THE CONFERENCE BOARD
Trusted Insights for Business Worldwide

DIRECTOR NOTES

Quarterly Earnings Guidance – A Corporate Relic?

By Ariel Fromer Babcock and Sarah Williamson

For companies pursuing the goal of designing investor communications strategies to build a long-term investor base, the implications of recent research are clear: Short-term earnings guidance is not wanted by long-term investors and it leads companies to make counterproductive, short-term decisions. Research has consistently found that the vast majority of corporate executives feel that short-term pressure is growing, that it is changing their business decisions, and that those changes are destroying value.[1] Corporate directors can provide a long-term perspective and work to combat that short-term pressure. This *Director Notes* report analyzes the need for quarterly earnings guidance in today's business environment, makes a case against them, offers a long-term roadmap and includes examples of companies that have used different ways to measure long-term performance.

DN-V9N2 | MARCH 2018 | Subscribe at www.conferenceboard.org/directornotes

Companies are moving beyond quarterly guidance by:

1 Moving away from short-term guidance, especially quarterly earnings per share (EPS) guidance.

2 Providing investors with a long-term roadmap focused on the fundamental economic drivers of the business and long-term strategic goals.

3 Sharing management's outlook for three to five key performance indicators (KPIs) tied to the company's long-term strategic goals to frame the investment opportunity for shareholders.

Quarterly earnings per share (EPS) guidance constitutes a critical channel through which short-termism impacts companies and capital markets. By harnessing management teams to self-imposed short-term targets, quarterly guidance ensures companies will focus on this time horizon. Similarly, The Conference Board highlighted pressure on managers of publicly held companies to meet quarterly earnings as one of the most frequently identified drivers of corporate behavior focused on short-term value extraction. In fact, in a 2015 report on short-termism The Conference Board included the recommendation to "abandon quarterly bottom-line earnings guidance and replace it with longer-term guidance and information that is material to the company's long-term prospects," in the list of governance changes public companies can make.[2]

It is critical to distinguish quarterly *guidance*, which relies on forecasts issued by companies to influence market expectations, from quarterly *reporting*, the retrospective reporting of factual performance, and *consensus estimates*, external analysts' forecasts of earnings performance. Quarterly reporting remains essential in providing investors with the transparency they need and in keeping management teams accountable for their performance. On the other hand, consensus earnings estimates will continue to be a feature of markets regardless of what companies choose to disclose. If companies do not issue guidance, a mismatch between reported earnings and consensus indicates an inaccurate forecast, rather than an earnings "miss."

Indeed, there is mounting evidence that companies who play this quarterly guidance game suffer down the road. Their focus on short-term metrics often leads companies to prioritize decisions that will yield the most attractive results on a quarterly basis, neglecting their long-term strategies while sacrificing valuable investment opportunities and eroding the foundation of long-term, stable shareholders on which they depend.

A recent Harvard study[3] confirmed what many have long suspected, that companies get the investors they deserve. Focusing on short-term metrics attracts transient, short-term shareholders, ultimately increasing share price volatility, and is linked to lower earnings growth, a higher cost of capital, and a lower return on equity (ROE) when compared to peers who issue guidance with a long-term orientation.

The inverse holds true as well; long-term companies can attract the right investors. Companies that choose to offer shareholders a long-term vision and strategy can benefit not only from reduced focus on short-term metrics but also by attracting and building a long-term investor base. This virtuous cycle—in which companies that focus on the long-term attract investors who support their longer horizons—is within the power of management teams to achieve, particularly with the support of their boards of directors.

Many boards are taking steps to mitigate short-term pressure, especially the influence of quarterly EPS guidance. Setting the appropriate tone at the top and giving management the space and support to shape their investor communications practices with the long-term in mind is a critical element for success.

However, eliminating quarterly EPS guidance is a good first step but in no way a panacea for ensuring sustainable, long-term performance. Offering investors a long-term roadmap, rather than just quarterly targets, is essential. Only with an understanding of how a company will sustainably create value over the long term can investors engage companies on their strategy and make investment decisions on that basis.

For companies that do not currently offer quarterly guidance (including many outside the US or those that have yet to go public), these findings offer all the more reason not to start. For those that do currently guide investors, the growing evidence in favor of a long-term approach presents an opportunity to re-consider their guidance policies.

Six Myths of Quarterly Earnings Guidance

1. Myth: Everyone does it

Fact: The share of S&P 500 companies issuing quarterly guidance has declined from 36 percent in 2010 to 27.8 percent today. Among Euro Stoxx 300 companies, issuance is near zero (0.7% percent).

2. Myth: Issuing quarterly guidance improves companies' valuation

Fact: Our analysis of S&P 500 constituents found no effect on valuation whatsoever.

3. Myth: Issuing quarterly guidance helps reduce stock price volatility

Fact: Issuing annual range guidance actually reduces volatility around earnings reporting periods relative to issuing quarterly guidance.

4. Myth: Investors demand quarterly guidance

Fact: Over 75 percent of surveyed investors say companies should move away from quarterly guidance. Fewer than 7 percent of investors want companies to offer guidance on *any metric* for periods of less than one year.

5. Myth: Quarterly guidance helps keep management teams accountable for performance

Fact: It keeps them focused on short-term performance, but in the long-term leads to under-investment and poor earnings growth.

6. Myth: There is no alternative

Fact: Providing investors with a long-term roadmap of a company's strategy over at least three to five years, combined with relevant financial and operating metrics, can give investors the confidence and transparency they need while avoiding short-term myopia.

Short-term earnings guidance is not wanted by long-term investors and leads many companies to make counterproductive, short-term decisions.

I. THE CASE AGAINST QUARTERLY EARNINGS PER SHARE GUIDANCE

It is worth noting that the use of quarterly EPS guidance is increasingly rare. Although many market participants assume EPS guidance is common practice (likely due to excess focus on media and sell-side analyst reports), issuance of such forward-looking guidance peaked in popularity just after the millennium, approaching 50 percent of large cap companies in 2004.[4] Since then, the use of quarterly EPS guidance has declined markedly. In 2016, just 17.8 percent of companies in the S&P 500 and Euro Stoxx 300 with consistent guidance policies offered quarterly EPS guidance, and only 20.9 percent offered annual EPS guidance. (See Chart 1.) A clear majority of sampled companies (61.3 percent) offered no EPS guidance whatsoever in 2016.[5]

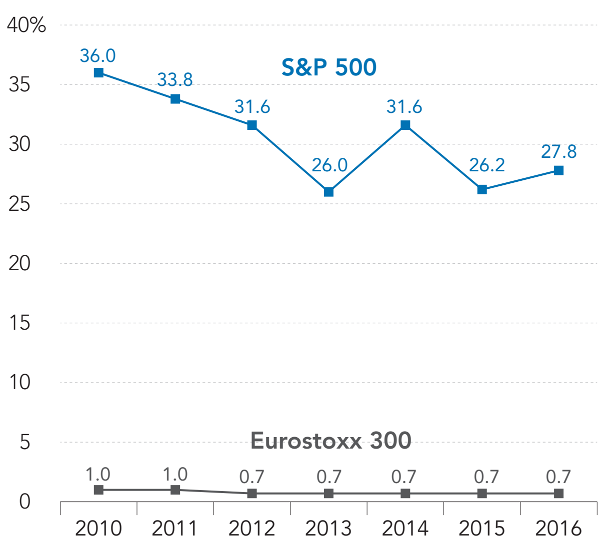
What is driving this decline in popularity? Awareness of recent research may be one contributing element, but two other factors likely account for the lion's share of this change. First, buy-side investors (i.e. a company's shareholders) have abandoned the view that short-term earnings results are especially predictive of long-term success. Second, investors are aware of the imprecision of short-term metrics and give them less weight in investment decision making.

Investors don't want short-term guidance

In repeated surveys of the shareholder community (primarily institutional buy-side investors), earnings guidance given for periods of less than one year was consistently deemed irrelevant in evaluating a company's future prospects. A 2006 CFA Institute survey of its membership demonstrated this lack of interest in short-term earnings guidance. When asked the question, "Should companies move away from focused quarterly earnings guidance?" 76 percent of the survey's 2,686 global respondents answered, "Yes."[6]

Chart 1

Percentage of S&P 500 and Euro Stoxx 300 offering quarterly EPS guidance



Source: Analysis of guidance policies by KKS Advisors and HBS Prof. George Serafeim using FactSet Guidance data.

Executives admit to taking short-term action to meet quarterly guidance.

60% would delay projects.

80% would cut discretionary spending.

40% would give discounts to customers.

This aversion to earnings guidance has only become more pronounced over the last decade. In a Rivel Research Group Intelligence Council report published in September 2017 summarizing in-depth interview responses from the global buy-side, just 9 percent of respondents cited earnings guidance for periods of less than one year as an important factor on which to receive guidance.[7] Notably, in that same survey, just 6.8 percent of respondents wanted companies to offer guidance on any metrics at all (both financial and operational) for periods of less than one year.

When viewed in context, these findings are unsurprising. Seven in 10 shares of U.S. companies are owned by longer-term investors.[8] For these shareholders, who aim to generate sustainable returns over decades, not weeks or even months, why would we expect short-term guidance to improve their investment decisions? While reported earnings numbers may drive headlines and media attention, investors themselves put significantly less weight on such metrics.

Impact of a change in guidance policy

Companies contemplating a change in the frequency with which they offer guidance often ask: What would the effect of that change be on my stock's volatility and valuation?

To answer that question, we identified U.S. firms that have decreased their EPS guidance frequency and collected data on their volatility and price to book (P/B) ratios for the year before, the year of, and the year after the EPS guidance frequency change. We compared this sample with a control group consisting of firms of the same size and industry that had no change in their guidance frequency practices.

By comparing the volatility and P/B ratio between the companies that decreased guidance frequency, we found no effect on the firms' volatility or P/B ratios from the guidance change in either the year of the change or the year after.

Quarterly guidance leads to short-term business decisions

The evidence that quarterly EPS guidance harms companies in the long run grows stronger each year. Quarterly EPS guidance, in particular, leads many companies to manage around quarterly targets rather than to long-term goals that match the business and investment cycles of their industries. At the same time, this behavior often attracts investors with a short-term orientation who intensify the attention to short-term results and eschew strategies with long-term payoffs. When it comes to quarterly earnings targets, the familiar adage is right: "What gets measured gets managed."

According to a 2016 McKinsey and FCLTGlobal survey, nearly 60 percent of executives said their companies would act to avoid missing quarterly targets, including cutting discretionary spending or delaying projects, among others.[9] This problem is not new. In a 2005 survey of over 400 financial executives, 80 percent of respondents noted they would cut discretionary spending on R&D, advertising, maintenance, or hiring in order to meet short-term earnings targets. Meanwhile, nearly 40 percent said they would give discounts to customers to make purchases this quarter rather than next (see Chart 1).[10]

Most worryingly for a board tasked with leading its company toward long-term value creation, both surveys independently found that approximately half of executives would delay new projects and investments to hit quarterly targets, even with the knowledge that it would sacrifice future value.

Recent research suggests this is more than just surveyed opinion and that guidance is a central culprit: companies that issue guidance more regularly do in fact invest less than their peers. A 2007 study found that "regular guiders" spend nearly 10 percent less on R&D each year than their non-guiding or only occasional-guiding peers.[11] The interplay between the issuance of quarterly EPS guidance, the attraction of short-term oriented investors, and the pressure exerted on managers to meet investor demands undermines long-term investment and growth

Short-term choices lead to long-term harm

The issuance of earnings guidance is clearly tied to adverse short-term behavior, but it also causes long-term harm to a company. Over time, underinvestment in long-term opportunities leads to long-term underperformance.

- Regular guiders suffer significantly lower long-term earnings growth rates when compared with their occasionally guiding or non-guiding peers.[12]
- Stocks of companies exhibiting short-term behavior were more volatile than the market as a whole and the cost of capital for those firms was 0.42 percent higher than average.[13]
- Firms with greater emphasis on the short-term experience lower ROE over the following two years.[14]
- Companies that provide more frequent and regular guidance often experience higher volatility during earnings reporting periods as short-term investors speculate on forthcoming results.[15]
- Firms that stopped issuing quarterly earnings guidance saw their investor bases become more long-term oriented, with greater proportions of long-term institutions as investors, more weight placed on long-term earnings in valuation, and lower sensitivity to short-term analyst forecasts relative to firms that did not end quarterly earnings guidance.[16]

In contrast, the benefits of taking a long-term approach are well detailed in a 2017 McKinsey study. From 2001-2014 the revenue of long-term-oriented firms cumulatively grew on average 47 percent more than the revenue of other firms, and with less volatility. Similarly, on average, the earnings of the long-term firms grew 36 percent more over this period than those of other firms and their economic profit was 81 percent higher by 2014.[17]

The evidence demonstrating the adverse effects of issuing short-term earnings guidance —including higher share price volatility, higher cost of capital, lower ROE, and lower earnings growth rates—is strong. The lack of desire for such guidance from buy-side investors (i.e. a company's primary shareholders) is clear. For firms still providing this form of forward looking communication, the question is "why?" There has been no better time for companies to re-evaluate their approaches to investor communications and free themselves from the constraints and harms of quarterly guidance. The board can empower management with a mandate for guidance change.

II. THE LONG-TERM ROADMAP: THE NEW NORMAL FOR INVESTOR COMMUNICATIONS

Eliminating the use of quarterly earnings guidance (while maintaining quarterly reporting) is a first step in revitalizing investor-corporate dialogue. But what is an appropriate replacement? Shareholders still need information to make their decisions and exercise their voting rights, but it must be the right information to support long-term value creation.

Seventy-to-90 percent of a company's value is related to expected cash flows three or more years out. If that is where the value lies, then investors should be educated and informed with that horizon in mind. It is not just for their own good; long-term investors say they are less interested in quarterly results than in long-term business drivers.

> As one investor put it, "It's all about the horizon. Long-term investors don't need a lot of detailed guidance about quarterly numbers. They need clarity, consistency, and transparency from managers in communicating strategic priorities and their long-term expectations."

Companies, too, benefit from providing a vision of the company's strategic goals and performance on the right metrics matched to a long-term strategy. Attracting long-term shareholders empowers management to make strategic and operating decisions that build value for the long term.[18] When activists come knocking, for example, a long-term shareholder base that has been educated about the company's long-term goals and supports its strategy is far more likely to aid in defense rather than join the attack.

Instead of quarterly EPS guidance, companies can introduce a long-term roadmap—as many leading companies have done already—as the centerpiece of their communications and investor-corporate dialogue.

Chart 2

This roadmap is based on the goals of:

Educating investors about the core drivers of the company's business.

Laying out a clear vision for for long-term performance based on these drivers.

Establishing specific interim and long-term strategic goals tied to appropriate metrics that track the achievement of this vision.

A long-term roadmap helps build trust between the company and its shareholders.

By providing a clear vision of where the company wants to go and long-term forecasts around relevant key performance indicators (KPI)—rather than a simplistic focus on short-term earnings—companies can instill in their shareholders the confidence investors need to support a longer-term approach. The board can provide oversight and guidance on the roadmap, and the roadmap can serve as a tool for ensuring all board members understand the strategy thoroughly and communicate it consistently.

A long-term roadmap can help companies communicate the elements needed to build investor support for long-term strategies. With these pieces in place—a supportive, long-term investor base; a long-term strategy; and the right KPIs to give investors the transparency and information they need to back the strategy—managers can make the decisions required to create long-term value. These strategies will not only be more rigorously followed and tracked but will be more resilient in the face of challenges from activists and other sources of skepticism. At its root, long-term value creation relies on trust and collaboration between companies and shareholders. Long-term roadmaps are a vital step in establishing this shared commitment to sustainable success.

III. MEASURING AND CAPTURING LONG-TERM PERFORMANCE

A long-term roadmap can help focus conversations with shareholders on appropriate horizons for sustainable value creation. While every company is different, in our conversations with the investment community we identified several guiding principles for crafting a successful long-term shareholder communications strategy. First and foremost, the global buy-side investment community consistently ranks operational goals, cash flows, and margins (i.e., profitability) as highly important areas on which to receive a long-term outlook (i.e., greater than one year). In particular, the importance investors place on non-financial operational performance is unparalleled. The goal of investor-corporate dialogue is to generate alignment on the company's objectives and plans to achieve them.

SELECTING THE RIGHT METRICS

Some guidelines and examples[19] in developing appropriate KPIs include:

1. Provide guidance only for metrics that will help investors understand and track the company's long-term strategy. Such metrics include (a) those the company is comfortable it can accurately predict, (b) those over which the company has a reasonable degree of control, and/or (c) those that are relevant to the strategy but difficult for outsiders to estimate or analyze.

   GLENCORE

   - **Glencore*** renovated the corporate guidance policy to reflect metrics that are specific to their unique business, including specific mineral production levels. The new strategy won awards for top corporate communication policy.

2. Invest resources in gathering information that investors actually need and avoid extraneous or distracting items. Frame and contextualize metrics where necessary to explain key assumptions.

   GENERALI

   - **Generali Group** went from 20+ pages of quarterly financial disclosure (for the quarter ended March 30, 2016) to just two pages after the CFO evaluated time and resources spent compiling the longer format report and determined it was not an effective use of resources. Generali received few complaints from the investment community following the first report in the new condensed format.

(Continued on next page)

SELECTING THE RIGHT METRICS (continued)

3 Resist the natural tendency to alter metrics, introduce new ones, or forego/change targets when expectations are not met. Investors are not convinced by moving goalposts. Honest conversations about shortcomings and steps under way to re-position the company build more credibility with true long-term investors. Where necessary to do so, make the case for why new metrics are more relevant to strategic goals than previous ones and share the five-year history of the new metrics to provide needed context.

- **Unilever*** ended short-term earnings guidance when Paul Polman took over as CEO in 2009. Since that time the company's guidance policy has evolved. Unilever now offers annual guidance tied to its longer-term strategic vision, including forecasts for underlying sales growth, underlying operating margins, long-term cash conversation targets, return on invested capital and leverage expectations.

PUTTING KPIS IN CONTEXT

1 Offer a three- to five-year outlook for each KPI, as well as key risks and outside factors relevant to this outlook. Use this as an opportunity to share color on market conditions, trends, operating environment, expectations, and the competitive landscape as related to the strategy and KPIs.

- **Facebook** offers a three-, five-, and 10-year plan with specific KPIs for each horizon and strategic milestones over each period. From Facebook CEO Mark Zuckerberg on the 1Q17 Earnings Conference Call: "I want to give a quick update on what we're building over three time horizons: how we're making our core services more useful and engaging right now; how we're building ecosystems around products that a lot of people already use over the next five years; and how we're investing in the technologies that will give more people a voice and make sharing more immersive over the next 10 years."

2 If offering annual guidance on KPIs, connect that to progress toward longer-term goals and contextualize interim results within the frame of long-term objectives.

- **BP*** explains how near-term results fit into longer-term strategic context. From BP's CEO Bob Dudley during the company's 2017 Strategy Update: "Earlier this month we published our year-end results for 2016—a year where we have come a long way forward from a year ago. That was mainly about looking back. Today, with this strategy update, we're focusing squarely on the future—we'll focus mostly on the immediate five years ahead, but we'll also be looking beyond that to what you can expect from BP longer term."

(Continued on next page)

SELECTING THE RIGHT METRICS (continued)

3 Use ranges rather than point estimates when possible. Ensure ranges are sensible and sufficiently broad to avoid handcuffing the company but sufficiently narrow to be meaningful for investors. Consider using rolling averages where appropriate to aid in highlighting longer-term trends (vs. short term fluctuations).

- **GlaxoSmithKline*** provides ranges for growth and performance estimates and explains the underlying assumptions and scenarios that drive the potential outcomes included in the range.

EXPLAINING HOW METRICS ADVANCE LONG-TERM GOALS

1 Ensure internal metrics used to incentivize management match both long-term goals and external messaging to align management and investor's focus.

- **Exxon** uses a 10-year vesting period for employee stock grants so that their incentives match the time cycle of their industry. From their 2015 Executive Compensation Overview: "Vesting periods of 10 years or longer require that executives hold their equity compensation through commodity price cycles, which is especially relevant in today's price environment."

2 Discuss capital allocation priorities and associated return hurdles, expected payback periods, and realized returns for each category of investment. Connect the dots for investors: highlight sources and intended uses of cash including how free cashflow will evolve if investments succeed and KPIs are achieved.

- **Marriott International** offers a three-year outlook for sources of cash with various dollar value ranges and uses of cash broken down by areas for planned investment and cash available for return to shareholders.

3 Select targets that are conservative and achievable but sufficiently aspirational to inspire confidence among investors. When in doubt, use investor-corporate dialogue as a channel to test whether targets have achieved this balance.

- **The Coca Cola Company** sets a series of strong but conservative annual financial targets that feed into an achievable target of 6-8 percent before-tax profit over the long term. This ranged target has been paired with specific productivity and investment initiatives that will all contribute to headline objectives.

IV. CONCLUSIONS

Attracting long-term shareholders is vital for building the trust and confidence companies need to pursue long-term strategies and create sustainable value. Building a long-term investor base is consistently among the top priorities of the board, management, and investor relations professionals when designing their investor communications strategies. For companies pursuing this goal, the implications of recent research are clear:

> Short-term earnings guidance is not wanted by long-term investors and leads companies to make counterproductive, short-term decisions.

GET ON BOARD WITH A GUIDANCE POLICY CHANGE

By highlighting that the board of directors agrees with the decision to stop short-term earnings guidance and move toward long-term roadmaps, it is less likely that market participants will perceive this action as an attempt to hide something. Moreover, it demonstrates that the board of directors is knowledgeable and engaged with the company's long-term vision and strategy.

The use of earnings guidance, especially quarterly earnings per share guidance, is counterproductive in building the kind of investor base long-term companies need. It attracts the sort of transient, speculative investors that undermine long-term planning and pressure companies to neglect long-term opportunities. It leads companies to lose focus on what matters: the fundamental drivers of their business, the strategy they believe will unlock future value, and the steps required to get there. Both the investor community and the research are clear: quarterly earnings guidance is an outdated relic of the past.

Developing a long-term shareholder base is correlated with superior financial results, including higher earnings growth, superior return on equity, lower cost of capital, and lower share price volatility. In addition, the benefits of building a long-term shareholder base that supports long-term strategies and investments become clearer by the day.

Although the road will be long, there are concrete steps companies can take to begin this process. Ending short-term guidance is the first step on this path, one that will help companies and their shareholders improve long-term performance—the Board can empower management to make this change.

This *Director Notes* report is adapted from a September 2017 Focusing Capital on the Long Term (FCLT) Global report, *Moving Beyond Quarterly Guidance: A Relic of the Past*, that is aimed not at reporting, an investor-friendly disclosure practice, or consensus estimates, but at the issuance of quarterly guidance alone.

ENDNOTES

1 John R. Graham, Campbell A. Harvey, and Shiva Rajgopal, "The economic implications of corporate financial reporting," *Journal of Accounting and Economics*, Volume 40, pp. 3–73, 2005; Barton, Dominic, Jonathan Bailey, and Joshua Zoffer. "Rising to the challenge of short-termism." FCLT Global (September 2016).

2 Donna Dabney, Melissa Aguilar, Gad Levanon, and Alexander Parkinson. "Is short-term behavior jeopardizing the future prosperity of business?" The Conference Board. 2015.

3 Brochet, Francois, Maria Loumioti and George Serafeim, "Speaking of the Short-Term: Disclosure Horizon and Managerial Myopia," Harvard Business School Accounting & Management Unit Working Paper No. 12–072 (March 12, 2015).

4 Anilowski, C., M. Feng, and D. Skinner. "Does earnings guidance affect market returns? The nature and information content of aggregate earnings guidance." *Journal of Accounting and Economics*. Vol. 44 (2007): pp. 33-36.

5 Analysis of KKS Advisors for FCLTGlobal, (2017).

6 Krehmeyer, Dean, Matthew Orsagh, and Kurt N. Schacht. "Breaking the short-term cycle." CFA Institute Centre for Financial Market Integrity, (2006).

7 "Evolving Guidance Preferences: Attitudes and Practices of the Global Buy-Side." The Intelligence Council: Rivel Research Group. September 2017. Includes data summarizing 352 in-depth telephone interviews of portfolio managers and analysts from the global buy-side (180 North America, 111 Europe, 61 Asia-Pacific) conducted between June and August 2017.

8 Darr, Rebecca and Tim Koller. "How to build an alliance against short termism." McKinsey & Co. Corporate Finance, (January 2017).

9 Barton, Dominic, Jonathan Bailey, and Joshua Zoffer. "Rising to the challenge of short-termism." FCLTGlobal, (September 2016).

10 John R. Graham, Campbell A. Harvey, and Shiva Rajgopal, "The economic implications of corporate financial reporting," *Journal of Accounting and Economics*, Volume 40, pp. 3–73, (2005).

11 Cheng, Mei, K.R. Subramanyam and Yuan Zhang. "Earnings guidance and Managerial myopia," (October 2007).

12 "Earnings guidance and Managerial myopia,"(October 2007).

13 Brochet, Francois, George Serafim and Maria Loumioti. "Short Termism: Don't Blame Investors." *Harvard Business Review*, (June 2012).

14 Brochet, Francois, Maria Loumioti and George Serafeim, "Speaking of the Short-Term: Disclosure Horizon and Managerial Myopia," *Harvard Business School Accounting & Management Unit Working Paper No. 12–072* (March 12, 2015).

15 KKS Advisors & Generation Foundation "Earnings Guidance – Part of the Future or the Past?" (2014).

16 Kim, Y., Su, L., and Zhu, X. "Does the cessation of quarterly earnings guidance reduce investors' short-termism?" Working paper, (December 2016).

17 Barton, D., J. Manyika, T. Koller, R. Palter, J. Godsall, and J. Zoffer. "Measuring the impact of short-termism," (February. 2017) McKinsey Global Institute.

18 Harford, Jarrad, Ambrus Kecskes, and Sattar Mansi. "Do Long-Term Investors Improve Corporate Decision Making?" (November 25, 2017).

19 PLEASE NOTE: While these examples are used to highlight and illustrate corporate best practices when it comes to long-term investor communications strategy, we in no way intend to indicate blanket FCLTGlobal endorsement of these organizations more broadly. Asterisks* denote members of FCLTGlobal.

About the Authors

Sarah Williamson is the CEO of FCLTGlobal, a not-for-profit organization dedicated to encouraging long-term behaviors in business and investment decision-making. FCLTGlobal conducts research, convenes business leaders, develops actionable tools and generates broad awareness of ways in which a longer-term focus can increase innovation, economic growth and future savings. Prior to assuming her current role in July 2016, Williamson spent over 21 years at Wellington Management Company LLP, where she was most recently a partner and director of alternative investments. Prior to joining Wellington, Williamson spent over five years with McKinsey & Company Inc. She earned her MBA, with distinction, from Harvard Business School (1989) and her BA in economics, with honors, from Williams College (1984). Additionally, she holds the Chartered Financial Analyst and the Chartered Alternative Investment Analyst designations.

Ariel Fromer Babcock is an equity investment professional with over a decade of experience in the financial industry. After starting her career as a trader and research analyst at a long-short financial sector focused hedge fund, she moved on to managing value focused mutual funds at both American Independence Financial Services and Calamos Investments. Most recently Babcock worked with clean energy company Tecogen Inc. as director of investor relations and corporate communications. While at Tecogen she was instrumental in establishing a unified corporate communications platform and in developing the company's growth strategy alongside executive management. She holds a BA in Economics and Environmental Studies from Tufts University, is a CFA charterholder, and is an active member of CFA Society (formerly the Boston Security Analysts Society) where she leads the group's Financial Literacy partnership with Invest in Girls.

ABOUT DIRECTOR NOTES

Director Notes is a series of online publications in which The Conference Board engages experts from several disciplines of business leadership, including corporate governance, risk oversight, and sustainability, in an open dialogue about topical issues of concern to member companies. The opinions expressed in this report are those of the author(s) only and do not necessarily reflect the views of The Conference Board. The Conference Board makes no representation as to the accuracy and completeness of the content. This report is not intended to provide legal advice with respect to any particular situation, and no legal or business decision should be based solely on its content.

ABOUT THE SERIES DIRECTOR

Matteo Tonello is managing director of corporate leadership at The Conference Board in New York. In his role, Tonello advises members of The Conference Board on issues of corporate governance, regulatory compliance, and risk management. He regularly participates as a speaker and moderator in educational programs on governance best practices and conducts analyses and research in collaboration with leading corporations, institutional investors and professional firms. He is the author of several publications, including *Corporate Governance Handbook: Legal Standards and Board Practices*, the annual *U.S. Directors' Compensation and Board Practices* and *Institutional Investment reports, and Sustainability in the Boardrooom*. Recently, he served as the co-chair of The Conference Board Expert Committee on Shareholder Activism and on the Technical Advisory Board to The Conference Board Task Force on Executive Compensation. He is a member of the Network for Sustainable Financial Markets. Prior to joining The Conference Board, he practiced corporate law at Davis Polk & Wardwell. Tonello is a graduate of Harvard Law School and the University of Bologna.

ABOUT THE EXECUTIVE EDITOR

Gary Larkin is a research associate in the corporate leadership department at The Conference Board in New York. His research focuses on corporate governance, including succession planning, board composition, and shareholder activism. Larkin serves as executive editor of *Director Notes*, an online publication published by The Conference Board for corporate board members and business executives that covers issues such as governance, risk, and sustainability. He is also the editor of the Governance Center Blog. Prior to joining The Conference Board, he was the editor and writer of PwC's *Governance Insights* Center's biweekly newsletter and editor and writer of KPMG's *Audit Committee Insights* biweekly newsletter. Larkin has served as managing editor of The Bond Buyer and editor in chief of the Hartford Business Journal.

THE CONFERENCE BOARD is a global, independent business membership and research association working in the public interest. Our mission is unique: to provide the world's leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity, holding 501(c)(3) tax-exempt status in the USA.

THE CONFERENCE BOARD, INC. | www.conferenceboard.org

AMERICAS
+1 212 759 0900 | customer.service@conferenceboard.org

ASIA
+65 6325 3121 | service.ap@conferenceboard.org

EUROPE, MIDDLE EAST, AFRICA
+32 2 675 54 05 | brussels@conferenceboard.org

THE COMMITTEE FOR ECONOMIC DEVELOPMENT
OF THE CONFERENCE BOARD
+1 202 469 7286 | www.ced.org

THE DEMAND INSTITUTE
A Division of THE CONFERENCE BOARD
+1 212 759 0900

THE CONFERENCE BOARD OF CANADA | +1 613 526 3280 | www.conferenceboard.ca

To learn more about The Conference Board corporate membership, please email us at membership@conferenceboard.org