

VISIONARY BOARD LEADERSHIP

Stewardship for the Long Term



CFA Institute

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Executive Summary

In 2006, the CFA Centre for Financial Market Integrity and the Business Roundtable Institute for Corporate Ethics published *Breaking the Short-Term Cycle*,¹ which was one of the first reports to address short-termism in the public markets. In the years since, many others have joined the short-termism debate, weighing in on its causes and potential solutions.² The world has also collectively experienced a global financial crisis that, while caused by several factors, certainly was exacerbated by excessive short-term thinking.

For this reason we are revisiting the topic of short-termism, but from a different

perspective and with a very specific audience in mind: the corporate director—specifically, the “Visionary Director.” Quite simply, a Visionary Director is a director committed to working with management to make a company successful in the long term, and who does not tolerate corner-cutting strategies to meet fleeting short-term expectations. Instead, this Visionary Director acts as a proper long-term steward of shareowner assets, a true representative of shareholder interests. We consider Visionary Directors combined with Visionary Boards to be the embodiment of leadership and foresight necessary to break through the short-term noise in the markets to ensure that public companies are managed and governed for the long-term benefit of all stakeholders.

Through numerous individual and group discussions with a broad set of thought leaders, we have authored this report to focus on the short-termism issues and areas of influence related to Visionary Boards. Although there are many other issues directors face that encompass the full range of their governance responsibilities, they would broaden the scope of this paper beyond short-termism and are points of discussions for another report.

¹Dean Krehmeyer, Matthew Orsagh, and Kurt N. Schacht, *Breaking the Short-Term Cycle: Discussion and Recommendation on How Corporate Leaders, Asset Managers, Investors, and Analysts Can Refocus on Long-Term Value*, CFA Centre for Financial Market Integrity and Business Roundtable Institute for Corporate Ethics (2006).

²Business & Society Program's Corporate Values Strategy Group, *Overcoming Short-Termism: A Call for a More Responsible Approach to Investment and Business Management*, Aspen Institute (9 September 2009); Research and Policy Committee, *Built to Last: Focusing Corporations on Long-Term Performance*, Committee for Economic Development (2007); *Rebuilding Corporate Leadership: How Directors Can Link Long-Term Performance with Public Goals*, Committee for Economic Development (2009); *Sustainable Capitalism*, Generation Investment Management (15 February 2012).

Executive Summary (continued)

Our aim in this report is to highlight leading practices that demonstrate vision and leadership toward addressing the issue of short-termism. What are both the real and perceived impediments that currently prevent many directors, and the managers and organizations they govern, from taking the long-term view? What are the practices—on issues such as disclosure, transparency, and communication—that exceed minimum regulatory requirements to help overcome these impediments and distinguish a board as visionary?

To thoroughly explore the issue of short-termism, and to identify the issues, opportunities, and leading practices of Visionary Boards, we interviewed a number of participants in the capital markets—including a number of current and former directors. This group also included investors, issuer representatives, corporate secretaries, and a number of individuals from professional organizations who have previously explored these issues.

Short-termism refers to the excessive focus of some corporate leaders, investors, and analysts on short-term, quarterly earnings and a lack of attention to the strategy, fundamentals, and conventional approaches to long-term value creation.

Visionary Boards—Areas of Focus That Can Influence Long-Term Value

With input from our expert panel, we identified key areas that Visionary Boards and Visionary Directors can influence to ensure their companies are well-positioned for the long term. We encourage boards and directors to focus on the following elements to effectively perform their responsibilities as stewards of the company and oversee long-term value creation for shareowners.

- Quarterly Earnings Practices
 - ▲ A Visionary Board expects management to deliver investor guidance with a longer-term bias and in greater detail by identifying long-term value drivers for the company. This approach helps to incent share “ownership” among the investors the board represents.
- Shareowner Communications
 - ▲ A Visionary Board proactively listens to the concerns of its shareowners and consistently communicates its long-term vision and strategy.
- Strategic Direction
 - ▲ A Visionary Board actively oversees and understands the corporate strategy and regularly monitors, along with management, the implementation and effectiveness of strategic plans. A Visionary Board also focuses on the relationship between corporate strategy and risks associated with that strategy.
- Risk Oversight
 - ▲ A Visionary Board embraces risk as a board-level responsibility. It oversees robust processes for identifying, understanding, and when necessary, mitigating risks to the operations, strategy, assets, and reputation of the company. At the same time, a Visionary Board understands that companies generate profits by taking risks and encourages intelligent risk-taking that aligns with the company’s strategy.

- Executive/Director Compensation
 - ▲ A Visionary Board understands a company’s compensation policies and ensures that the underlying objectives consistently support the long-term strategy and performance of the company, as well as the appropriate company risk profile.
- Board and Corporate Culture
 - ▲ A Visionary Board not only understands the business and industry in which the company operates but also recognizes that strong corporate and board cultures are essential to the achievement and sustainability of a company’s long-term value. Therefore, a Visionary Board diligently seeks to reinforce and build such cultures.

Quarterly Earnings Practices

A Visionary Board:

- Does not engage—or allow management to engage—in the quarterly earnings guidance game.
- Provides support to management that encourages an organization’s long-term strategy when management faces short-term shareowner interests.
- Remains focused on execution of long-term strategy in the face of volatility and short-term pressures.
- Helps oversee the guidance process, focusing on long-term guidance, especially for directors serving on the audit committee.
- Listens to quarterly earnings calls and reviews competing firms’ communications to investors.
- Seeks out alternative sources of information about the company beyond that provided by management.
- Communicates for the long term in order to attract long-term shareowners.

Research studies have shown that managers and executives too often make decisions that impair long-term value in order to meet consensus earnings estimates and to “smooth” earnings.³ Visionary Boards are in a unique position to influence management to lead companies in a more positive direction of keeping their focus on long-term value creation for shareowners.

Although the number of companies providing quarterly earnings guidance has declined somewhat since the *Breaking the Short-Term Cycle* report was published in 2006, it appears that the majority of U.S. companies still guide analysts’ earnings forecasts, with nearly half providing quarterly earnings guidance. A comparison of National Investor Relations Institute (NIRI) surveys on this issue from 2008 and 2010, shown in [Table 1](#), illustrates very slow progress in moving away from earnings guidance practices, especially shorter-term quarterly guidance.

³John R. Graham, Campbell R. Harvey, and Shivaram Rajgopal, “The Economic Implications of Corporate Financial Reporting,” *Journal of Accounting and Economics*, vol. 40, no. 1–3 (December 2005):3–73.

Table 1 NIRI Survey Results for 2008 and 2010

	2008	2010
% of companies providing earnings guidance	64%	58%
Of those providing earnings guidance:		
% providing quarterly guidance	47%	45%
% providing annual guidance	10%	16%
% providing annual guidance with quarterly updates	34%	16%
% providing guidance as needed	4%	3%
% other or N/A	5%	30%

*Source: National Investor Relations Institute (NIRI), *Guidance Practices & Preferences Survey* (May 2008); NIRI *2010 Earnings Guidance Practices Survey* (November 2010).*

There is consensus among the experts we interviewed for this project that quarterly guidance is a distraction, takes up too much time, and skews the way companies plan and execute for the long term.

The board, and its audit committee in particular, may greatly influence the tone and process of the organization regarding the quality of financial reporting. A Visionary Board discourages a management culture that fixates on the stock price from one quarter to the next, proactively communicating to management that it will support efforts to manage the company for the long term. Here's what one interviewee suggested that a board should say to management: "We don't want to play this quarterly game anymore, and neither should you. We can tolerate some short-term volatility if it helps you to refocus on the long term. Focus on making this franchise great over the long haul."

Boards that are unduly focused on short-term changes in stock price are contributing to the problem. Even so, some boards feel compelled to support the practice of earnings guidance to have greater control over the earnings message. One director noted that they discuss earnings with management on a continuum of being able to deliver on earnings commitments to their investors.

Another director, while expressing support for the idea that companies should forgo short-term earnings guidance to focus more on the long term, noted an exception, such as when analysts need the guidance to accurately value the company and understand its story. This director stated, "Emotionally, I don't like it, but we knew we had to provide guidance to the analysts."

In speaking to experienced directors and other participants who work with corporate boards, we found that there is often discussion at the board level about whether to provide earnings guidance. Companies with strategic needs for providing earnings guidance—such as being able to control the earnings message or ensuring that analysts understand the company’s story—should adopt guidance practices that incorporate a consistent format, range estimates, and appropriate metrics that reflect overall long-term goals and strategy. Visionary Directors support corporate transitions to higher-quality, long-term, fundamental guidance practices.

Visionary Boards understand that not giving quarterly earnings guidance could cause volatility in the short term. Even so, such a board believes that it is in the best interest of the company to manage for the long term and to forgo quarterly earnings guidance. One panelist stated, “Our board is convinced that not giving guidance probably hurts our multiple. Our board is long term and doesn’t care about guidance effects in the short term.”

Change the Conversation

During the course of our discussion, one question in particular was of interest to the group: How do we help directors to change the conversations within companies from meeting quarterly expectations to meeting shareowner expectations over the long term? The answer is for boards and companies to transition to a culture of providing more information—on a quarterly or even more frequent basis—than just earnings-per-share metrics to support greater analysis of the drivers of long-term corporate performance. That information should align with the data investors need to help measure the company’s performance against those drivers.

One research example mentioned by a panelist, the Coloplast Experiment, provides support for investors rewarding companies that report a broader range of information. In the experiment, two sets of analysts were provided the 2002 annual report of Coloplast, a Danish company that was renowned at the time for strong corporate reporting. One group of analysts was given the company’s annual report, stripped of contextual and nonfinancial data, while the other set of analysts received the original, unabridged Coloplast annual report. The results were striking:

The analysts given the original, information-rich report actually forecast lower revenue and earnings than did the analysts who used the financially based, regulatory-compliant version. Hypothesis disproved? Not really. Despite the lower forecasts, 60% of the analysts with more complete information recommended

buying the stock. By contrast, nearly 80% of the analysts with less complete information recommended selling the stock.... The message to companies that fail to communicate contextual and nonfinancial information in a credible and well-structured fashion is that although analytical investment models may be financially driven, confidence in their use increases when there is greater access to more contextual and nonfinancial information.⁴

This example is consistent with the recommendations made in our first report on short-termism, *Breaking the Short-Term Cycle*, which recommended that companies move away from quarterly earnings guidance and provide investors with higher-quality, long-term, fundamental guidance on key performance indicators that would allow analysts or portfolio managers to differentiate themselves and to increase the value for their clients.

Leading Practices

Our panel offered good insight and a number of instructive suggestions concerning the earnings guidance process and the quarterly earnings call with analysts. Analysts and asset managers who follow companies may turn over often, leading to a lack of institutional knowledge among the individuals on the analyst call. What's more, the participants on an analyst call tend to be more short term by nature, focusing questions on more immediate concerns because they often have limited time. One participant stated, "Long-term investors tend not to be concerned with earnings calls, preferring to address longer-term strategic questions with companies in more private one-on-one-sessions, if possible."

A truly Visionary Director is well-prepared. Participants agreed that all board members should listen to all quarterly earnings calls to better understand the current perceptions and concerns of shareowners. Directors should understand that they cannot control what investors perceive, but listening to quarterly calls would give directors a better understanding of those perceptions. In addition, one participant suggested that directors listen to competitors' analyst calls as well as read industry reports published by the analyst community. This involvement will not only provide further insight to the company's market but also help compare the dialogue other companies are having with their own company's approach.

⁴Charles Bowman, "The Great Experiment—A Tale of Two Reports Highlighting the Value of Transparency" (7 April 2008): <http://pwc.blogs.com/corporatereporting/2008/04/the-great-exper.html>.

One director noted that an audit committee should always review any guidance, including press releases and the script for the analysts' call, to ensure that the messages conveyed are consistent and reflect the company's broader long-term strategy. This director stated, "We don't want to give the impression that we are making things up."

Our panel stressed the importance of knowing your shareowners and reaching out to the type of shareowners you desire as a board. Once a board is comfortable with a long-term plan, it is important for management to reach out to investors, communicate that plan, and explain how the company is executing strategic initiatives, compensation, operational decisions, and so on with that plan in mind.

Visionary Boards should think about the kind of investors they want for the company and realize how the substance of their shareowner communications influences the behavior of those shareowners. Providing quarterly earnings guidance and managing communications to the short term tend to attract more short-term investors or traders. If you want to attract long-term investors, then you need to communicate about the long term.

In today's markets, much of the investment management industry is impatient capital, and after a decade of stagnation in investor returns, some companies are not in a favorable position to tell investors to "be patient." Because of this situation, we asked the following question: At what point do investors rightfully become impatient, and how do you manage in the era of impatient capital?

Part of the answer to this question is better communication with shareowners. One participant suggested that Visionary Boards need to make sure that a company is looking at its shareowner list, communicating with those investors for a reality check, and doing so on an ongoing basis. This panelist stressed that this communication needs to be "a real relationship and not one that only gets revisited in troubled times."

Building relationships with short-term investors is seldom a productive goal. However, communication with all investors is appropriate. Focusing on relationships with the shareowners that have made a long-term investment and can provide meaningful input on the long-term strategy of the company is most effective.

Much of this communication will take place at the executive or investor relations level. A Visionary Board, however, needs to ensure that such communication is taking place and to participate in such communication when appropriate and when it can add value.

Shareowner Communications

A Visionary Board:

- Ensures that the company has processes and mechanisms in place to allow investors to share their input with the board.
- Is willing to meet with investors and listen to their concerns.
- Fosters a “constant conversation” between the company and key shareowners.
- Designates the appropriate director to communicate with shareowners.
- Works with the company to broaden communication opportunities, discussing emerging issues with investors.
- Understands the concerns of shareowners, employees, customers, and other stakeholders.
- Considers the input of company critics and works with management to address their legitimate concerns.

The Business Roundtable issued shareowner communications recommendations as part of its 2010 Principles of Corporate Governance:

[Communications] . . . may include periodic meetings with the corporation’s largest shareholders or surveys to obtain feedback from long-term shareholders about particular issues, such as executive compensation.

Corporations should take advantage of technology to enhance the dissemination of information. A corporation’s website should include copies of the corporation’s governance principles, the charters of its board committees, and codes of conduct.

Corporations should have effective procedures for long-term shareholders to communicate with members of the board and for directors to respond in a timely manner to the concerns of long-term shareholders.

Corporations should use the annual shareholder meeting as an opportunity to engage with shareholders. Directors should attend the corporation’s annual meeting of shareholders.

The board or its corporate governance committee should oversee the corporation’s response to shareholder proposals. (pp. 32–33)

“Principles of Corporate Governance 2010,” Business Roundtable (April 2010): http://businessroundtable.org/uploads/studies-reports/downloads/2010_Principles_of_Corporate_Governance_1.pdf.

Communicating with Shareowners

Board–shareowner communication should not supersede shareowner communication with management because management is more involved with the day-to-day operations of a company and better able to address many investor questions and concerns.

A director cannot communicate like a CEO and should not be expected—or attempt—to do so. The board should communicate when asked by investors and when appropriate, mainly listening to shareowners and communicating on such issues as long-term strategy. A Visionary Board should therefore describe in detail the process initiated to develop strategy and leave any detailed discussion of strategic initiatives to management.

One director noted that you do not have to answer a question if it is not your place to do so as a director and that when meeting with shareowners, make it clear that you are primarily there to listen. A Visionary Board understands that shareowners have the right to talk to directors, even though such direct communications may represent a significant shift from common practices. As a result, senior management teams may need help in understanding and embracing this new paradigm.

It is important for a board to have proper mechanisms in place to communicate effectively with investors. Although there has been increased dialogue between investors and boards in recent years, it is still relatively rare for a board to have a formal shareholder engagement policy, as demonstrated in [Table 2](#).

Companies can adopt a formal board–shareowner communication policy that identifies the type of shareowner concerns boards will consider appropriate for engagement, the form of communications that a board will engage in, and which representatives of the company will serve as the primary point of investor contact.

Visionary Boards should endeavor to make conversations between issuers and investors routine. Recent rules have shaped board–shareowner engagements, primarily because such issues as “say on pay” and majority voting have forced more firms to enter a dialogue that they might have avoided in the past. The practical importance of such communication was highlighted by an event that transpired during the preparation of this report: Citigroup’s failure to garner 50% support for its executive compensation plan in the annual “say-on-pay” vote at its 2012 annual meeting. Outgoing Citigroup Chairman Richard Parsons

Table 2 Board-Shareholder Engagement Practices by Annual Revenue

	Less than \$100 (million) N = 19	\$100-\$499 (million) N = 30	\$500-\$999 (million) N = 21	\$1-\$4.9 (billion) N = 88	\$5 and up (billion) N = 98	Total N = 256
Companies requiring non-employee directors to attend the annual shareholders meeting	78.9%	46.7%	61.9%	60.2%	68.4%	63.2%
Companies with a formal shareholder engagement policy	42.1%	23.3%	4.8%	22.7%	21.4%	22.3%

Source: "The 2011 U.S. Director Compensation and Board Practices Report," The Conference Board (November 2011).

Note: N is the number of companies in each sample.

blamed the unsuccessful vote on a communication failure⁵, stating that the board had not adequately explained to investors the methods used to determine executive pay packages.

In their 2011 study "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance"⁶ the authors noted that companies that are more likely to have organized procedures for stakeholder engagement are more long-term oriented, exhibit more measurement and disclosure of nonfinancial information, and significantly outperform their counterparts over the long term, both in stock market and accounting performance.

Have a Communications Plan

Establishing a consistent plan for communicating with shareowners is important. Quality communication includes an ongoing and consistent dialogue, not just communicating when a crisis arises. One investor emphasized the ability of the board's compensation committee

⁵"Parsons Blames Citi Vote on Failure to Communicate," Reuters (19 April 2012); www.reuters.com/article/2012/04/19/us-financial-regulation-citi-idUSBRE8311IF20120419.

⁶Robert G. Eccles, Ioannis Ioannou, and George Serafeim, "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance," Harvard Business School Working Paper 12-035 (9 May 2012).

to explain an executive compensation plan as a good determination of the quality of the communication. This individual stated, “If they can’t explain the compensation plan in a manner that we understand, there may be a problem.”

In our discussions, the question was raised whether a board should designate a strong, externally focused lead director to discuss these issues with investors. We agree that, while such strategies are becoming more popular, subject matter may dictate whether someone other than the designated lead director is the appropriate spokesperson (e.g., the head of the compensation committee would likely take the lead on any executive pay discussions). Indeed, there may not be a just one board member who can effectively serve as the spokesperson on all issues.

A Visionary Board should designate a director (such as the lead director or independent chairman) to facilitate and coordinate such conversations and serve as the primary conduit for shareowner engagement, which can often be done in concert with a company’s investor relations department. The panel stressed that directors should not communicate on issues best covered by management—such as the details of a strategic plan—but should mainly gather input from investors and then communicate to management and the entire board shareowners’ viewpoints and concerns.

A Visionary Board should work with a company’s investor relations team to ensure that there is an ongoing dialogue with longer-term shareowners who may possess greater institutional knowledge of the company.

There is usually very little turnover among the largest holders of a company’s stock. Many companies may neglect the fact that they likely have a core group of long-term shareholders for whom consistent shareowner communications would add value. One of our panelists (a company employee, not a director) noted that their group is charged with meeting the company’s top 100 largest investors one-on-one annually, and that these meetings address longer-term questions, as opposed to the more trader-focused questions that occur in quarterly conference calls.

Visionary Directors realize that investors want to meet with companies. There are a variety of ways boards can hear from investors, but a Visionary Board needs to get the message to investors that “Our board wants to hear from you.” One of our participants (a company employee, not a director) told the story of a pension fund that was pleasantly surprised when representatives of the company came to meet with the fund and mentioned that “no one ever meets with us.”

Although investors can meet in one-on-one sessions with boards on certain issues, this approach may be best reserved for larger investor groups. Smaller investors, however, can work together to form a group to request a meeting to discuss a specific issue. A company can also hold individual calls on issues that fall outside of the main earnings call cycle (e.g., issue calls, fifth analyst call, or environmental, social, and governance [ESG] calls). The challenge is to broaden communication opportunities and to target and discuss emerging issues before they become a problem.

Analyst calls and governance calls provide different value; the former are mostly about financials, new products, and more immediate issues, whereas the latter are focused on firm culture, social responsibility, corporate governance, and other more qualitative issues that are important to the long-term success of a company but often get little attention on quarterly analyst calls.

Boards should look to meet with shareholders outside the context of an annual meeting. The best time for such meetings is outside the hectic proxy season cycle, likely in the middle to late part of the year, when companies are just starting to think about their compensation and governance policies for the following year.

Get to the Important Questions

Visionary Directors should listen to analyst calls. They should have their ears to the ground in an attempt to understand the questions being asked and what investors' concerns are. In a recent study, "Short-Termism, Investor Clientele, and Firm Risk,"⁷ researchers used earnings conference call transcripts to measure the time horizon that senior executives emphasize when they communicate with shareowners. The study found that firms that focus on the short term in their communications likewise have short-term investor bases, higher rates of stock-price volatility, higher betas, and a higher cost of capital. The opposite is true for firms that communicate a long-term message. This study also offers confirming evidence that companies generally attract the type of investors to which they cater. Therefore, directors should pay attention to messaging and use communications to recruit the long-term shareowners that they desire.

Another way to enhance shareowner communications is to remove geographical barriers by hosting a virtual annual meeting along with (not instead of) a live annual meeting. Our

⁷Francois Brochet, Maria Loumiotis, and George Serafeim, "Short-Termism, Investor Clientele, and Firm Risk," Harvard Business School Working Paper 12-072 (February 2012).

panel sees the need to keep the traditional annual meeting format because there will always be a preference by some for face-to-face interaction, but hosting a virtual annual meeting concurrently with the annual meeting allows more shareowners to participate. This meeting format will allow the company to take the pulse of its members by asking for questions and input far in advance of the meeting itself.

There may also be a need to examine the actual annual meeting process and drive enhancements through such factors as geography of meeting (making it easier to attend), board presence (all directors should attend), and the timing of the meeting (one that is convenient for shareholder participation). One panelist noted that annual meetings would be more valuable if they took place during the solicitation process instead of the current practice of holding the meeting after all votes have already been decided.

The annual meeting can also be a forum for a company's employees to hear from management. As noted in the annual National Association of Corporate Director's survey, "What Society Thinks,"⁸ there is a real need for more transparency between directors and their stakeholders, including employees.

Finally, Visionary Directors should welcome input from a company's critics. Our panel believes a director should welcome constructive criticism and avoid information from sources who may feel a need to ingratiate themselves with the board or a director.

Disclosure Best Practices

One communication opportunity that all companies share and that some are doing a better job of leveraging is the annual corporate proxy statement. A Visionary Board sees the proxy statement as a communications opportunity and not simply as a compliance exercise. Boards need to take more ownership of this communications document to improve the overall level of discourse. The proxy is another way to tell the company's story; however, unless the board sees this approach as a form of strategic communication, the quality of disclosure will remain poor, focusing on boilerplate language and "check-the-box" compliance.

⁸Elizabeth Mullen, "Main Street's Mood Warms for Directors, Cools for CEOs," NACD Directorship Boardroom Intelligence (March/April 2012).

More long-term, forward-looking disclosure is needed rather than boilerplate communications—language that communicates the company’s strategy and shows that the board actively participates in strategy development and the monitoring of strategic execution. Often cited as an effective communications model, the annual Warren Buffett letter to Berkshire Hathaway shareowners is a direct, straightforward example of impactful shareowner communication.

A separate letter from the chairman (if independent) or lead director discussing the board’s governance processes and practices, and how they support a focus on long-term strategy, can be helpful in addressing shareowner/stakeholder concerns. Such communication demonstrates to stakeholders that they are being heard and that the board is willing to work with them in the best interest of the company.

Strategic Direction

A Visionary Board:

- Knows that overseeing, understanding, and monitoring strategy is a continuous process.
- Is actively involved in the development of corporate strategy and measures progress against strategy at every meeting.
- Has all the information necessary (including access to outside sources) to make decisions in the interest of shareowners.
- Recognizes that an effective strategy must have short-, intermediate, and long-term elements.
- Communicates to investors the board's role in the strategy-setting process.
- Defers to management for more detailed discussion of strategy execution.
- Focuses on the quality of a company's operations to ensure they support long-term strategic goals.

The Visionary Board's Role in Strategy

Overseeing, understanding, and monitoring corporate strategy is a continuous process for the Visionary Board. Such a board must thus understand the company's strategy and be actively involved in the board processes that support effective execution of corporate strategy, including risk management, compensation design, and executive succession planning.

The entire board should play a role in strategy discussions, with strategic objectives discussed at every board meeting. A recent survey of corporate secretaries conducted by the Society of Corporate Secretaries and Governance Professionals and the Deloitte Center for Corporate Governance (Society/Deloitte survey) found that only 52% of the boards surveyed discuss strategy at every meeting (See [Table 3](#)).

The second question in Table 3 also shows that an annual off-site review is the norm for board discussions of strategy and that it is usually management that develops strategy with input from the board. A board should have the necessary expertise and trust of management so that the board can play a more collaborative and value-added role in strategy development. The relationship between management and the board in setting strategy exists along a continuum, ranging from management setting strategy and the board advising to the board playing a more direct and collaborative role in strategy development (see third question in Table 3).

Table 3 Questions about Strategy Planning

How often are strategic objectives discussed with the board? (N =174)	
Annually	19%
Quarterly	18%
At every meeting	52%
Other	11%
How often does your board participate in an off-site strategy meeting with management? (N =173)	
More frequently than once a year	1%
Less frequently than once a year	8%
Once a year	62%
We do not hold off-site strategy meetings with management	29%
How is strategy set at your organization? (N=173)	
Management develops strategy, and the board advises, challenges, and approves	92%
The board and management develop strategy together	6%
The board develops the strategy, and management approves and executes	0%

Source: Deloitte and Society of Corporate Secretaries and Governance Professionals, "2011 Board Practices Report: Design, Composition and Function" (December 2011).

Note: N is the number of companies in each sample.

A board can share with investors the process the board and management use in setting and monitoring strategy; however, specific discussions relating to strategy execution should be left to management. If the board disproportionately “owns” the strategy, it risks compromising the authority of the CEO and management.

One panelist noted that strategic direction is the basis for an enterprise’s viability, success, or failure. A key responsibility of the Visionary Board is to provide input, evaluate, and approve management’s strategic plan. The topics covered in this report (quarterly earnings practices, shareowner communications, executive compensation, enterprise risk management, and culture) are all outgrowths of strategy. How a board handles oversight of these responsibilities is a direct reflection of the performance of the board. Investors want to know that the board is engaged in developing the strategic plan, evaluating the plan, and overseeing the plan’s execution.

A number of our panelists believe that most boards spend significant time concentrating on a company's financial performance but fail to focus adequately on the "quality of operations." Moreover, the board should spend more of its time understanding how a company's operations are influenced by a company's strategic direction, as well as the strategic risks expected in the future.

Competency and Resources

For their part, companies need to ensure that they select the right people for their boards to help develop, guide, and monitor strategy. The U.S. SEC has called for increased disclosure concerning director qualifications, which would give investors a better understanding of whether a board is best composed to execute the corporate strategy communicated by company management.

A Visionary Board, in turn, should ensure it has all of the information available, including resources from outside sources, to make informed decisions about the firm's strategic needs. One of our panelists noted that acquiring and reviewing sell-side research and credit rating reports on the company, and its competitors, enables better understanding of market perceptions.

Risk Oversight

A Visionary Board:

- Understands that the whole board is responsible for risk oversight (with specialization required where necessary).
- Views risk oversight and risk management as a way to protect the company's assets while also creating long-term value.
- Understands the company's enterprise risk management (ERM) process and the unique risk facing the company.
- Treats risk oversight as a constant process and sets the tone that evaluating risk is embedded in the organization's strategy and operations.
- Clearly explains to investors and stakeholders the process the board uses for risk oversight and the monitoring of strategically important risks.
- Analyzes the correlations among risks in a complex globalized environment, and the ripple effects that a single event may have on multiple risks.
- Understands the inability to foresee every risk and thus supports a strong crisis management plan.
- Seeks out information on risk from all sources: shareowners, bondholders, managers, employees, and partners in the supply chain.

The topic of risk management was not part of the discussion of short-termism in *Breaking the Short-Term Cycle* in 2006, nor has poor risk management been included as a primary cause of short-termism. The financial crisis, however, has highlighted the need for boards to better understand and anticipate the potential short-term risks a company could face as a result of unexpected events.

Risk Is Everyone's Problem

It is the responsibility of the entire board to understand the company's risk programs, especially the critical risks identified through the ERM process. This understanding may require specialized knowledge or a particularly keen focus by the board in certain areas so that critical risks are identified.

The Society/Deloitte survey shows that many—but not all—boards are evolving in this area (see [Table 4](#)). Recognizing that regulatory requirements will leave some financial services companies with little choice in addressing risk oversight, our panel was not convinced that a standalone risk committee was the most effective mechanism for board risk oversight. Such structures can unintentionally insulate a majority of the board from risk discussions. The quality of the risk oversight activities of the board can be significantly enhanced when the collective knowledge of all board members is sought.

Table 4 Question about Risk Management

How does your board assign risk oversight for the organization's risk management program? (Select all that apply) (N = 207)	
We have a board risk committee	13%
The audit committee has primary responsibility for risk oversight	48%
Risk oversight responsibilities are spread across all board committees	48%
The full board is responsible for risk oversight	57%
We have not considered board responsibility for risk oversight	0%
Other	7%

Source: Deloitte and Society of Corporate Secretaries and Governance Professionals, "2011 Board Practices Report: Design, Composition and Function" (December 2011).

Note: N is the number of companies in each sample.

A simple but critical question a board should ask is: Does the board understand the risk profile of the company and the output of the ERM process the company uses? As the financial crisis demonstrated, particularly in the case of several large financial institutions, the answer often was "no." Our panel also stressed that a Visionary Board understands that the risk report it receives from management needs to evolve over time, just as the risks the company faces also evolve.

A Visionary Board needs regular training in risk management so that board members know what questions to ask and the types of information to seek. The board cannot be in the position of relying solely on the information management gives to them because they lack knowledge to ask difficult but necessary questions, including, "Why are you confident that you correctly understand the full spectrum of risks facing this company?" or "What if this fails?" In assessing the adequacy of the answer, a board may consider whether the management team has adequately sought outside input and advice rather than relying solely on the internal knowledge and expertise of the company.

Risk Oversight Is a Continuous Process

A Visionary Director should be wary of risk reports that seem to address the same risks from year to year because it is unlikely that the risks a company faces will remain fixed. Risks are not static, and therefore, the process used by the board to oversee risk can never truly be “done.” An effective risk program is one in which risk thinking is embedded in the way the business is run and overseen.

A Visionary Board treats risk oversight as an ongoing process inextricably linked to the business plan and its execution, not as a compliance exercise or a checklist item to be marked off once a year. Our panel also believes that a Visionary Board makes sure that an update of critical risks is included on the board agenda at every meeting.

According to a survey conducted by The Conference Board about board practices, the oversight of risk by a board can vary considerably from company to company and across industries.⁹ In the *2011 U.S. Director Compensation and Board Practices Report*, 334 U.S. companies were surveyed concerning a number of board practices. Findings showed that financial institutions were the only industry group surveyed in which more than half of those companies regularly report on risk at each board meeting; however, smaller financial companies were less likely to report on risk at each meeting than larger companies.

Although management has the ultimate responsibility for executing risk management practices, members of a Visionary Board add the most value by bringing their experiences to the discussion, probing into additional risk management issues that management may not have considered, as well as providing innovative thinking that may convince management to take value-creating risks they otherwise may not have taken. A board should require management to demonstrate how risk management works at the company and who are the manager(s) responsible for tending to the issue. A “trust-but-verify” approach can ensure that the board understands the risks and knows that management is actively managing those risks.

⁹Matteo Tonello and Judit Torok, *The 2011 U.S. Director Compensation and Board Practices Report*, The Conference Board Report No. R-1486-11-RR (2011).

Process

Risk management processes are well-described by companies in public filings. However, there is a natural tension with respect to the disclosure of strategic risks. The more a company discloses about key risks, the more information it risks “giving away” to its competition. Our group believes that a board should clearly communicate the risk management process—including board risk oversight—to investors so that shareowners have adequate information to judge for themselves whether the process of risk oversight is rigorous and being handled properly.

One investor in our group noted that at some companies, investors might look to social responsibility, or ESG reporting, as one tool for assessing risk oversight. At companies in which such issues represent a material risk, an investor can investigate whether the company is communicating about ESG factors as a strategic risk.

Successful companies create long-term shareowner value by taking intelligent risks. Visionary Directors are mindful not to instill a culture of risk aversion that can affect the prospects for growth.

Beware of What You Don't Know

Some panelists noted the dangers that boards too often overlook. One board member noted that too many companies fail because of their lack of understanding about liquidity risks, stating: “Not enough boards think about or talk about the path to failure.”

Crisis management also was seen as an area of strength for a Visionary Board. Our panel realizes that it is impossible for a board to anticipate every risk that a company may face. A Visionary Board, therefore, does its best to consider and plan for the risks the company can reasonably foresee through scenario planning and other risk-planning exercises. Meanwhile, it also takes the necessary steps to ensure that the company and the board have the expertise in place to effectively manage a crisis.

A Visionary Board should have a regular and dynamic process for considering risks, including interviewing market participants who may have a specialized understanding of the company's operations. Bondholders, shareowner activists, and companies throughout the supply chain may be able to help boards understand and mitigate as many risks as possible. As was the

case with other forms of communication, we recommend that boards focus on listening to these market participants to educate themselves about risk. In many cases, we expect boards to leave the more detailed communication about these issues to management.

Note to investors: A number of resources are available to help companies with risk management. A few of them are listed here:

- Committee of Sponsoring Organizations of the Treadway Commission (COSO): *Enterprise Risk Management—Integrated Framework* (www.coso.org/guidance.htm) as well as other ERM Documents.
- International Organization for Standardization (ISO): *ISO 31000, Risk Management—Principles and Guidelines* (www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=43170).
- The International Corporate Governance Network (ICGN): *ICGN Corporate Risk Oversight Guidelines* ([www.icgn.org/files/icgn_main/pdfs/best_practice/icgn_cro_guidelines_\(short\).pdf](http://www.icgn.org/files/icgn_main/pdfs/best_practice/icgn_cro_guidelines_(short).pdf)); an excellent primer on understanding risk.
- National Association of Corporate Directors: *Risk Governance: Balancing Risk and Reward* (www.nacdonline.org/Store/ProductDetail.cfm?ItemNumber=675).

Executive Compensation

A Visionary Board:

- Works to align compensation with both long-term performance and company strategy.
- Understands the risks inherent in compensation structures, particularly those that have equity components, and considers how those risks may have influenced management decision making.
- Understands the compensation processes and practices throughout the company to ensure the appropriate incentives for performance and risk-taking are being supported.
- Communicates the compensation philosophy, as well as critical performance parameters and benchmarks, of the executive compensation plans to shareowners.
- Actively oversees the Compensation Discussion and Analysis (CD&A) process to ensure that the CD&A provides clear, concise information to investors about the compensation processes and practices, as well as the link between pay and performance.
- Pays particular attention to the legitimate concerns of shareowners.

Executive Pay for the Long Term

An important responsibility for boards is the adoption and oversight of compensation policies that promote performance-driven decisions and actions. Visionary Boards play an important role in successfully achieving the “pay-for-performance” imperatives of companies and shareowners. In the opinion of our panel, any compensation plan that does not support the goal of building long-term franchises is, at its core, a failure. Shareowners need to understand that the critical synergy between compensation and strategy extends beyond the short term. A board, particularly the compensation committee, needs to ensure that this link is explicit and effectively communicated to shareowners (i.e., in the CD&A).

There was consensus among our panelists that boards should not only link compensation to the execution of a long-term strategy but also communicate to investors how it will be measured. Visionary Boards communicate compensation decisions effectively to investors by clearly stating the critical parameters and benchmarks of compensation.

One of our panelists noted that the most value-destructive pay practice she has seen on boards is the unintended consequence of concentrating too much of an executive's wealth in the company's equity. According to this panelist, CEOs are often in the later stages of their careers and thus may have a short-term mindset when it comes to making decisions that can impact stock price in the near term.

The practice of heaping equity on management may reflect flawed logic because it does not necessarily align management interests with long-term shareowners. Indeed, unless equity is linked to a sufficiently longer-term time frame, equity grants may align management interests with short-term speculators.

A Visionary Board has to balance the potential short-term wishes of a CEO with the long-term execution of corporate strategy. However, investors need to allow boards and directors to have discretion over compensation practices to make equitable decisions based on performance that does not always adhere to a strict formula.

Because Visionary Directors overweight total compensation to the long term, incentive pay should be based on company strategic operating metrics (e.g., customer satisfaction, market share gains, or achieving strategic goals) and success in meeting those metrics rather than analyst expectations. A board should consider whether there is a time period, or a vesting period, that makes sense for better aligning management and shareowner interest.

Visionary Boards see poor compensation practices as a risk factor and, as a result, should examine pay in the context of risk and pay for performance against the execution of the strategic business plan.

Communications about Executive Pay

The level of conversation around executive pay has improved over the past few years, most likely because of the mandatory "say-on-pay" votes in the United States. One panelist noted that designing compensation to influence behavior is a relatively young discipline for many boards, as is investors voting on pay plans. As a result, he expects the process and communications around pay to evolve and improve in the coming years.

One of our panelists who serves on the board of a U.K. company noted that executive compensation committees in the United Kingdom routinely discuss compensation with investors and that more conversation around the compensation process could improve investors' understanding of pay packages. Currently, there is much investor frustration around the issue of compensation, which is treated like a "black box" that the CD&A section of the corporate proxy does not adequately explain.

A Visionary Board should understand the design of the compensation plans for those below the executives listed in the CD&A to ensure that links between pay and performance exist throughout the organization and that executive pay incentives do not conflict with or supersede other organizational incentives.

Investor communication contained in the CD&A disclosure represents a great opportunity for improvement. Visionary Boards do not simply repeat the CD&A from year to year or hand over full responsibility for the process to some other corporate function, such as legal or investor relations. Visionary Boards take ownership of the CD&A process and work with the company to produce a communications and not just a compliance document.

The CFA Institute *Compensation Discussion and Analysis Template* (2011) demonstrates how a compensation committee can communicate the complexities of a remuneration plan to shareowners in a clear and concise way. The template focuses on the following areas:

- I. Overview of previous year performance and compensation
- II. Elements of compensation for the past fiscal year
- III. Performance targets for past year/performance period
- IV. Compensation decisions made in past fiscal year/performance period
- V. Compensation framework: policies, process, and risk considerations
- VI. Employment and termination agreements

Culture (Board Culture/Company Culture)

A Visionary Board:

- Asks the hard questions and is candid with peers and management.
- Avoids “going along to get along.”
- Seeks a board culture of accountability.
- Values and seeks out diversity of opinion on the board.
- Pays attention to the “soft issues” and understands that these issues reflect the culture of the company.
- “Walks the floor” of the company and interacts with employees to best understand the culture.
- Tests a company’s commitment to its core philosophy and mission to determine if it “walks the walk.”
- Wants to hear the issues reported to the ethics hotline and understand the procedures for dealing with problems.
- Cares about the morale of all employees.
- Is intellectually curious about how the company operates.
- Has a passion for the company.

Although the culture of an organization and the culture of its board of directors are distinct, Visionary Boards actively engage in understanding, building, and improving both cultures. A board can control the board culture in a very direct way but has less influence over the corporate culture. Nevertheless, a board needs to understand the corporate culture and work with management to ensure it is an asset that contributes to long-term value creation and is not a risk that impairs success.

It is important to remember that the board is a primary vehicle in setting the tone for ethical behavior, along with the CEO and executive team. Communicating and actively reinforcing the board’s expectations for success with integrity is a critically important step toward the creation of a solid corporate culture for the rest of the organization.

Board Culture

Have Uncomfortable Conversations

In order to have a positive influence on culture, a board should require that the CEO and management be open to diverse voices. A Visionary Board is one in which candor is encouraged. Groupthink and collegiality can ultimately lead to problems. In fact, a number of our project participants noted that collegiality is not the goal of a board and that “going along to get along” often ends in conformity—shielding a board from hearing uncomfortable points of view that it needs to address.

One director stressed that it is often difficult to do the opposite of what is normally done, but Visionary Boards must create processes that force dialogue about uncomfortable or contentious subjects so that these issues do not grow into larger risks.

Visionary Boards pay attention to soft issues, such as ESG issues, that are off the balance sheet. When boards fail to do this, several things can go wrong. Investors can get an idea of the company’s approach to such issues by carefully reviewing company documents for hints about how the company acknowledges challenges and difficulties. For example, one of our panelists stated that Nike has recently reported that it may have reached the limits of what it can do to combat sweatshop labor—the kind of frank talk that is too rare in corporate reporting. A director on our panel suggested that Visionary Directors periodically meet with non-governmental organizations (NGOs) that operate in a company’s business sector to listen to concerns about these soft issues.

Makeup of a Visionary Board

Visionary Boards must have different types of personalities on them. Borrowing from research by Deloitte on “exceptional boards,” individuals can fall into fairly broad categories: drivers, pioneers, integrators, and guardians. Each personality “type” takes a somewhat predictable approach to decision making in various environments. In practice, the most effective teams have a healthy balance of each personality type in their membership. This kind of analysis can be helpful for a board. For example, a board that is composed of all drivers (who tend to prefer unilateral decision-making processes) and no guardians (who tend to value consensus building and varying points of view) may take a very different approach to its role—and its interactions with management and stakeholders—than a board with a more balanced composition of personalities. This composition, in turn, affects board recruitment and leadership choices.

Too often boards will not even consider a prospective new member who they do not already know, which may contribute to insular thinking. A Visionary Board is a diverse body that embraces the idea that people with different experiences and backgrounds can offer valuable points of view. Diversity should not compromise needed board experience but is seen as contributing to a Visionary Board.

A board should undergo board, committee, and individual member evaluations and use those results proactively. One panelist cautioned that such reviews need to be done in a different way each year so that the results are always fresh and insightful. One panelist recommended board members rotate to different committees—if expertise allows—as one way to keep board committees fresh.

Director term limits were also mentioned as an instrument sometimes used to keep boards from losing their ability to stay energized and inquisitive, as well as to avoid slipping into groupthink. Advocates of term limits note that a long term of service in any institution tends to make one less likely to challenge authority and more likely to go along with the status quo.

Company Culture

The recent paper “Short-Termism, the Financial Crisis, and Corporate Governance”¹⁰ discusses the role corporate culture can play on fostering a short-termism mindset and suggests some steps boards can take:

To the extent that a firm’s culture is focused on employee self-interest, a greater likelihood exists that when employee self-interest and the long-term health of the firm diverge, the long-term health of the firm will be sacrificed to serve employee self-interest. Indeed, employee self-interested cultures, as distinct from cultures focused on the wellbeing of the firm and their clients, are more likely to lead to behaviors that are detrimental to the best interests of the firm. (p. 354)

Ultimately, the cultural tone starts at the top with the CEO and permeates all levels of an organization. However, a Visionary Board also can set standards and expectations of culture, particularly as they relate to discipline and openness.

¹⁰Lynne L. Dallas, “Short-Termism, the Financial Crisis, and Corporate Governance,” *Journal of Corporation Law*, vol. 37, no. 2 (2012):264–365.

Get to Know the Place

Visionary Directors should be hands-on in getting to know the culture of the company. This awareness is accomplished by visiting company sites, gathering as much information about the company as possible, and mingling with representatives of the company serving in a variety of diverse job functions.

A director should start by understanding the company's philosophy and mission. Cultural assessments are becoming more routine and are often embedded in annual human resources or other employee surveys. Results of these surveys should be provided to all directors. If they are not being done, directors should request that the company conduct such surveys and ultimately test the company's commitment to its own philosophy and mission.

A board should regularly receive reports on the company's culture. Periodically, boards should encourage management to work with an independent source to conduct a cultural assessment, ensuring that employees are confident that all interviews are anonymous. These surveys will allow the board to truly understand the culture and the associated risks (see [Table 5](#)).

Table 5 Questions about Cultural Surveys

How often does your organization conduct cultural surveys? (N = 168)	
Annually	27%
Only in certain circumstances	29%
We do not conduct cultural surveys	42%
If cultural surveys are conducted by your organization, does management review the survey findings with the board? (N = 146)	
Management reviews the survey findings with the board	36%
Management reviews the survey findings with the board in certain circumstances	19%
Management does not review the survey findings with the board	5%
Not applicable	40%

Source: Deloitte and Society of Corporate Secretaries and Governance Professionals, "2011 Board Practices Report: Design, Composition and Function" (December 2011).

Note: N is the number of companies in each sample.

Visionary Directors should understand a company's relationship with its employees. For example, does the company have processes to help employees when in distress? Our panel believes that internal company surveys designed to take the temperature of corporate culture are required reading but warned that some such surveys may be designed to put a positive spin on the corporate culture. Another panelist recommended that directors request a copy of every report to the ethics hotline. A Visionary Board wants people to feel empowered to act on things that benefit the company.

One director stated, "You have to go out on your own, where you can, to visit sites and talk to people. Talk to the guy driving the forklift. He will tell you everything you want to know." Another participant echoed that sentiment but recommended that directors speak with a different employee to best understand the company: "Talk to the head of IT if you are a director. They know everything."

One panelist suggested that directors should review the daily news clips that management receives, use all of the company websites as a customer would, and even be a customer (if possible) to experience the company services first hand. In addition to walking around the company and company sites and talking to staff, one panelist recommended that board members accompany the CEO on business trips, when appropriate.

Conclusion

Visionary Boards are best positioned to combat the short-term thinking that has dominated the markets for too many years. Visionary Boards must also possess the leadership to provide the stewardship they owe to shareowners. Boards that eschew the quarterly earnings guidance game, communicate the long-term strategic goals to shareowners, compensate executives for the long term, provide strong risk oversight for the firm, and are fierce advocates for a strong corporate culture will serve their shareowners, the markets, and all company stakeholders better than those who do not. By focusing on what is most important over the long term, Visionary Boards can also ensure more enduring and sustainable value creation for shareowners.

Visionary Directors at public companies can use this report as a guide to providing the leadership that companies need to look beyond the short-term noise that too often dominates an investor's view of the financial markets. We believe that directors who can emulate the characteristics of Visionary Boards featured here can mitigate the current overemphasis on short-term performance and better serve the long-term interests of shareowners and society as a whole.

Resources

Short-Termism

Dean Krehmeyer, Matthew Orsagh, and Kurt N. Schacht, *Breaking the Short-Term Cycle: Discussion and Recommendation on How Corporate Leaders, Asset Managers, Investors, and Analysts Can Refocus on Long-Term Value*, CFA Centre for Financial Market Integrity and Business Roundtable Institute for Corporate Ethics (2006).

Business & Society Program's Corporate Values Strategy Group, *Overcoming Short-Termism: A Call for a More Responsible Approach to Investment and Business Management*, Aspen Institute (9 September 2009).

Research and Policy Committee, *Built to Last: Focusing Corporations on Long-Term Performance*, Committee for Economic Development (2007).

Rebuilding Corporate Leadership: How Directors Can Link Long-Term Performance with Public Goals, Committee for Economic Development (2009).

Coloplast Experiment—Charles Bowman, “The Great Experiment—A Tale of Two Reports Highlighting the Value of Transparency (7 April 2008): <http://pwc.blogs.com/corporatereporting/2008/04/the-great-exper.html>.

Lynne L. Dallas, “Short-Termism, the Financial Crisis, and Corporate Governance,” *Journal of Corporation Law*, vol. 37, no. 2 (2012):264–365.

Communication

Standards of Practice for Investor Relations, National Investor Relations Institute (2011): www.niri.org/Main-Menu-Category/resource/publications/Standards-of-Practice-for-Investor-Relations.aspx.

Board-Shareholder Communications, National Association of Corporate Directors (2008): www.nacdonline.org/Store/ProductDetail.cfm?ItemNumber=682.

Strategy

The Role of the Board in Corporate Strategy, National Association of Corporate Directors (2006): www.nacdonline.org/Store/ProductDetail.cfm?ItemNumber=636.

Risk

Francois Brochet, Maria Loumioti, and George Serafeim, “Short-Termism, Investor Clientele, and Firm Risk,” Harvard Business School Working Paper 12-072 (February 2012).

Enterprise Risk Management—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission (2004): www.coso.org/guidance.htm.

ISO 31000, Risk Management—Principles and Guidelines, International Organization for Standardization (2009): www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=43170.

ICGN Corporate Risk Oversight Guidelines, International Corporate Governance Network (2010): [www.icgn.org/files/icgn_main/pdfs/best_practice/icgn_cro_guidelines_\(short\).pdf](http://www.icgn.org/files/icgn_main/pdfs/best_practice/icgn_cro_guidelines_(short).pdf).

Compensation

Matteo Tonello and Judit Torok, *The 2011 U.S. Director Compensation and Board Practices Report*, The Conference Board Report No. R-1486-11-RR (2011).

Matthew Orsagh, *Compensation Discussion and Analysis Template*, CFA Institute (2011).

Culture

Robert G. Eccles, Ioannis Ioannou, and George Serafeim, “The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance,” Harvard Business School Working Paper 12-035 (9 May 2012).

Other

Elizabeth Mullen, “Main Street’s Mood Warms for Directors, Cools for CEOs,”
NACD Directorship Boardroom Intelligence (March/April 2012).

Deloitte and Society of Corporate Secretaries and Governance Professionals, “2011
Board Practices Report: Design, Composition and Function” (December 2011).

2010 Principles of Corporate Governance, Business Roundtable (April 2010).

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