



*Board Evaluation:
A Positive Approach
to Improving Board
Performance*

"In many things, a comprehensive review of a subject is the shortest way of getting at a precise knowledge of a division of it."

Charles Hodge

Board Scan is a proprietary product of BoardWise, Ltd.. All rights reserved.

Introduction

Our clients ask for reliable, objective help to: 1) evaluate overall board performance and 2) identify performance improvement options, based on the board members' insights and ideas about comparative practices by other well-performing companies.

Boardwise is ideally suited to assist with this effort. As an objective third-party, our firm has a mission to support boards to improve their overall performance. An area of support is to offer ideas for improvement by first conducting independent evaluations of boards. We work with public, private and non-profit companies globally. Our assessments align with country and industry-specific regulations and endemic governance codes, as well as performance criteria identified as global best performance practices. We relentlessly look across industries and countries to help find ways boards can continuously improve over time.

Our approach is customizable, as we design the best way you feel will support you.

Creating a Baseline

As an initial step, we invite all directors to offer their confidential views about the overall board's strengths and opportunities for improvement. We ask each director to reflect –confidentially – about 16 dimensions of governance, including: 1) board access to information, 2) board composition, 3) meeting management, 4) accountability, 5) board committee performance, 6) board interaction accountability, 7) standard of conduct, 8) evaluation of company director peer assessment, 13) board compensation, 14) board potential, 15) board philosophy and 16) director personal skills, qualifications and demographics.

"If I have ever made any valuable discoveries, it has been owing more to patient attention than to any other talent."

Sir Isaac Newton

Option: Interviews or Online Survey

Some groups elect to have us conduct confidential interviews by phone to gather input from each director.

Alternatively, we provide an online survey for directors to complete. The survey asks directors to rate key performance items and also to offer personal perceptions about what strengths, obstacles and opportunities for improvement exist.

We provide private access codes to each director, who logs into our secure system and completes the survey at his or her personal convenience. While it takes about 45 minutes, it can be done in segments for those who wish to dedicate briefer sessions to complete it.

In addition, our assessment can be customized to cover only the key topics you wish. Our library of topics is robust and you may choose from the topics and can have us add special topics specific to your company. For example, for public companies, Board Scan includes two more pages, one to be completed by the CFO and one by General Counsel. The CFO records key overall company performance metrics we evaluate over time, based on research of indicators found to be strongly correlated with governance excellence. The General Counsel completes a page related to compliance regarding disclosure and regulation requirements, e.g., SOX, Dodd-Frank and SEC filing mandates.

The baseline tool includes a section for 360 feedback about each director. This is based on observations and experiences of directors working together. In addition to this, a second optional item we can include is an analysis of individual director style. For this, we provide a brief 20 minute personal diagnostic, also done online, which produces a private report about individuals' strengths and vulnerabilities – based on style of thinking – as they contribute at the board level. We use this to coach

“Try not to become a man of success, but rather, try to become a man of value.”

Albert Einstein

individuals about how to improve their personal effectiveness. We find many clients value this diagnostic which offers helpful recommendations about how to balance the overall group effectiveness, based on differing styles of thinking in the room. This approach is a good strategy to identify and attract ideal new board members who can add diversity and complementary styles to the current board.

Individual Interviews

The baseline input shows us areas of opportunity. Since many people are most comfortable sharing more deeply in discussions, we can include and schedule private, individual conversations with directors who wish to contribute more for two purposes: 1) to probe any board performance areas which require deeper analysis based on the survey, and 2) to confidentially review the individual director's performance feedback and/or personal board style report.

Where possible, we conduct these interviews in-person, although many directors are comfortable with telephone in-depth interviews. Typically, these last about an hour.

Analysis of Individual and Board Results

We compare your current practices to those applied by other companies to suggest performance improvement options. We also consider the stage of our board, relative to time since listed, stage in its business life cycle, plans for domestic or international growth, etc. We compile and analyze the initial data to determine areas of strength and areas in need of attention and deeper evaluation.

We also prepare confidential, individual director reports which summarize director-specific feedback, based on both director input and the board style assessment tool, should you elect to include this in your evaluation.

"A new principle is an inexhaustible source of new views."

Vauvenargues

"Nothing great was ever achieved without enthusiasm."

Ralph Waldo Emerson

Report and Discussion

We prepare a full report of key findings from the cumulative data which includes results, our insights, comparative ideas and key recommendations. The data is aggregated and individual responses are confidential.

During a board presentation, we review these with your board. Typically, this will be a three hour session.

Some clients ask us to also present select portions to the senior executive management team. As warranted and requested, we are pleased to do so for you.

Additional, Optional and Courtesy Support

Often, clients ask for assistance in remediation or changes to specific board matters. Since we hold a “no conflict of interest” policy in board evaluation, we have strategic partnerships with key companies to which we refer clients who seek technical help, e.g., legal, accounting, risk mitigation, compensation. Should you need this, we are happy to introduce you to qualified parties.

Our firm maintains a global registry of qualified directors as a resource for boards in search of candidates. As a courtesy, we invite each of your directors to join the registry at no additional cost.

Time Requirements

We recognize there is a critical relationship between time and value. Consequently, we can commit to completion of this assessment within six weeks, with only a caveat relative to your availability.

That is, completion time depends largely on the availability of directors and executives to participate in the online survey and interview process. Many of our



Donna Hamlin CEO of BoardWise, Ltd.

Dr. Hamlin is a corporate executive with twenty-nine years of corporate and consulting experience. Prior to her role at BoardWise, she founded Hamlin Harkins, Ltd., where she developed a successful track record in strategy change management and human performance management, serving clients from Fortune 500 global enterprises to start-up companies in more than 30 countries. She served as global vice-president of human resources and administration for Trident Microsystems, Inc.; as senior vice president of strategic change, executive planning and leadership development for CitiGroup's Associates First Capital Corporation; and as vice president for human and organizational performance for Texaco, Inc. She holds Ph.D. and M.S. degrees from Rensselaer Polytechnic Institute, a B.A. degree from Siena College and has studied at the University of London. She is certified by the National Association of Corporate Directors and by Harvard University in the U.S.A. A published author, she writes management articles in the area of strategy, change and human performance management. She holds various board directorships.

clients hold committee meetings on the day before their regular

board meetings. In such cases, it is convenient for us to conduct our interviews on site during the first day, by working around the committee meeting times. This can be an efficient option unless the board meeting schedule is too late for the intended assessment process. We are flexible about the approach.

For general purposes, below is a proposed timeline for the effort.

<u>Action</u>	<u>Completion</u>
• Board Evaluation Survey	Week Two
• Analysis, Individual Reports	Week Four
• Individual Interviews	Week Five

Account Team

• Report Submission	Week Six
• Presentation and Discussion	At Board Mtg.

There are many ways to approach research and evaluation initiatives. Ultimately, however, the quality of the results and recommendations is a function of the people who conduct the evaluation. We propose the following professionals work for you on this project, biographies for whom appear to the right.

While we work as a team, each person has a fundamental role in such a project.



Donley Townsend

Along with his role as board performance partner at BoardWise, Don Townsend founded the Association for Strategic Planning Chapter in Dallas, Texas. He currently serves as the Chapter President and facilitates reviews of strategic planning performance improvement and best practices.

Don is an expert on the interface between boards and executives, coaching senior business leaders about how to effectively balance the complex demands of management and governance. His experience spans finance, IT services, telecommunications, instrumentation, engineering and construction industries, with clients in Canada, France, Germany, Great Britain, Japan, Mexico, the Netherlands, Sweden, Switzerland and the United States.

Don also works on board and executive assimilation, coaching board and business leaders about how to effectively succeed in new governance roles. His coaching is grounded in 20 years of industry experience coupled with six years of systematic research. Don was a Vice President at A.T. Kearney, the global management consultancy, from 1997 to 2003. Prior to that, he held Human Resources positions with Hilti AG, Telex, Teradata, NCR and AT&T. Don has bachelors and masters degrees from The University of Texas at Austin.

Corporate Experience

At BoardWise, the variety of organizations we have worked with in diverse industries and countries has taught us much. Our board performance analysts have both deep domain expertise and active board experience to offer to the assignment you outlined.

We have the capacity to implement the project proposed for you. Because of the unique, sensitive nature of our consulting, we are pleased to offer individual references from our clients with whom you may speak directly.

We advise the letter of engagement be prepared between your legal advisory firm and our firm, to protect all attorney-client privileges related to the report and findings.

In Summary

We hope this outline is sensible and meets your needs. We are enthusiastic about working with you! We are confident this approach will provide you with the solid framework for success in your initiative to continuously improve board performance. Please feel free to call to discuss it further after you have had time to review the outline.

Thank you for the opportunity to learn more about your goals in developing board performance.



Sheryle Bolton

Sheryle is an experienced public company CEO, entrepreneur, investment banker, and board member of public and private companies, including Bridge Capital Holdings (NASDAQ: BBNK) and Scudder-Kemper Mutual Funds, representing more than \$60 billion of managed assets. She has served on numerous public and private financial services and technology company boards during the last 20 years and has experience on all traditional standing and many ad hoc board committees and as lead director. She is currently a director of LiveDeal (NASDAQ: LIVE) and a director of Capital Plus Exchange, a microfinance organization in Africa and Asia. Sheryle was CEO of Scientific Learning Corporation (NASDAQ: SCIL), where she led a highly successful IPO. She was previously an executive at HBO, Merrill Lynch, and Rockefeller & Co. Currently a business strategist and Intrabond governance performance analyst, she was named a "Director to Watch" by Directors & Boards magazine, in July, 2010. She is an invited speaker at the National Directors Institute and Harvard Business School regarding board governance issues. She has had two Stanford Business School case vignettes written about her career. She is often a speaker on business globally. Sheryle holds a B.A. and M.A. from the University of Georgia and an M.B.A. from Harvard Business School.