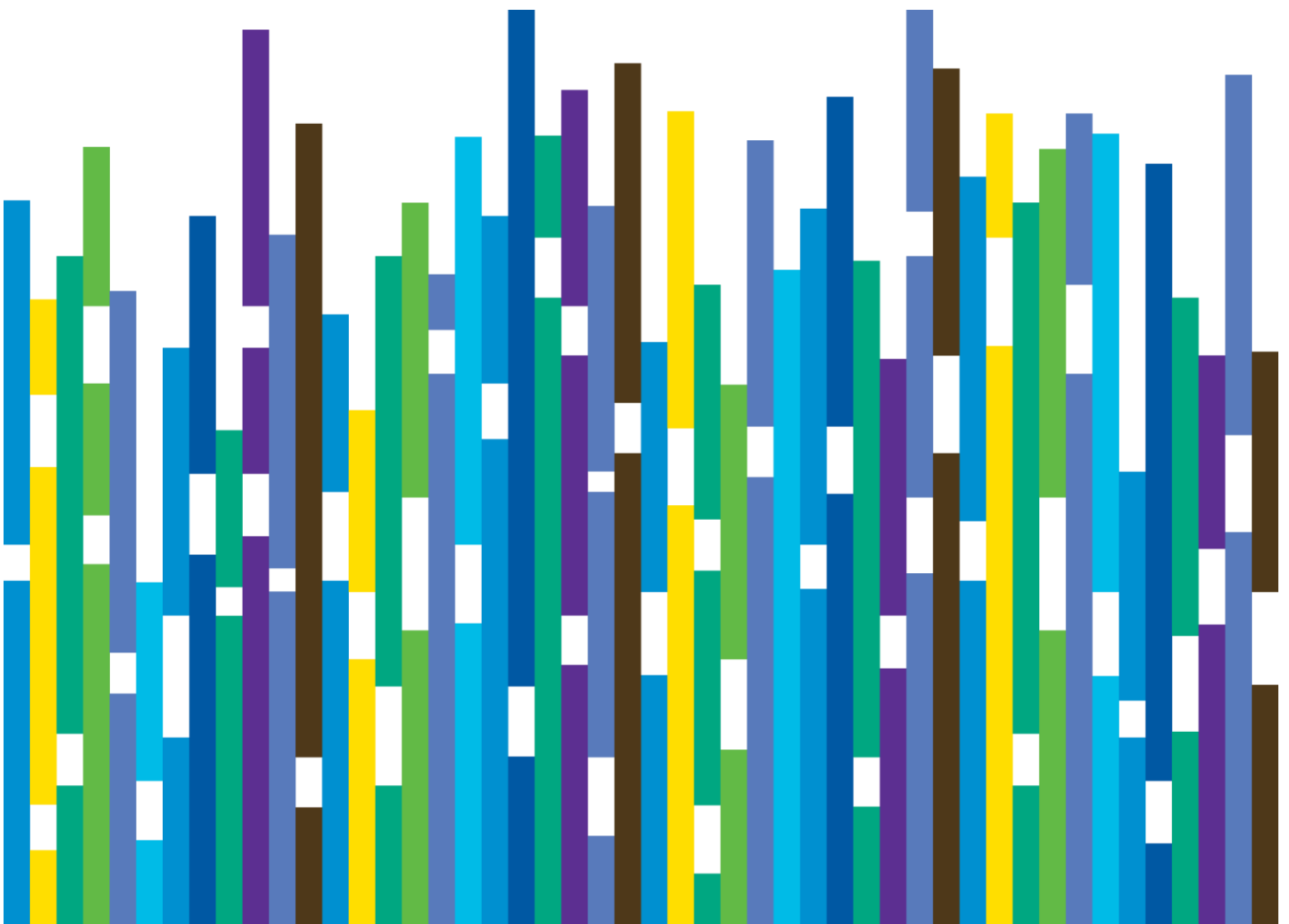


ISSUE BRIEF: VISIONARY BOARD LEADERSHIP

Stewardship for the Long Term



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Executive Summary

This report revisits the topic of short-termism—originally discussed in the 2006 report *Breaking the Short-Term Cycle*—but from a different perspective and with a very specific audience in mind: the corporate director, specifically the “Visionary Director.” 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.

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. This report identifies the issues, opportunities, and leading practices of Visionary Boards to combat short-termism and build long-term value for shareowners.

Areas of Focus That Can Influence Long-Term Value

• 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.

• 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.

• 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.

• 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 thoroughly understands not only 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.

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