

BOARD ENGAGEMENT
ACTIVE OWNERSHIP AND PERFORMANCE



BOARD
DYNAMICS
AND
EFFECTIVENESS



INTRABOND CAPITAL
Rodria Laline

WHY DOES BOARD EFFECTIVENESS MATTER?

Better performing boards make for better companies. **Research by the National Association of Corporate Directors (NACD 2008 Public Company Governance Survey) shows effective boards are more likely to have fresh perspectives, see the broader context, and have more efficient procedures to get work done.**

*How are we doing today?
How can we do better tomorrow?*

*Performance Evaluation
Helps Boards and Directors
Consistently Improve*

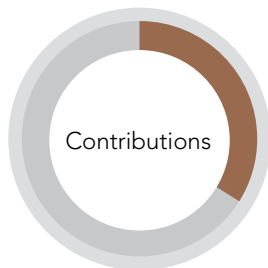
Monitor board performance

Smart public and private companies worldwide monitor their board performance through group discipline and self-assessment. In the U.S. alone, almost 80% of all public companies regularly review their board performance by adopting ongoing annual board evaluation processes to improve both overall performance and board effectiveness.

Regular board evaluation correlates positively with improved board contributions in key areas, including clearer strategy, more competitive corporate performance, smoother CEO succession and improved risk oversight, according to the NACD.

In the United States, annual reviews and self-assessments are mandatory in meeting the New York Stock Exchange (NYSE) listing requirements. The European Commission recommends boards conduct and report on annual self-evaluations of their performance. In the Netherlands, the Corporate Governance Code (Tabaksblat 2003, Frijns 2008) advocates that the supervisory board reviews the functioning of its members, committees and board and proposes improvements based on its assessment. The report should state how the evaluation is conducted. In member states of the European Union, similar best practice codes exist.

WHAT DO BEST-IN-CLASS BOARDS DO THAT OTHER BOARDS DON'T?



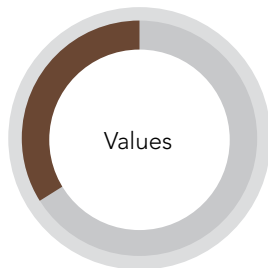
Improve contributions

In the face of increasing expectations from shareholders, government agencies and stakeholder advocacy groups, board members are taking the initiative to continuously find ways to improve.

Best-in-class boards demonstrate a rigorous commitment to defining ways to improve their contributions, competencies and value to the company and its shareholders. Yet, as compelling as that vision is, the process of governance is the least developed element in enterprise, according to University of Georgia Adjunct Professor John Carver, Ph.D., in his Policy Governance model.



Most boards want to do a better job of self-evaluation and group discipline, but they need help to fashion effective procedures and an agreed-on board evaluation process to improve board performance.



A FORMAL BOARD EVALUATION MAKES A DIFFERENCE

"It all comes down to the character of the board and its ability to demonstrate leadership. Building a board of great character is both a matter of the individuals who compose the board and the group process norms the boards hold. Although each individual director makes a vital contribution and can make a difference to the character of the board, ultimately, it is the collective functioning of the board as a unit that provides effective corporate governance".

Boardroom Realities, Sonnefeld & Ward

"Choosing directors on the basis of their competencies and behavioral characteristics clearly is more difficult than recruiting them on the basis of how well they are known by members of the board or the public. Whether boards operate well is to observe them in action to see and understand the board processes by which they reach decisions. The board process may be the single most important factor in determining a board's effectiveness".

Inside the Boardroom, Leblanc & Gillies

1. **A formal board evaluation process can help you:** Identify strengths and weaknesses and help make changes that can improve value to the company's principal stakeholders and also extend stakeholder interaction in positioning the company's role in society;
2. **Continuously improve** board performance and effectiveness over time – developing both good leadership and strong relationships, management, and ethical values;
3. **Hold directors accountable** and responsible for their performance and also ensure that performance in financial matters, as well as non-financial matters, can be made more rigorous, more quantitative and more clearly relevant;
4. **Tailor the board** and committee composition to best meet corporate objectives;



MOVING TOWARDS COMPETENCY- AND BEHAVIORAL-BASED BOARDS



A recent survey notes only 11% of board members feel their current evaluation process is very effective and more than 50% say there is a need for significant improvement to realize them.

5. **Better align** the board with the company's long-term sustainable growth, risk management and investment strategies;
6. Provide an **objective method** for board member communication about its impact, performance, expectations and responsibilities;
7. **Demystify the board process** and improve board transparency with shareholders, stakeholders and with society; as well as with regard to capacities in the director's advisory, networking and fiduciary role for decisions related to strategy, governance, outlook, brands, customers, markets, productivity, motivation, potential, sustainability and stakeholder dialogue; and
8. **Add credibility** in the eyes of shareholders and stakeholders, regarding the board's functioning and reputation.



FROM CORPORATE GOVERNANCE TO CORPORATE PERFORMANCE

LONG TERM VALUE CREATION

“There is a call today for dramatic change to move from traditional governance to concrete performance. Companies and investors should recognize firms have multiple constituencies and many types of investors, and they should seek to balance the interests in accordance with their influence on the corporation’s long term success”

The Aspen Institute
Guiding Principles for Corporations and Investors

Key Principles

- Corporations are managed under the direction of boards,
- Board should be a strategic asset,
- Directors should seek to go beyond mere compliance and add value to the corporation,
- A core responsibility is to demonstrate greater board engagement with management in the development of strategy, oversight of risk, approval of executive compensation, and transparency,
- The board establishes the process to evaluate the strategy. It challenges underlying assumptions, monitors implementation, and encourages change,
- The board monitors the execution of the strategy against milestones, and
- It aligns board composition with strategy, shows greater board engagement and aligns goals.

HOW WELL IS YOUR BOARD PERFORMING TODAY? HOW CAN YOU IMPROVE ITS PERFORMANCE TOMORROW?



Critical Questions

If you don't know the answers to these two critical questions, we would like to talk with you. INTRABOND CAPITAL Corporation is a board directorship and strategy execution firm specializing in two consulting lines: **board effectiveness and corporate performance**.

Our Board Effectiveness Services

INTRABOND CAPITAL works directly with board members on board assessment and board leadership development. We can quickly guide you in developing a more effective board and track your success over time.

A **routine, robust and accountable assessment** of board performance **is key** to increasing board contributions and value to organizational results. When directors participate in board assessments, they 'own' the process. This makes them accountable for improvement and sends a strong signal of accountability to stakeholders and shareholders. In addition, annual reviews by a third party establish a credible forum for candid reflection and discussion of how to consistently improve.

Current best practices in board evaluation include regular group discipline and self-evaluation of the whole board, plus specific evaluations of the audit, nominating, corporate governance and compensation committees.

INTRABOND CAPITAL LEADERS



Dr. Rodria Laline, Chair Board of Directors

Rodria Laline has been CEO of research and development collaborations with IBM, ING, Hewlett-Packard, Digital Equipment Corporation, KPN, Bull, Elsevier, Oracle and Philips and is a former member of related managing and supervisory boards. She lived and worked for more than 15 years in Japan, China, Korea, Taiwan, Hong Kong, Singapore, Indonesia, Malaysia, Australia, India, the Netherlands, America, and Spain. At present she works with institutional investors, private equity and long-term investment firms as a professional board advisor in global corporate, economic and technology governance. She holds a Ph.D. equivalent degree in experimental physics and chemistry from the University of Amsterdam. She is director of the corporate governance and board of directors "Maximizing Your Board's Potential" program (a successful program at Harvard with Harvard professors Jay Lorsch and Krishna Palepu), and a former director of corporate governance programs at Nyenrode Business University. Rodria Laline is member of her political party's finance committee, supporting her party members in the House of Representatives, the Senate, and the European institutions.



Dr. Donna Hamlin, Chief Executive Officer

Dr. Hamlin is a corporate executive with twenty-eight years of corporate and consulting experience. As founder of Hamlin Harkins, Ltd., 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 in the U.S.A published author, she writes management articles in the area of human performance management. She holds various board directorships.

WHY CHOOSE INTRABOND CAPITAL AS YOUR BOARD ASSESSMENT PARTNER?



1. We offer the most thorough, cost-effective assessment tools. Our state-of-the art accurate measurement methods for assessment produce deeper insights.

We offer an online system to provide client member boards easy access to a complete assessment of board performance. Simple to use, it allows a professional board member to provide personal suggestions and insights regarding many dimensions of board activity. For rating key items, the system uses Cascade® (see page 12) measures, which provide the most accurate and reliable metrics and which can be used for year-to-year comparisons and comparisons with industry standards.

In addition, we conduct informal interviews, in-depth interviews with members of the managing board and members of the supervisory

board, 360-degree feedback assessments and peer evaluations.

We offer reliable, tested diagnostic tools for our evaluation processes. As a client member, you also have access to normative data and best practices ideas.

2. Our assessors are seasoned international experts in board and management effectiveness and performance improvement.

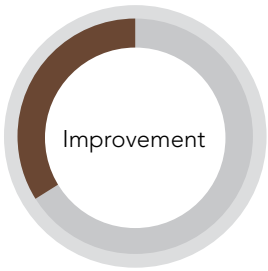
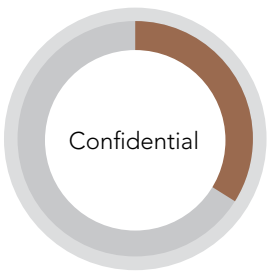
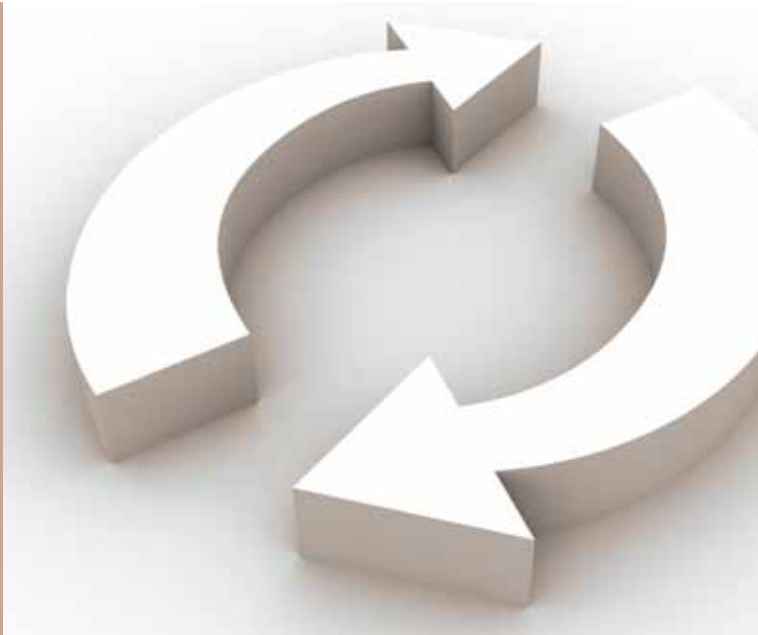
Original thinking, depth of expertise and professional candor are all factors which set INTRABOND CAPITAL talent apart.

Lead by executives Dr. Donna Hamlin in the USA and Dr. Rodria Laline in Europe, and the Advisory Board of independent directors, the INTRABOND CAPITAL team is professional, flexible and committed to making a positive difference for every client.

3. Our assessment process considers all factors that impact on board effectiveness, including:

- Board membership,
- Board structure and composition,
- Board dynamics and processes,
- Director mindset and independence,
- Group dynamics and norms of involvement,
- Individual board member competencies,
- Individual board member behavior,
- Sub-committee performance,
- Proper control, delegation and empowerment, and
- The chair and CEO partnership.

In addition, INTRABOND CAPITAL evaluates global patterns of boards, including the impact of board quality on corporate performance and network analyses of board memberships and their impact on board prestige and favorability.



4. Our evaluation process is fast and effective

We conduct the assessments, analyze the findings and review our report and recommendations with you. During the report review, we facilitate the discussion and help you achieve commitment for specific actions. We explore ideas for best practices, based on normative information collected from aggregate, multi-industry board evaluations. To adequately discuss performance, liability and leadership integrity, our reports emphasize key board processes, the collective functioning of the board, its collective IQ and shared leadership patterns. This ensures coherent board dynamics across the board as a whole.

Annual assessments of board governance provide a confidential, internal review of opportunities for improvement. Additionally, we assist member companies with reviews of best practices, comparison of board performance to market norms, and consults with boards regarding methods for improvement.

Board governance: more than evaluation

Evaluation alone won't get you the most board performance improvement. After the initial board evaluation, we assist with a review of best practices, comparison of board performance to norms in the industry and consulting and facilitation to implement changes to improve overall performance.

Our Corporate Performance Services

In addition to board services, INTRA-BOND CAPITAL ensures actions truly enhance corporate performance by assisting corporate executives with strategy execution, corporate brand development and strategies for building corporate reputation with shareholders and customers.

Strategy Facilitation

We work with board members and corporate executives to address their responsibilities on a company's most critical organizational issues. It helps to challenge the content, trade-offs and choices required to execute strategy in times of growth and prosperity, as well



OUR CORPORATE PERFORMANCE SERVICES

as in times of crisis and conflict at the moments of truth. As a result, the company serves boards and executive teams in their decision making to prevent organizational failures and to ensure the organization performs as it should. This includes **strategic research, scenario planning, board and executive strategy facilitation and execution of specific strategic initiatives.**

Corporate brand reputation management

Successful businesses today understand that reputation management is a key component of brand management. Damage to either can harm a company's ability to achieve its goals. We help boards make smart decisions about this increasingly important area of strategic management. Using the Cascade proprietary modeling tool, we track dynamic movement in brand reputation and show you what to do to positively direct it.

Executive development

Effective boards need effective executives to implement their strategic directions. We can help boards assess their executive teams and recommend improvement strategies, including individual and team development programs, executive coaching and leadership development.

We work to deepen and enrich individual competencies and group contributions for the long-term.

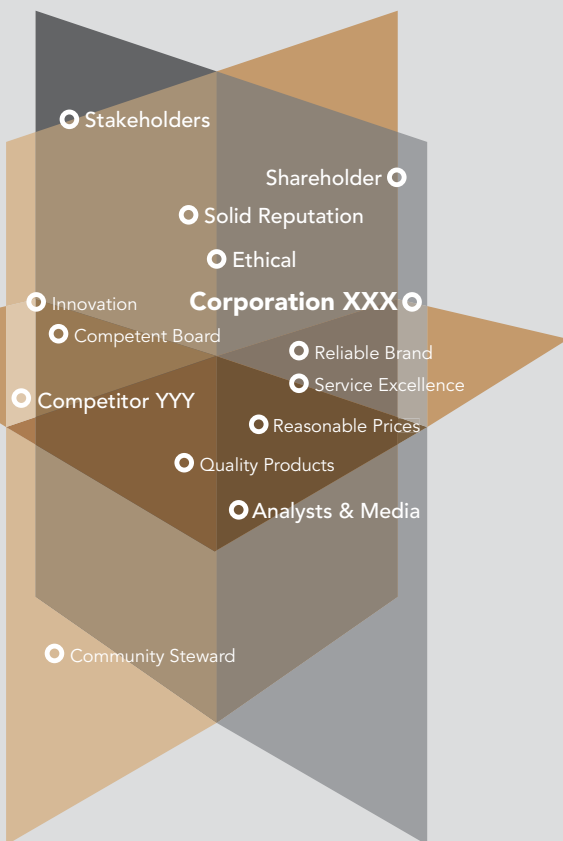
Executing strategy

"Firstly, in the field of strategy, often counterintuitive strategies make companies successful out-performers over time. Secondly, an improved understanding and application of game theory, system dynamics and complexity theory will improve an organization's decision-making and execution ability in today's increasingly uncertain and risky business world. Thirdly, the non-executive members of boards must play a much more active role in pushing the quality of strategic thinking, alignment and strategy execution to help create successful and outperforming companies. This will help create successful, outperforming companies that create real wealth for people and society."

Professor Dr. Fred van Eenennaam,
Professor of Strategy and Dynamics of Strategy,
Nyenrode Business University

PROPRIETARY AWARD- WINNING RESEARCH

CASCADE®



Cascade Research System

Cascade®, our proprietary attitudinal research system, delivers a complete solution to organizations seeking to attain key strategic goals. The system has been used by more than 200 of the world's leading companies, including Apple Computer, Philips Corporate, General Electric, IBM and Intel. The system has received **awards from General Electric and the International Communication Association** for its contributions to corporate performance.

Cascade is more effective than other research methods because it:

- Addresses any research challenge,
- Delivers error-free, precise and reliable results,
- Attains accurate and in-depth understanding of current attitudes and opinions,
- Overcomes inherent weaknesses of other research methods, such as inability to track attitude shifts over time or skewing of results,
- Identifies an optimal, clear action plan for improving performance, and
- Measures emotional, as well as rational thinking.

Cascade uses **both qualitative and quantitative measures** determine the most powerful solutions to



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R o d r i a L a l i n e



corporate performance, including board effectiveness, brand management, customer allegiance, product positioning and corporate communications. It is the most precise systems available world-wide.

The flexibility of the Cascade system provides organizations with a unique tool kit for implementing the **best possible research** study in the **most cost-effective** way possible.

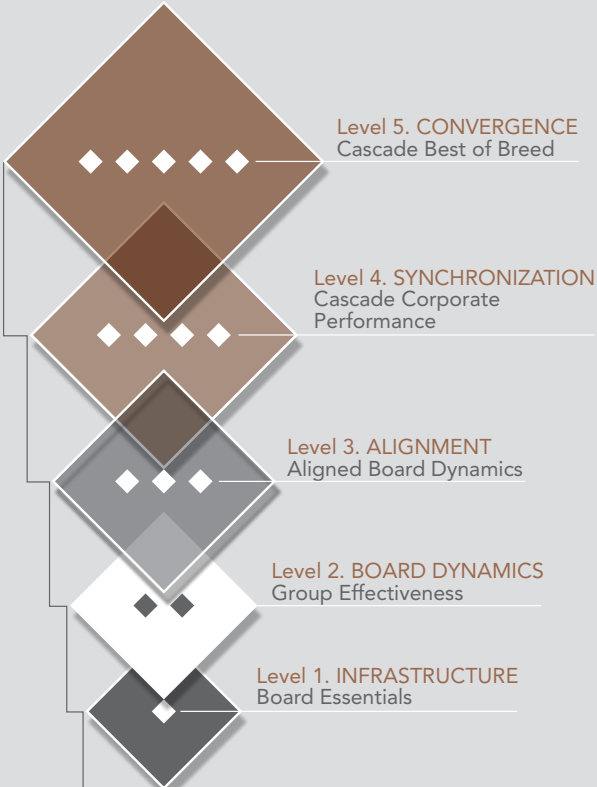
In addition to using Cascade for board assessment evaluations, the following sample client list shows how **leading companies use Cascade:**

- Intuit – product strategy and launch message for first release of TurboTax,
- Apple Computer – employee attitude survey,
- Steelcase – effective competitive strategy,
- Intel – Intel Inside brand campaign test,
- IBM – brand messages for a new service line,
- Philips – communicate about new strategy in a changing market,
- Chrysler/Daimler – reposition company after Lee Iacocca stepped down,
- BioReliance – employee attitude survey,
- National Semiconductor – determine whether a new call center was justified or not; communication program for a new IT system,
- California & Hawaiian Sugar – corporate culture study,
- General Electric – employee retention message study,
- Geothermal Food Processors – pre-merger organizational transformation project,
- House Ear Institute – message to deliver to young people to get them to turn the music down and protect their hearing,
- Teradata – merger/acquisition message strategy,
- HEB Grocery – communication strategy to increase use of the pharmacy by current pharmacy customers,
- Hill and Knowlton – identity and brand awareness in the west coast market,
- NASA – message strategy to increase public support for the Space Shuttle program,
- Pacific Northwest Bell – brand message strategy after the Bell divestiture,
- Pacific Western Bank – corporate branding,
- Spectra-Physics – multi-national corporate culture study,
- Sun Microsystems – strategy for a product launch; feature enhancement study, and
- Westinghouse Electric – employee retention message study.

BOARD ASSESSMENT CERTIFICATION



INTRABOND CAPITAL Certification



INTRABOND CAPITAL is a joint-initiative by members of the business community to adopt and adapt existing de-facto corporate governance industry standards into a consistent environment. Companies earn certification levels based on their evidence of practices within each level.

Board Assessment Certification

INTRABOND CAPITAL awards companies for their consistent commitment to professional assessment and improvement through its IBC Certification program. The certification program provides a highly effective and progressive approach to recognition of board performance improvement. INTRABOND CAPITAL classifies boards based on five increasing levels of capability and strength. The INTRABOND CAPITAL model for progressive certification ties to the most recent thinking about board potential to shape change. It offers dynamic best practices, ideas and solutions for companies at all levels.

Level 1 – Board Essentials: Infrastructure

This level addresses the adequacy of standard board processes and information to get the job done. Is the mix of experience and backgrounds of directors appropriate to the company's business? Does the board have manageable agendas, allocate time appropriately at meetings and have a balance of executive and non-executive directors? Is the structure effective? Are board roles and responsibilities clear? Do members commit to ongoing education? Does the board participate in annual assessments of its work and contribution?

Certification level

INSTRUMENT	INTERNAL METRICS			EXTERNAL METRICS	
	L1	L2	L3	L4	L5
	BOARD ESSENTIALS	EFFECTIVENESS	ALIGNMENT	SYNCHRONIZATION	CONVERGENCE
Board Essentials	√	√	√	√	√
Group Effectiveness	○	√	√	√	√
Aligned Board Dynamics	○	○	√	√	√
Cascade Corporate Performance	○	○	○	√	√
Cascade Best of Breed	○	○	○	○	√

Legend: √ =standard ○ =optional

Level 2 – Effectiveness: Processes and Group Dynamics

This level considers the quality of delivery of board services, the effectiveness of implementation of activities and personal contributions and overall board member dynamics. This level confirms board effectiveness has less to do with formal structure than with the quality of directors themselves and how they interact. Do board members work well with each other and with management? Do members use effective leadership styles? Do they take collective responsibility for financial statements? How useful are the decision-making processes? Are timely actions taken to correct or improve?

Level 3 – Alignment: Coalition and Strategy Development

This level focuses on a board's ability to align with management to own and drive corporate strategy and to develop and execute programs and projects to support the strategy. Does the board oversee programs to monitor strategy execution? Is there clear understanding among board members about appropriate metrics of corporate performance? Does its governance support and enables alignment on the company's current and evolving business strategies?

Is there clear succession planning for board and management members? Is there ownership of performance improvement and evaluation of how to increase shareholder return and corporate performance?

Level 4 – Synchronization: Business Issues Management

This level addresses the board's ability to establish and guide business strategy using key business indicators. Does the board articulate clear key drivers for the organization? Does it communicate to stakeholders about corporate performance? Does it anticipate and help to shape future business models and strategy that are in synch with shareholder interests?

Level 5 – Convergence: Corporate Issue Management

The highest level considers a board's broader role in society. Do board members view themselves as societal members in their roles? Do they shift from shareholder interests to stakeholder interests? Do the corporate governance and strategy activities create a single leadership that converges to operate where directors lead in critical, forward-looking discussions about thought leadership, roles of influence with government, community issues, union matters, environmental factors? Do members work together with minimal conflict because they share profoundly common goals?

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BOARD DIRECTORSHIP AND EFFECTIVENESS
STRATEGY EXECUTION AND CORPORATE PERFORMANCE