years further exhibited behaviors which may indicate more stable, long-term stewardship of assets. They [...] performed self-evaluations of investment boards."

– *Survey Indicates How Asset Owners Can Add Long-term Value*

Relevant resources:

- FCLTGlobal. *An Interview with Theresa Whitmarsh: Executive Director of WSIB*. August 2017.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose*. June 2021.
- Clark, Gordon L. and Urwin, Roger. *Best-Practice Investment Management: Lessons for Asset Owners from the Oxford-Watson Wyatt Project on Governance*. October 2007.

3. Does your board delegate asset manager selection decisions to your organization's staff?

Boards of successful long-term organizations spend significant time on strategy, risks, and opportunities. But most boards and directors struggle to make time in their agendas for this important work. The board's role should primarily involve providing oversight and strategic direction, rather than making day-to-day capital allocation decisions, including asset manager selection. Having a boundary between governance and management in this regard – and allowing each party to play its role according to their strengths and purpose – prevents misalignment.

From the FCLTGlobal library:

"Asset owners that added net value over ten years further exhibited behaviors which may indicate more stable, long-term stewardship of assets. They had a longer time frame for maintaining investment beliefs [...] and analyzed risk at the portfolio level rather than at the individual strategy level."

– *Survey Indicates How Asset Owners Can Add Long-term Value*

Relevant resources:

- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- Clark, Gordon L. and Urwin, Roger. *Best-Practice Investment Management: Lessons for Asset Owners from the Oxford-Watson Wyatt Project on Governance*. October 2007.

4. Is your board comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?

Diversity of thought is a quality of future-oriented organizations. Research shows diverse teams can improve long-term value creation by improving decision-making and incorporating a range of perspectives, skills, and abilities – this includes the makeup of the board of directors. Diverse boards are more effective in part because they are more likely to fill in gaps in knowledge and experience compared to groups comprised of those with similar backgrounds.

From the FCLTGlobal library:

"Net returns for asset owners are linked to both governance and investment strategy. Relevant factors include board diversity, active ownership, lower costs, a higher funded ratio, and higher exposure to both public and private equity."

– *Predicting Long-Term Success for Corporations and Investors Worldwide*

Relevant resources:

- FCLTGlobal. *Implementing Multi-Horizon Investment Risk Measures.* March 2021.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose*. June 2021.
- FCLTGlobal. *When Boards Should – and Should Not – Lead on Risk Management*. October 2021.
- Bernile, G., "Board diversity, firm risk, and corporate policies". *Journal of Financial Economics*, March 2018.
- Hwang, L., et al. "Encouraging Long-term Thinking by Organizations Making Investment Decisions". *Behavioral Economics In Action at Rotman (BEAR)*, June 2018.
- Taljaard, C., et al. "Board diversity and financial performance: A graphical time-series approach". *South African Journal of Economics and Management Science*, 2015.

5. Are your investment staff's compensation, benefits and career opportunities competitive relative to those of other investment professionals?

Asset owners that try to balance consistency with sponsors' compensation structure and keeping skilled investment professionals on their team face serious challenges. To compete with commercial asset managers, they need to offer a compelling mix of career opportunities, mission-orientation, and compensation.

From the FCLTGlobal library:

"Investing in employees is about the sum of the parts: no individual sub-component (e.g., increasing wages; improving diversity, equity and inclusion (DEI); addressing benefits; monitoring employee health & safety) contributed directly to value creation, but taken as a whole, these sub-components are correlated with long-term value."

– *The People Factor: How Investing in Employees Pays Off*

Relevant resources:

- Kauffman, D., et al. "Purpose for asset owners: Climbing a taller mountain". *McKinsey & Company*, February 2021.

6. Are senior investment staff accountable for multi-year, total fund performance in their compensation and performance reviews?

Long-term incentives promote long-term behaviors, and alignment of these incentives over time and across the investment value chain is critical to future outperformance. But it's challenging for senior investment professionals to focus on long-term goals if their compensation is anchored on short-term targets. Nearly a thousand investment professionals surveyed by State Street in 2019 affirmed these challenges: "Seventy-seven percent of asset owners said they were concerned that short-term incentives were not being aligned with long term objectives."

It is important that the performance model not sacrifice tomorrow's value by centering performance targets on today's gains.

From the FCLTGlobal library:

"Before seeking to establish a long-term relationship, it is critical for asset owners to work internally to set investment policies, including beliefs, risk appetite, benchmarking processes, evaluations, and incentives."

– *Balancing Act: Managing Risk Across Multiple Time Horizons*

Relevant resources:

- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance.* July 2022.
- FCLTGlobal. *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term.* March 2015.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose.* June 2021.

7. Do your investment professionals focus their engagement with external asset managers on long-term issues (e.g., strategy, capital allocation, governance, and compensation) as opposed to short-term issues?

Short-termism manifests through a negative feedback loop: while asset owners may feel long-term oriented, the short-term objectives and metrics they set for their managers push investors to shorten their horizons to the perceived time horizon of their client. Engagement between asset owners and asset managers provides the context and understanding needed to avoid these pitfalls.

From the FCLTGlobal library:

"Once the asset owner and manager have defined an investment strategy and universe, the strategy benchmark should (1) convey the expected risk/return profile of the chosen strategy, and (2) be the measure used to determine the strategy's success over the long term".

– *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term*

Relevant resources:

- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors*. November 2019.
- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- FCLTGlobal. *Owners and Managers Depend on Mandate Agreements to Focus on the Long Term*. Aug 2024.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose*. June 2021.
- FCLTGlobal. *Survey Indicates How Asset Owners Can Add Long-term Value*. August 2018.
- Cremers, M., Pareek, A., "Patient capital outperformance: The investment skill of high active share managers who trade infrequently". *Journal of Financial Economics*, November 2016.
- Wierckx, P.J. "Thinking Beyond the Hiring and Firing of Asset Managers: A New Framework Truly Aligning Asset Owners with Asset Managers". *Journal of Accounting and Finance*, April 2021.
- Koedijk, K. and Slager, A. "Investment Beliefs: The Importance of Focus for an Institutional Investor". *ICPM / Netspar / Maastricht University Joint Discussion Forum*, October 2007.

8. Is your fund fully funded (for pension liabilities) and/or achieving long-term return targets (for non-pension funds)?

Being able to fund liabilities or obligations is the purpose of a fund's existence. Funds in their various forms are responsible for covering the future needs of their beneficiaries, which could involve providing for the wellbeing of retirees (pension funds), providing scholarships to students so they may participate in the workforce (university endowments), or contributing to the development of national economies (sovereign wealth funds). Funds that are unlikely to meet these obligations are unable to fulfil their long-term responsibilities.

From the FCLTGlobal library:

"Achieving the fund's purpose is the long-term goal for decision-makers. Emphasizing the performance required to meet a fund's purpose (such as funded status or distribution levels) may allow decision-makers to build portfolios to mitigate the prospect of long-term shortfall and not overreact to short-term drawdowns that do not threaten the purpose."

– *Balancing Act: Managing Risk Across Multiple Time Horizons*

Relevant resources:

- FCLTGlobal, CPP Investments, and McKinsey & Co. *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term.* March 2015.
- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors.* November 2019.
- FCLTGlobal. *Highlights: From Risk to Opportunity in Innovative and Adaptive Markets with Andy Lo.* May 2021.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose.* June 2021.
- GIC, State Street. *Portfolio Choice with Path-Dependent Scenarios.* June 2021.
- GIC, MSCI. *Building Balanced Portfolios for the Long Run.* October 2022.
- GIC, PGGM. *Building a Better Portfolio: Balancing Performance and Liquidity.* March 2021.
- Kauffman, D., et al. "Purpose for asset owners: Climbing a taller mountain". *McKinsey & Company*, February 2021.
- Kinlaw, W., et al. "The Divergence of High and Low Frequency Estimation: Implication for Performance Measurement." *The Journal of Portfolio Management.* Spring 2015.
- Koedijk, K. and Slager, A. "Investment Beliefs: The Importance of Focus for an Institutional Investor". *ICPM / Netspar / Maastricht University Joint Discussion Forum*, October 2007.

9. Does your fund use internal charges for key unpriced externalities (e.g., carbon)?

Forward-looking funds are factoring tomorrow's estimated costs into today's decisions. For example, long-term asset owners have started to consider future carbon charges at the portfolio level when investing in carbon-intensive sectors. Short of a true carbon tax, which requires policy action, preparing for the potential externalities of carbon emissions will incentivize funds to transition to a reduced carbon footprint through more sustainable practices.

From the FCLTGlobal library:

"Long-term investors recognize the externalities of their portfolio companies as well. The implication of an 'externality'—a cost created by one business but borne by others—is that the business and its investors can shirk the cost. Many investment institutions increasingly feel that they have responsibilities not to shirk costs that they help to create, such as climate and environmental impacts."

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

Relevant resources:

- FCLTGlobal. *Balancing Act: Managing Risk Across Multiple Time Horizons.* December 2018.
- FCLTGlobal. *Decarbonizing Long-Term Portfolios*. April 2022.
- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors*. November 2019.
- FCLTGlobal. *Highlights: Risk Webinar Series, Climate*. November 2020.
- FCLTGlobal. *Highlights: Risk Webinar Series, Income Volatility and Distribution*. March 2021.
- Kinlaw, W., et al. "The Divergence of High and Low Frequency Estimation: Implication for Performance Measurement." *The Journal of Portfolio Management*. Spring 2015.
- Williamson, S.K. "Carbon Charges Can Put Investors' Money Where Their Mouth is on Climate Change". *Forbes*, June 2023.

10. Does your organization report performance with an emphasis on multi-year metrics?

What gets measured gets managed. Measuring performance and risk is critical to the decision-making processes of institutional investors. Expanding reporting periods to cover multiple years of performance promotes more consistent long-term decision-making.

For example, many investors' long-term performance reporting tables begin with measurements of the relevant time frames, such as ten years, and then show short-term data, if required, last. Simply showing long-term performance metrics before quarterly or year-to-date data can serve to anchor attention on the time periods that really matter for long-term value creation.

From the FCLTGlobal library:

"Displaying performance against long-term expected return outcomes, rather than against the benchmarks over interim periods, helps decision-makers stay focused on the longer-term goal rather than short-term fluctuations. This method of outcome-focused performance reporting can anchor the discussion of performance back to the desired outcome or purpose, such as fully funding a pension plan. This method of reporting provides key constituents with a longer-term frame for evaluating performance than the common "loss" mind-set often covered in the media or discussed around board tables."

– *Balancing Act: Managing Risk Across Multiple Time Horizons*

Relevant resources:

- FCLTGlobal. *Highlights: Risk Over Time with State Street Associates*. September 2020.
- FCLTGlobal. *Implementing Multi-Horizon Investment Risk Measures*. March 2021.
- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- GIC, MSCI. *Building Balanced Portfolios for the Long Run*. October 2022.
- GIC, PGGM. *Building a Better Portfolio: Balancing Performance and Liquidity*. March 2021.
- GIC, State Street. *Portfolio Choice with Path-Dependent Scenarios*. June 2021.
- Hwang, L., et al. "Encouraging Long-term Thinking by Organizations Making Investment Decisions". *Behavioral Economics In Action at Rotman (BEAR)*, June 2018.
- Kinlaw, W., et al. "The Divergence of High and Low Frequency Estimation: Implication for Performance Measurement." *The Journal of Portfolio Management*. Spring 2015.
- Koedijk, K. and Slager, A. "Investment Beliefs: The Importance of Focus for an Institutional Investor". *ICPM / Netspar / Maastricht University Joint Discussion Forum*, October 2007.

Governance	1. Does your organization have a board or advisory committee with independent directors (beyond fund boards for regulatory requirements)?
	2. Does your organization close funds in capacity-limited investment strategies?
	3. Do clients typically lock up or commit their assets with your organization for long periods of time?
	4. Are your key investment decision-makers comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?
Incentives	5. Are investment staff accountable for fund performance for at least 5 years in their compensation and performance reviews?
	6. Do your portfolio managers have meaningful long-term fund ownership, with at least a 5-year holding period?
	7. Is the compensation of your client relations or business development staff aligned with long-term client investment returns?
Engagement & Dialogue	8. Do your investment professionals focus their engagement with portfolio companies on long-term issues (e.g., strategy, capital allocation, governance, and compensation) as opposed to short-term issues (e.g., short-term earnings, stock price movements)?
Metrics	9. Does your organization incorporate potential future pricing of key externalities (e.g., carbon) into investment decision making?
	10. Do you emphasize client performance, such as asset-weighted returns, rather than fund performance, such as time-weighted returns or internal rate of return?

1. Does your organization have a board or advisory committee with independent directors (beyond fund boards for regulatory requirements)?

Boards with independent directors can provide a broader level of experience and well-rounded perspectives compared to those comprised entirely of directors employed by the fund. Having this balance within committees can also encourage accountability and minimize blind spots in decision-making.

From the FCLTGlobal library:

"Core governance issues (for example, board composition, reporting, and transparency requirements) are inevitably impacted by institutional purpose, ownership structures, legislation and many other factors."

– *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term*

Relevant resources:

- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- FCLTGlobal. *Ripples of Responsibility: How Long-term Investors Navigate Uncertainty with Purpose*. June 2021.

2. Does your organization close funds in capacity-limited investment strategies?

Fund capacity, or the amount of assets under management a fund can utilize, can impact a fund manager's ability to deliver value to clients. When a fund grows beyond its capacity, it becomes more difficult for the manager to build meaningful positions or find new investment opportunities. It is important to avoid conflicts of interest between the owner's growth and the manager's ability to make additional investments that generate positive returns.

From the FCLTGlobal library:

"Discipline is a critical component of long-term investment-management relationships, including the discipline to keep assets under management within the boundaries of an investment strategy's capacity"

– *Institutional Investment Mandates: Anchors for Long-Term Performance*

Relevant resources:

- FCLTGlobal. *Key Terms of Effective Investment Mandates.* January 2018.
- Novus Research. *How AUM Growth Inhibits Performance.* May 2014.

3. Do clients typically lock up or commit their assets with your organization for long periods of time?

The evidence suggests that short-term switches by asset owners from one asset manager to another tend to destroy value. When clients lock up their assets or commit to a capital allocation for a minimum time period with a penalty for early termination, asset managers can more readily focus on long-term performance with less pressure to produce short-term results.

From the FCLTGlobal library:

"Making a locked-up commitment effectively changes a multi-horizon investment into a single-horizon investment because the owner has no interim decision-making points. By taking away the ability to sell, lock-ups can be effective at ensuring that owners stay the course during short-term market movements."

– *Balancing Act: Managing Risk Across Multiple Time Horizons*

Relevant resources:

- FCLTGlobal, CPP Investments and McKinsey & Co. *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term*. March 2015.
- FCLTGlobal. *Key Terms of Effective Investment Mandates.* January 2018.
- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- Bushee, B. "Institutional Investors, Long-Term Investment, and Earnings Management." *S&P Global Markt Intelligence and The Wharton School*. May 1997.
- Cremers, M., Pareek, A., "Patient capital outperformance: The investment skill of high active share managers who trade infrequently". *Journal of Financial Economics*, November 2016.

4. Are your key investment decision-makers comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?

The global asset management industry's lack of diversity is well-documented and widely reported. Diversifying demographics of assets under management may be the last "free lunch" available to investors. Greater demographic diversity (gender, race, age, ethnicity) among money managers is often thought of as a social initiative when, in fact, it may provide another source of diversification in the pursuit of better risk-adjusted returns. This is because diverse teams have the potential to improve value creation by expanding the investable universe and improving decision-making by incorporating a range of perspectives, skills, and abilities. Failing to allocate funds to diverse managers may lead to undue risk for investors.

From the FCLTGlobal library:

"It's time to begin internally measuring the AUM gap in addition to the representation or headcount metrics. Internally measuring the demographic diversification of investment decision-makers by AUM is crucial for a comprehensive understanding of portfolio risks and strategic interventions to broaden diversity. Leaders can gain a proper understanding of the AUM gap's magnitude within their organizations and act by measuring the diversity of their own assets under management."

– *Diversifying demographics of assets under management*

Relevant resources:

- FCLTGlobal. *Implementing Multi-Horizon Investment Risk Measures*. March 2021.
- FCLTGlobal. *When Boards Should – and Should Not – Lead on Risk Management.* October 2021.
- Diaz, A., et al. "Racial Equity in Financial Services". *McKinsey & Company*, September 2020.
- Gompers, P., et al. "The Cost of Friendship". *Journal of Financial Economics*, March 2016.
- Hwang, L., et al. "Encouraging Long-term Thinking by Organizations Making Investment Decisions". *Behavioral Economics In Action at Rotman (BEAR)*, June 2018.
- Lerner, Josh and Bella Research Group. "Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry". *Knight Foundation*, January 2019.
- Lerner, Josh and Bella Research Group. "Diversifying Investments: A study of Ownership Diversity in the Asset Management Industry". *Knight Foundation*, May 2017.
- Newsom Reeves, K., et al. "In Private Investment, Diverse Fund Management Teams Have Opened Doors". *BCG*, March 2024.

5. Are investment staff accountable for fund performance for at least 5 years in their compensation and performance reviews?

If the asset manager's performance is to be evaluated over a minimum horizon of five years, it stands to reason that individuals who manage portfolios be incentivized over a similar period. In investment management firms it is relatively common to compensate individuals using a formula based on current assets under management and some combination of one-, three-, and five-year performance numbers. This places too much emphasis on short-term numbers. Effectively, the latest one-year results are included in each component of the calculation. As a result, it encourages managers to focus on short-term trends.

From the FCLTGlobal library:

"Alignment on long-term incentives and goals between two distinct institutions, asset owners and managers, requires ongoing governance and communication—qualities that can falter over time. Nearly a thousand investment professionals surveyed by State Street in 2019 affirmed these challenges: "77 percent of asset owners said they were concerned that short-term incentives were not being aligned with long term objectives... More than half of managers (57 percent) said the same."

– *Institutional Investment Mandates: Anchors for Long-Term Performance*

Relevant resources:

- FCLTGlobal. *Buenos Aires Investor Forum Drives Shift Toward Long-Term Investments*. December 2018.
- FCLTGlobal, CPP Investments, and McKinsey & Co. *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term.* March 2015.
- Committee on the Global Financial System. *Incentive structures in institutional asset management and their implications for financial markets*. March 2003.
- Ma, L., et al. *Managerial Incentives in the Mutual Fund Industry.* March 2024.

6. Do your portfolio managers have meaningful long-term fund ownership, with at least a 5-year holding period?

Asset managers are more likely to be aligned with their clients' long-term growth when they have "skin in the game" – specifically by investing in the funds they manage themselves. Long-term fund ownership aligns portfolio managers with the long-term success of their clients. While exceptional short-term results often translate into large increases in assets under management, sustained outperformance should drive managers' success. Incorporating longer holding periods ties portfolio managers into the long-term performance of the funds they manage.

From the FCLTGlobal library:

"Finally, a related but more powerful tool in terms of alignment with the asset owner is direct and meaningful ownership by asset managers in the portfolios that they manage for owners. Such co-ownership is a common practice in private equity and hedge funds."

– *Long-Term Portfolio Guide: Reorienting portfolio strategies and investment management to focus capital on the long term*

Relevant resources:

- FCLTGlobal. *Buenos Aires Investor Forum Drives Shift Toward Long-Term Investments*. December 2018.
- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- Committee on the Global Financial System. *Incentive structures in institutional asset management and their implications for financial markets*. March 2003.
- Ma, L., et al. *Managerial Incentives in the Mutual Fund Industry*. March 2024.

7. Is the compensation of your client relations or business development staff aligned with long-term client investment returns?

As is the case for investment staff, cultivating an ownership mindset is an important tool for aligning business development teams with client's long-term objectives. Aside from the obvious benefits of client trust and retention, when compensation is heavily tied to fundraising or sales targets, there is a risk that they may prioritize raising as much capital as possible rather than ensuring that the investments align with long-term client goals.

From the FCLTGlobal library:

"Asset owners and the asset managers they partner with often have very distinct horizons and goals for their investments. The contracts between them, or mandates, constitute a mutual mechanism to align managers' behaviors with owners' objectives. In order to create incentives that drive long-term value creation for all parties, institutional asset owners can structure mandate terms in a more sustainable fashion, including components like discounted fee structures or finite contract terms, both of which encourage a long-term arrangement. Likewise, asset managers can establish funds with long-term incentives built into them. Both groups can mutually measure and reward progress against such long-term objectives, rather than hold one another accountable for short-term financial benchmarks".

– *Buenos Aires Investor Forum Drives Shift Toward Long-Term Investments*

Relevant resources:

- FCLTGlobal. *Institutional Investment Mandates: Anchors for Long-Term Performance*. July 2022.
- Committee on the Global Financial System. *Incentive structures in institutional asset management and their implications for financial markets*. March 2003.

8. Do your investment professionals focus their engagement with portfolio companies on long-term issues (e.g., strategy, capital allocation, governance, and compensation) as opposed to short-term issues (e.g., short-term earnings, stock price movements)?

Engagement between companies and their shareholders can provide a platform for mutual understanding and confidence to pursue shared goals. Yet companies continue to cite investors as a main source of short-term pressure. The questions investors pose to companies influence how companies make decisions – long-term investors will ask questions about strategy, capital allocation, governance, and compensation, while short-term investors may focus on quarterly earnings or news that drive short-term stock price movements.

From the FCLTGlobal library:

"Long-term roadmaps offer a potential bulwark against short-term pressures. In our study, 100 percent of investors said they either always or occasionally encourage companies to share their long-term plans. More than 86 percent of investment decision makers say they want metrics oriented toward expected performance at least three years out."

– *FCLTGlobal. Driving the Conversation: Long-Term Roadmaps for Long-Term Success*

Relevant resources:

- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors.* November 2019.
- FCLTGlobal. *Moving Beyond Quarterly Guidance: A Relic of the Past.* October 2017.
- FCLTGlobal. *Rising to the Challenge of Short-Termism.* September 2016.
- FCLTGlobal. *Straight Talk for the Long-Term.* March 2015.
- FCLTGlobal. *Unlocking Value by Targeting Long-term Shareholders.* March 2023.
- Gelb, J., et al. "The investors that matter still want you to focus on the long term". *McKinsey & Co.*, April 2023.
- Hafford, J. et al. "Do long-term investors improve corporate decision making?" *Journal of Corporate Finance*, June 2018.
- Mizuno, Mitsuru. "Institutional Investors, Corporate Governance and Firm Performance in Japan." *Pacific Economic Review*, November 2010.

9. Does your organization incorporate potential future pricing of key externalities (e.g., carbon) into investment decision making?

Forward-looking investors are factoring tomorrow's estimated costs into today's decisions. For example, long-term investors have started to consider future carbon charges at the portfolio level when investing in carbon-intensive sectors. Short of a true carbon tax, which requires policy action, preparing for the potential externalities of carbon emissions will incentivize funds to transition to a reduced carbon footprint through more sustainable practices.

From the FCLTGlobal library:

"Long-term investors recognize the externalities of their portfolio companies as well. The implication of an 'externality'—a cost created by one business but borne by others—is that the business and its investors can shirk the cost. Many investment institutions increasingly feel that they have responsibilities not to shirk costs that they help to create, such as climate and environmental impacts."

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

Relevant resources:

- FCLTGlobal. *Balancing Act: Managing Risk Across Multiple Time Horizons*. December 2018.
- FCLTGlobal. *Decarbonizing Long-Term Portfolios*. April 2022.
- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors*. November 2019.
- FCLTGlobal. *Highlights: Risk Webinar Series, Climate*. November 2020.
- FCLTGlobal. *Highlights: Risk Webinar Series, Income Volatility and Distribution*. March 2021.
- FCLTGlobal. *Future Fund's Will Hetherton on Long-term Risk for Investors*. November 2019.
- Williamson, S.K. "Carbon Charges Can Put Investors' Money Where Their Mouth is on Climate Change". *Forbes*, June 2023.

10. Do you emphasize client performance, such as asset-weighted returns, rather than fund performance, such as time-weighted returns or internal rate of return?

While time-weighted and asset-weighted returns both provide important fund performance information, asset-weighted returns are centered around client outcomes. From a long-term perspective, if the goal is to understand the actual returns experienced by an investor, particularly in the context of significant inflows and outflows, asset-weighted returns reflect the impact of the timing and size of investments, giving a complete picture of the investor's performance.

From the FCLTGlobal library:

"In addition to monitoring past investment performance, long-term asset owners monitor how managers manage portfolios and their businesses. Specifying key performance indicators (KPIs)[...] can provide structure for that monitoring [including] Money-weighted returns versus time-weighted returns."

– *Institutional Investment Mandates: Anchors for Long-Term Performance*

Relevant resources:

- FCLTGlobal. *Balancing Act: Managing Risk Across Multiple Time Horizons.* December 2018.
- FCLTGlobal. *Implementing Multi-Horizon Investment Risk Measures.* March 2021.
- Hwang, L., et al. "Encouraging Long-term Thinking by Organizations Making Investment Decisions". *Behavioral Economics In Action at Rotman (BEAR),* June 2018.
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Governance	1. Do your board members have meaningful long-term equity ownership with at least a 5-year holding period?
	2. Are your board and executive team comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?
	3. Does your board spend most of its time on strategic issues?
	4. Do your CEO and board have clear objectives that are not purely financial (e.g., employees, customer satisfaction, climate targets, company culture)?
Incentives	5. Does your firm's CEO have meaningful long-term equity ownership with at least a 5-year holding period including post departure?
	6. Do employees at your organization own significant amounts of equity?
Engagement & Dialogue	7. Does your organization prioritize long-term roadmaps over quarterly targets in investor communications?
Metrics	8. Does your organization report on relevant sustainability metrics, such as the ISSB and subsidiary standards or local reporting standards?
	9. Does your organization price key externalities (e.g., carbon) into your capital allocation decisions?
Future success	10. Is your organization investing significantly in R&D and innovation to pivot the business towards new profit streams and respond to disruptions (e.g., geopolitics, artificial intelligence, decarbonization)?

1. Do your board members have meaningful long-term equity ownership with at least a 5-year holding period?

Encouraging board members to purchase and hold company equity through and beyond their tenure helps align their interests with those of long-term investors. Aligning ownership with a long-term time horizon incentivizes board members to make decisions that lead to future value creation for the firm, and for themselves. The virtue of this model is clearly exemplified by companies with a significant anchor or family shareholder, as these kinds of owners are strongly motivated to pass a thriving business on to the next generation.

Furthermore, if board members of public companies are free to sell or hedge company stock at any moment, it could stoke short-term behavior by letting boards benefit from unsustainable stock price movements. It is common today to have retention requirements for stock owned by board members.

From the FCLTGlobal library:

"Board members who make meaningful long-term financial investments in the companies they oversee have greater incentive to focus on long-term strategic choices. Having "skin in the game" binds their individual portfolios to the outcomes of the companies they serve."

– *The Long-Term Habits of a Highly Effective Corporate Board*

Relevant resources:

- FCLTGlobal. *Board Stock Ownership is Correlated to Company Returns*. September 2019.
- FCLTGlobal. *Future Fit Boards: Questions For Developing Strategic Governance*. June 2024.
- FCLTGlobal. *The Myth of the One Size Fits All Board*. April 2024.
- Babcock, A.F., Eccles, R.G., Williamson, S.K., and Leblanc, R (editor). "Three Dilemmas for Creating a Long-term Board". *Chapter from The Handbook of Board Governance, 2nd ed. John Wiley & Sons, Inc.*, March 2019.
- Rose, J., et al. "The influence of director stock ownership and board discussion transparency on financial reporting quality". *Accounting, Organization and Societies*, July 2013.

2. Are your board and executive team comprised of diverse individuals whose backgrounds represent present and future demographics to promote diversity of thought, skills, and experiences?

Research shows that diversity at the board level adds meaningful long-term value for companies and their owners. In addition to improved performance, diverse boards consistently invest more in research and development and demonstrate an increased capacity for innovation, giving their companies a meaningful competitive advantage. A multifaceted team fosters not only creative innovation but resilience, and greater board diversity leads to lower volatility of returns. Diverse perspectives and ideas keep companies flexible and better able to navigate, or rebound from, unexpected obstacles.

From the FCLTGlobal library:

"When looking at MSCI ACWI firms between 2010 and 2017 through a lens of both age and gender diversity, we found that the most diverse boards added 3.3% to return on invested capital (ROIC) as compared to their least diverse peers. With regard to gender diversity in particular, our analysis found that companies with the most gender diverse boards outperformed the least diverse in terms of ROIC by 2.6%."

– *Data Shows That Diverse Boards Create More Value*

Relevant resources:

- FCLTGlobal. *Future Fit Boards: Questions For Developing Strategic Governance*. June 2024.
- FCLTGlobal. *The Long-Term Habits of a Highly Effective Corporate Board*. March 2019.
- FCLTGlobal. *The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity*. July 2021.
- FCLTGlobal. *Perspectives on the Long Term*. January 2015.
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- Hunt, V. D., et al. "Why Diversity Matters". *McKinsey & Co.*, January 2015.
- Richard, O., et al. *Employing an Innovation Strategy in Racially Diverse Workforces: Effects on Firm Performance. Group and Organization Management*, March 2003.
- Taljaard, C., et al. Board diversity and financial performance: A graphical time-series approach. *South African Journal of Economics and Management Science*, 2015.

3. Does your board spend most of its time on strategic issues?

A well-functioning, long-term focused corporate board of directors wields the power to meaningfully influence the purpose, culture, and direction of an organization. This is often among a company's greatest untapped strategic assets. Boards with a demonstrated, long-term impact spend nearly twice as much time on high-level issues like strategy, business model, risks, and the company's value-creation proposition.

From the FCLTGlobal library:

"Strategic counsel is an area where board members can add tremendous value, with insight drawn from real-world experience and enriched by regular attention to the company's business model, risks, and value-creation proposition."

– *The Long-Term Habits of a Highly Effective Corporate Board*

Relevant resources:

- FCLTGlobal. *Future Fit Boards: Questions For Developing Strategic Governance*. June 2024.
- FCLTGlobal. *Perspectives on the Long Term*. January 2015.
- FCLTGlobal. *Taking Action to Navigate a World in Transition: Balancing Resilience and Agility to Deliver Long-term Performance*. January 2023.
- FCLTGlobal. *The Myth of the One Size Fits All Board*. April 2024.
- FCLTGlobal and Russell Reynolds Associates. *Tone at the Top: The Board's Impact on Long-term Value*. April 2020.
- Kehoe, C., et al. "Toward a Value-Creating Board". *McKinsey & Co.*, February 2016.

4. Do your CEO and board have clear objectives that are not purely financial (e.g., employees, customer satisfaction, climate targets, company culture)?

Long-term companies focus on improving outcomes for all their stakeholders, not just those who own shares in the business. They have good reasons to do so: happy customers lift their revenues higher, motivated employees get more done than disgruntled ones, and well-treated suppliers work together more collaboratively. Concern for the environment should also figure into management's long-term outlook. Environmental-efficiency initiatives can add value by reducing costs over the long term.

While executives must consider trade-offs among the interests of their constituents every day, over the long term, the interests of shareholders and other stakeholders typically converge.

From the FCLTGlobal library:

"Boards can help orient management toward the long-term in three ways: Evaluating the CEO on the quality and execution of the company's strategy, the company's culture, and the strength of the management team, not just on near-term financial performance"

– *Corporate long-term behaviors: How CEOs and boards drive sustained value creation*

Relevant resources:

- FCLTGlobal. *Funding Innovation: Investing and managing a balanced portfolio for long-term growth*. December 2019.
- FCLTGlobal. *Measuring What Matters*. January 2020.
- FCLTGlobal. *Sustainability or Strategy: Bridging the Gap Between Climate Change and Long-term Value Creation*. May 2022.
- FCLTGlobal and Russell Reynolds Associates. *Tone at the Top: The Board's Impact on Long-term Value*. April 2020.
- Barge, F. "Rewarding Stakeholder Long-term Value Creation". *Reward Value*, 2022.

5. Does your firm's CEO have meaningful long-term equity ownership with at least a 5-year holding period including post departure?

Executive remuneration often focuses on short-term targets. Shareholders and their advisors similarly focus on short-term returns as a primary metric in the evaluation of pay plans. Replacing these short-term-oriented approaches with direct long-term stock ownership by executives is a better solution.

Structuring pay effectively is critical for attracting, retaining, and motivating a CEO, and it also affects the wider organization. Performance targets set with senior leadership trickle down through the firm and become an imperative for all employees. The design of executive compensation also serves as an important signal to shareholders and stakeholders about the company's strategic objectives and what shareholders can expect in terms of long-term value creation.

From the FCLTGlobal library:

"The most effective remuneration structures are matched to a company's objectives, strategy, and management. The simplest solution is direct stock ownership by executives, with long-term holding periods."

– *The CEO Shareholder: Straightforward Rewards for Long-term Performance*

Relevant resources:

- FCLTGlobal. *Interview: Robert Pozen on Executive Compensation*. August 2020.
- FCLTGlobal. *Study From BU Reevaluates Executive Compensation*. September 2019.
- FCLTGlobal. *The Long-term Impact of Corporate Compensation Models*. July 2020.
- FCLTGlobal. *The Risk of Rewards: Tailoring Executive Pay for Long-term Success*. March 2021.
- FCLTGlobal. *The State of Play on Long-Duration Compensation*. August 2020.
- FCLTGlobal and McKinsey & Co. *Corporate long-term behaviors: How CEOs and boards drive sustained value creation*. October 2020.
- Ariely, D., et al. "Large Stakes and Big Mistake". The Review of Economic Studies, Volume 76, Issue 2, April 2009, Pages 451–469.
- Barge, F. "Rewarding Stakeholder Long-term Value Creation". *Reward Value*, 2022.
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- Edmans, A., et al. "A Multiplicative Model of Optimal CEO Incentives in Market Equilibrium." *The Review of Financial Studies*, December 2009.
- Flammer, C. and Bansal, P. "Does a long-term orientation create value? Evidence from a regression discontinuity". *Strategic Management Journal*, December 2016.
- Gopalan, R., et al. "Duration of Executive Compensation". *The Journal of Finance*, December 204.
- Reward Value and SEO Amsterdam. *Pay, Preference, or Pressure. Experimental Test of Economic Pay Models*. July 2022.

6. Do employees at your organization own significant amounts of equity?

Evidence from public and private markets coupled with examples from leading companies show that broad-based employee ownership can enhance long-term value creation. By investing in their workforce, companies can create a sustainable advantage that benefits both employees and shareholders alike in the long term.

In the past few years, companies have rapidly evolved their workforce strategies and adopted new tools for prioritizing employees in an effort to attract and retain talent – including competitive stock offerings. Whereas some companies and investors may see these actions as an opportunity to create a talent advantage to remain competitive over the long term, some others may view higher spending on employees as a cost burden. But research has found that companies that invest in employees, for example through employee ownership plans, outperform peers on key financial metrics, including four percent higher three-year ROIC on an absolute basis compared to peers that do not.

From the FCLTGlobal library:

"Although investors may worry about short-term dilution, global data from both public and private markets, along with case studies of leading companies, indicate that broad-based employee ownership can boost long-term value performance. By investing in their workforce through employee ownership programs, companies can create a sustainable advantage that benefits both employees and shareholders alike in the long term. As economic inclusivity continues to be a growing global priority, employee ownership models offer a path towards shared prosperity."

– *The Long-term Payoff of Employee Ownership*

Relevant resources:

- FCLTGlobal. *The People Factor: How Investing in Employees Pays Off.* March 2023.
- FCLTGlobal. *Walking the Talk: Valuing a Multi-Stakeholder Strategy.* January 2022.
- Blasi, J., Kruse, D. and Weltmann, D. (2013), "Firm Survival and Performance in Privately Held ESOP Companies", *Sharing Ownership, Profits, and Decision-Making in the 21st Century (Advances in the Economic Analysis of Participatory & Labor-Managed Firms, Vol. 14)*, Emerald Group Publishing Limited, Leeds, pp. 109-124.
- Kruse, D. "Does employee ownership improve performance?" *IZA World of Labor*, 2022.
- Kurtulus, A., Kruse, D. "How Did Employee Ownership Firms Weather the Last Two Recessions? Employee Ownership, Employment Stability, and Firm Survival in the United States: 1999-2011." *W.E. Upjohn Institute of Employment Research*, January 2017.
- O'Boyle, E., Gonzalez-Mule, E. "Employee ownership and firm performance: a meta-analysis: Employee ownership: a meta-analysis." *Human Resource Management Journal*, June 2016.

7. Does your organization prioritize long-term roadmaps over quarterly targets in investor communications?

For decades, research has consistently found that the vast majority of corporate executives think that short-term pressure is growing, that it is changing their business decisions, and that those changes are destroying value. Many companies are combating this phenomenon by moving away from quarterly earnings per share guidance and instead providing investors with a long-term roadmap focused on the fundamental economic drivers of the business tied to management's outlook on critical key performance indicators.

This format provides investors with a distillation of a company's core drivers of growth and competitive advantages, a company's long-term objectives and the strategic plan for achieving them, and a company's priorities for capital allocation and investment. A long-term roadmap also offers investors a current snapshot and forward-looking trajectory of the company's performance on the operational and financial metrics most closely tied to growth. It focuses on the information that investment decision makers truly need.

From the FCLTGlobal library:

"Long-term roadmaps offer a potential bulwark against short-term pressures. In our study, 100 percent of investors said they either always or occasionally encourage companies to share their long-term plans. More than 86 percent of investment decision makers say they want metrics oriented toward expected performance at least three years out."

– *Driving the Conversation: Long-Term Roadmaps for Long-Term Success*

Relevant resources:

- FCLTGlobal. *Moving Beyond Quarterly Guidance: A Relic of the Past*. October 2017.
- FCLTGlobal. *Rising to the Challenge of Short-Termism*. September 2016
- FCLTGlobal. *Straight Talk for the Long-Term*. March 2015.
- FCLTGlobal. *Unlocking Value by Targeting Long-term Shareholders*. March 2023.
- FCLTGlobal and McKinsey & Co. *Corporate long-term behaviors: How CEOs and boards drive sustained value creation*. October 2020.
- Bhojraj, S., Hribar, P., and Picconi, M. "Making Sense of Cents: An Examination of Firms that Marginally Miss or Beat Analyst Forecasts." *The Journal of Finance,* September 2009.
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- Rehnberg, C., Serafeim, G., Tomlinson, B. "Why CEOs Should Share Their Long-Term Plans with Investors. " *Harvard Business Review,* September 2018.

8. Does your organization report on relevant sustainability metrics, such as the ISSB and subsidiary standards or local reporting standards?

The past few years have seen significant growth in sustainability goals from the corporate and investor community. For example, a growing number of companies have pledged to decarbonize their operations and impacts.

Tracking and reporting non-traditional metrics around sustainability issues in strategy and performance communications will focus investors and the board on these matters.

From the FCLTGlobal library:

"The International Sustainability Standards Board (ISSB) was launched in 2021 to develop a "comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs." Their climate disclosure exposure draft, which draws on the TCFD, outlines a set of metrics on a company's exposure to climate risks and opportunities that are intended for inclusion in an enterprise's general purpose financial reporting. The draft includes several metrics related to climate transition planning, including financial planning."

– *Sustainability or Strategy: Bridging the Gap Between Climate Change and Long-term Value Creation*

Relevant resources:

- FCLTGlobal. *Recap: FCLTGlobal CEO Roundtables on Multi-Stakeholder Capitalism in Practice*. January 2022.
- FCLTGlobal. *Statement of Support for the International Sustainability Standards Board*. November 2021.

9. Does your organization price key externalities (e.g., carbon) into your capital allocation decisions?

Externalities are at the center of the debate. Negative externalities are elements of the business or byproducts of production that may be unaccounted for today but could incur a real cost down the line. Some externalities may be uncompensated forever. Recognizing which externalities will go from uncompensated to compensated is critical to creating long-term value. Companies are constantly evaluating externalities and the likelihood that they will be internalized, and the forward-thinking ones are factoring them into their long-term strategies today. Doing so goes a long way to reduce future costs, boost returns, and brace the company to withstand volatility.

From the FCLTGlobal library:

"Despite the groundswell of climate pledges, investors have grown skeptical of corporate net-zero and sustainability targets. The problem is not a lack of disclosure by companies. On the contrary, investors are awash in corporate disclosures on climate change. Ninety-five percent of S&P500 companies report on their climate and environmental, social, and governance (ESG) performance. Yet investors say this reporting lacks specifics on how companies are adapting their financial and strategic planning to address the climate threat, and how the threat is affecting performance."

– *Sustainability or Strategy: Bridging the Gap Between Climate Change and Long-term Value Creation*

Relevant resources:

- FCLTGlobal. *Climate Transition Conversation Guide*. November 2021.
- FCLTGlobal. *Pay Me Now or Pay Me Later: The Sustainability J-Curve*. July 2024.
- Henisz, W. and Engine No. 1. "A New Way of Seeing Value". *Wharton ESG Initiative. Engine No. 1 Total Value Framework. Philadelphia: University of Pennsylvania*, December 2022.

10. Is your organization investing significantly in R&D and innovation to pivot the business towards new profit streams and respond to disruptions (e.g., geopolitics, artificial intelligence, decarbonization)?

When facing short-term financial pressures, behavioral biases lead to a tendency to cut long-horizon projects first. The declining tenure of managers, the lack of innovation-linked metrics in incentive compensation plans, the typically asymmetric return profile of long-horizon projects, and an investment community that often ignores the potential impact of innovation spending in a company's valuation all contribute to this problem.

Our research suggests the tendency to cut long-horizon projects has led companies to favor short-term projects that offer more certain but ultimately lower returns. Unfortunately, it is often those same long-horizon projects that deliver the most long-term value. The overweighting of short-term projects sacrifices significant return potential offered by long-horizon, transformational innovation, and similarly transformational returns.

From the FCLTGlobal library:

"The role of resilience – the ability to resist and recover from disruptions – is top of mind for companies and investors as economies seek to recover from a litany of challenges. With short-term pressures around every corner, investors and companies are finding it more challenging than ever to adhere to their long-term strategies. To thrive in this new landscape, adapting to ongoing uncertainties while continuing to deliver strong performance will require flexibility and creativity in managing the inevitable risks of time horizons to come. This includes continuing to prioritize areas known to drive long-term value creation, such as R&D and investing in employees. Rewiring capital markets to prioritize a long-term vision in the face of short-term pressures is critical for securing the financial futures of savers and communities the world over."

– *Balancing Resilience and Efficiency*

Relevant resources:

- FCLTGlobal. *Funding Innovation: Investing and managing a balanced portfolio for long-term growth*. December 2019.
- FCLTGlobal. *Funding the Future: Investing in Long-Horizon Innovation*. August 2020.
- FCLTGlobal. *In 2021, Companies Sidelined Investments in Resilience*. November 2022.
- FCLTGlobal. *Taking Action to Navigate a World in Transition: Balancing Resilience and Agility to Deliver Long-term Performance*. January 2023.
- FCLTGlobal and EY. *Geopolitical Risk and Disruption: A Conversation Guide for Management and Board Directors*. May 2022.
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- Eberhart, A., Maxwell, W., Siddique, A. "An Examination of Long-term Abnormal Stock Returns and Operating Performance Following R&D Increases". *Journal of Finance, Vol. 59, No. 2, pp. 623-650*, December 2002.
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ABOUT FCLTGLOBAL

Millions of people around the world are saving money to meet personal goals – funding a comfortable retirement, saving for someone's education, or buying a home, to name a few.

The funds to support these goals are safeguarded by institutional investors – pension funds, sovereign wealth funds, insurers, and asset managers – who invest in companies for the prospect of growth and security. These savers, their communities, and the institutions that support them make up the global investment value chain, and each benefit from long-term decisions in different ways:

FCLTGLOBAL

Savers have long term goals such as retirement or providing for the next generation.

Asset Owners invest to match the long-term goals of their beneficiaries or constituents.

Asset Managers align their horizons, incentives, and goals to those of asset owners, whose money they manage.

Companies make multi-year investments in new markets, facilities, or products in order to create value for stakeholders.

Communities benefit from companies' long term decisions, which create jobs, innovation, and wealth.

Policy and regulation shapes global discourse and prompts market behaviors to shift toward the long term.

Data shows that long-term-oriented investors deliver superior performance, and long-term-oriented companies outperform in terms of revenue, earnings, and job creation. But despite overwhelming evidence of the superiority of long-term investments, short-term pressures are hard to avoid. A majority of corporate executives agree that longer time horizons for business decisions would improve performance, and yet half say they would delay value-creating projects if it would mean missing quarterly earnings targets.

Today, the balance remains skewed toward short-term financial targets at the expense of long-term value creation.

FCLTGlobal's mission is to focus capital on the long term to support a sustainable and prosperous economy. We are a non-profit organization whose members are leading companies and investors worldwide that develops actionable research and tools to drive long-term value creation for savers and communities.

FOCUSING CAPITAL
ON THE **LONG TERM**

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