



GOVERNANCE STRATEGIES:

GETTING VALUE FROM YOUR BOARD

DAVID J. RAFFA
CORPORATE FINANCE

AN UNFORTUNATE TRUTH

Boards can be three things to a company:



ACCRETIVE - providing real value to the stakeholders



NEUTRAL - neither providing nor detracting from stakeholder value



NEGATIVE – reducing stakeholder value by wasting management’s time (better spent elsewhere) or by being disruptive

Unfortunately, the number of Boards contributing to stakeholder value are in the minority

An unacceptable situation, but easily solvable

OFTEN HEARD ...

“I find my Board frustrating. I spend a lot of time preparing for Board meetings and on Board matters, but I don’t feel like I am getting any value”

~ CEO

“I’m not sure what I am doing on this Board. I don’t feel like I am adding value and I am not enjoying myself. I am frustrated with the CEO and management team”

~ Board Member

WHY BOARDS FALL SHORT

Boards can fall short for many reasons, but there are four principle ones:

- **Understanding:** Neither management nor the Board truly understand the Board's role and what it should and should not do → More common than you might think
- **Team:** Not having the right mix of Board members and the right Chairman will influence how the Board functions → Domain knowledge is only part of it – other skills are needed
- **Organization:** To get the right output from the Board, you must provide the right inputs and operate the Board professionally → The Board needs to have a plan
- **Commitment:** Both management and Board members must commit to the process and put in the required time and attention → And it is all for not if the commitment is not there

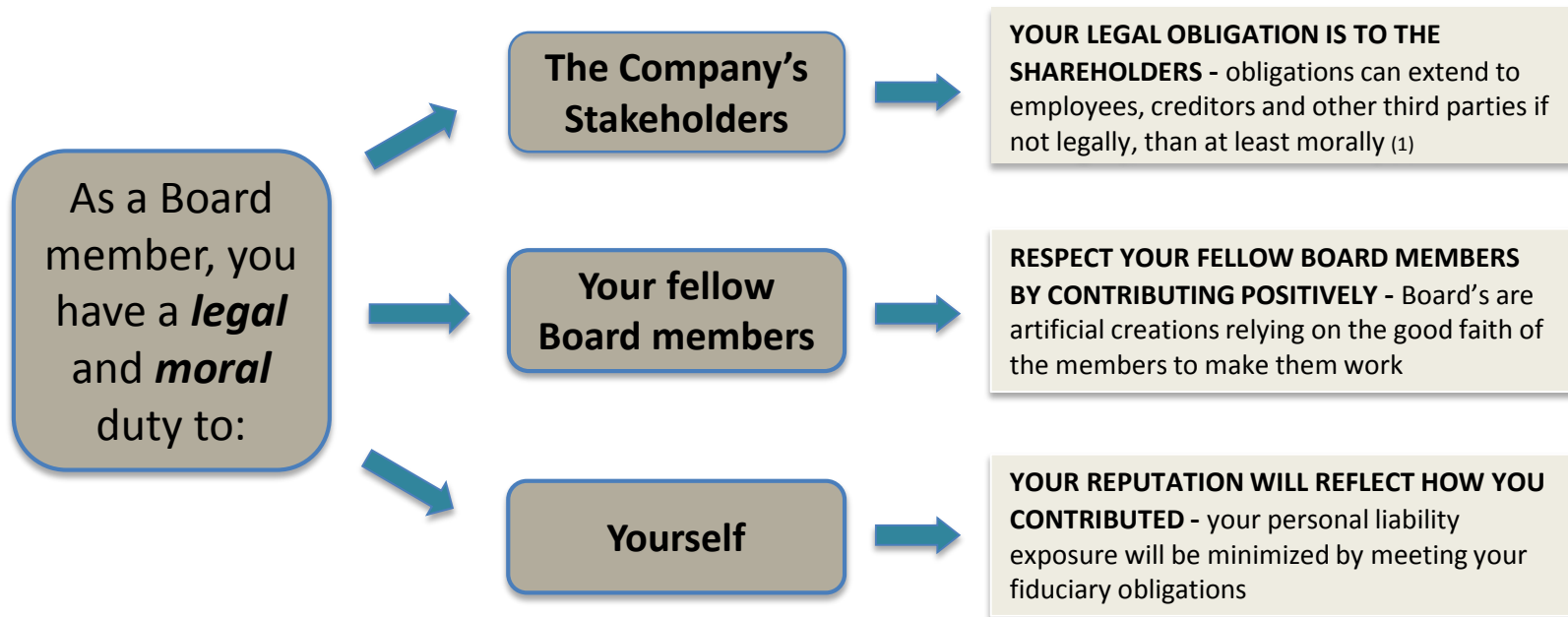
THE GOAL OF GOOD GOVERNANCE

A properly constituted Board, functioning efficiently and contributing materially, can have a material impact on the performance of the company or organization

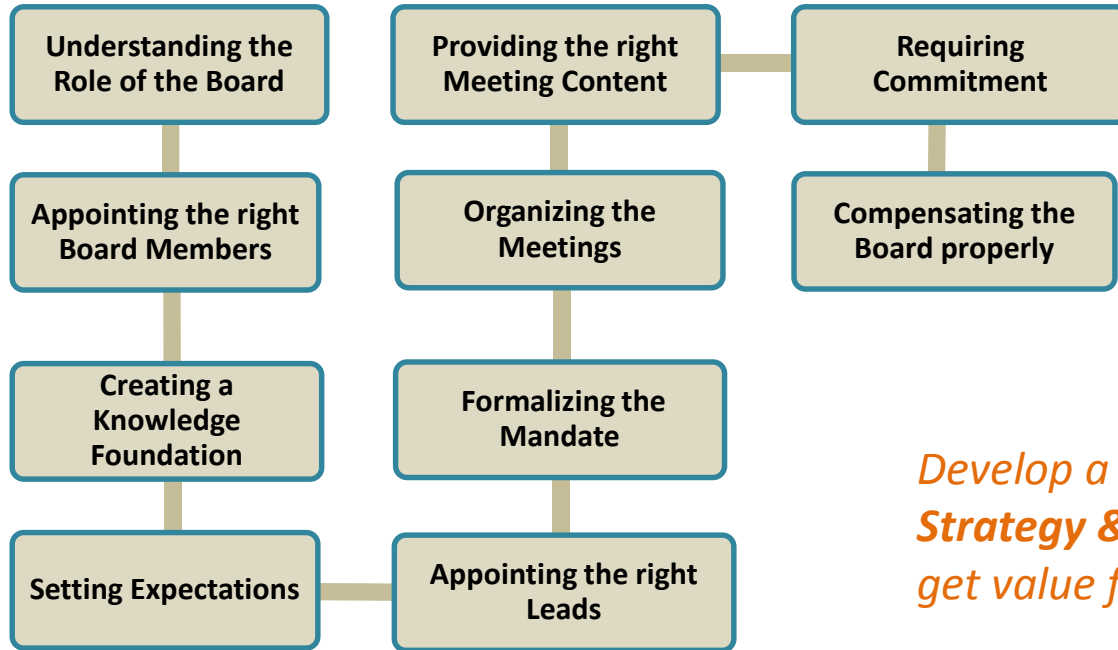
That should be the goal of every management team for its Board, and the goal of every Board for itself

It is not about process for process sake, **it is about making the company or organization better**

WHY GOOD GOVERNANCE MATTERS



TEN KEYS TO BETTER BOARDS



Companies & organizations have many operational strategies and plans: financial plans, marketing strategies, sales plans, product development plans, strategic plans etc.

*Develop a **Governance Strategy & Plan** to ensure you get value from your Board*



DEVELOPING A GOVERNANCE STRATEGY & PLAN

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PROCESS – FIVE STAGES

1 Analyze

- Conduct a needs assessment – determine what the client’s goals and objectives are
- Review the governance materials they have in place
- Determine what gaps need to be filled

2 Educate

- Educate management and the Board
- Address the role of the Board; how to build a better Board; and how to secure better Board contribution

3 Prepare

- Prepare the governance materials needed to meet the client’s goals and objectives
- Provide access to over two dozen tools and templates to organize the Board process

4 Implement

- Roll out the governance materials in an orderly process

5 Advise

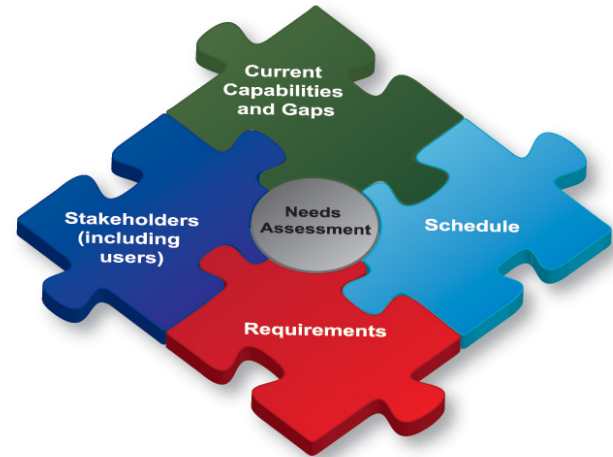
- Provide ongoing ad hoc advice and support to ensure take up and results

STAGE 1: ANALYZE

First step is to conduct a needs assessment – what are the clients issues, concerns, needs in respect of its Board

The context might be:

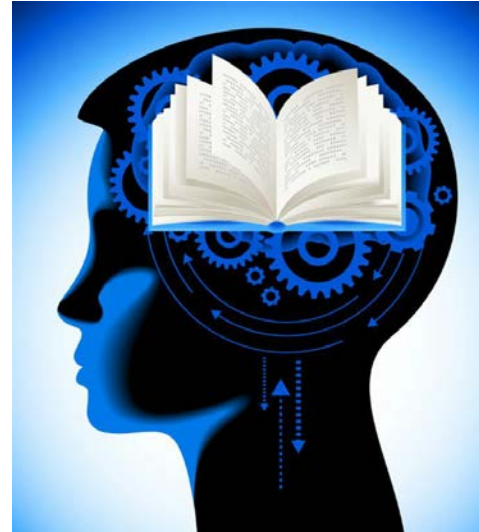
- Building a Board for the first time
- Board in place, but would like to improve its function
- Board in place, but having issues that need to be fixed



STAGE 2: EDUCATE

Understanding the role of the Board:

- Most Board members and senior management understand the role of the Board at a high level
- However, many do not understand it at a deeper, more granular level
- It is difficult to meet expectations when you don't understand them
- Nor when expectations are inconsistent or misaligned



STAGE 2: EDUCATIONAL PRESENTATIONS

Begin with **four slide presentations** which provide a deeper understanding of the roles and challenges of, and techniques used to ensure, better Board function

These presentations are reader friendly and can be reviewed on their own, or they can be the subject of on-line or in person presentations (range between 45 – 90 minutes)

**Understanding the
Role of the Board**

**Ensuring Better
Board Contribution**

**Building a Better
Board**

**Board
Compensation
Considerations**

STAGE 3: PREPARE

To ensure better Board contribution:

- Educate them on the business or organization – provide them with a knowledge foundation
- Enlist them into a well organized board process – develop a formal Board mandate
- Provide them with good information on the business or organization on an ongoing basis – the right Board meeting content
- Set proper expectations for conduct and commitment - on both management and the Board



Arm management and the Board with the right tools and processes to fulfill their roles and meet their expectations

STAGE 3: PREPARING THE TOOLS

Build the tools necessary to improve Board function:

- **Policies & Mandates:** Master Board Policy and Mandates (Charters) for each of the major Board Committees – Audit, Compensation and Nomination and Governance
- **Job descriptions:** For the Chair and Corporate Secretary, plus guidance of formalizing expectations on Board and management
- **Presentation Decks:** For formal in-person Board meetings, formal Board calls and Committee reports
- **Documentary Tools:** Agendas, minutes, consent resolutions, action item tools and templates
- **Approvals:** decision summary, list of matters requiring Board approval
- **Reports:** liability reports, monthly and quarterly update reports
- **Scheduling:** Tools and guidance on scheduling meetings

Using and applying over 30 tools and templates developed from over 30 years of advising and serving on corporate, industry and charity Boards, in many instances as Chair or Executive Chair

STAGE 4: IMPLEMENT

- Better buy-in comes from active involvement of the stakeholders in the process
- Involving management and the Board in building out the tool set needed for the company or organization in question is the best approach
- I can provide an implementation plan for the CEO and Chair to lead this themselves, or I can work with management and the Board to do so



STAGE 5: ADVISE

- I can provide ongoing advice and support to ensure seamless rollout of the governance program
- Or if preferred, I can provide ad hoc advice on an as needed basis
- I have mentored CEOs and Chairs on governance matters
- And on numerous occasions I have served as an intermediary to help work through issues and challenges



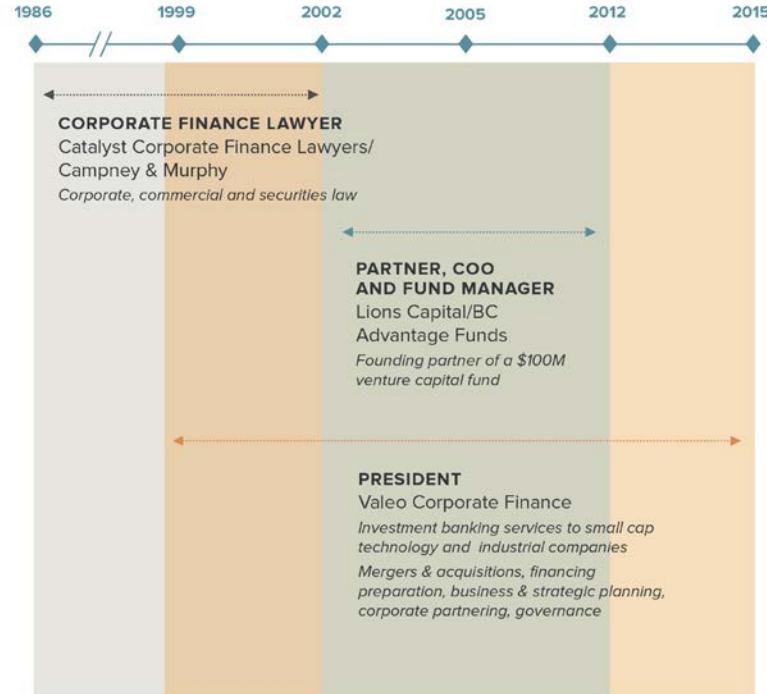


BACKGROUND

DAVID J. RAFFA
CORPORATE FINANCE

PROFESSIONAL BACKGROUND

**Governance
advice for
private and
public
companies,
industry and
professional
associations, and
other
organizations**



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GOVERNANCE BACKGROUND

- Co-Founder, Partner and COO, Lions Capital/BC Advantage Funds (investment bank and \$100M early stage venture capital fund)
- Past Executive Chair, ActiveState Corp - acquired by Sophos PLC (UK)
- Co-Founder and Past Executive Chair, Emerald Health (TSXV:EMH)
- Co-Founder and Past VP Corp Fin, Amorfix Life Sciences (TSX:AMF)
- Co-Founder, Past President and CEO, Brightwave Technologies - now Sophiris Bio (NASDAQ:SPHS)
- Past Board/Advisory Board member of more than 30 other companies
- Past Board member, BC Technology Industry Association, and past-Chair of the Capital & Investment Committee and Advocacy Committee
- Founding Chair, Science World, Equity Committee
- Advisory Board member, TSX Venture Exchange (Technology industry representative)
- Past member, Professional Advisory Committee, Business Families Centre, UBC Sauder School of Business
- Co-Chair, Integrated Technology Initiative, Coalition of BC Technology Associations
- Advisor, BC Securities Commission New Economy and Adoption of Technologies Group
- Member, Committee to advise the BC Government on the new BC Business Corporations Act
- Speaker or Chair at over two dozen governance programs and courses at Universities, Industry Associations and for lawyers and other professionals

BOARD & ADVISORY BOARD EXPERIENCE



These are just some of the companies and organizations that I have provided governance advice and direction to. In some cases it was in a consulting capacity and in others by serving as an active Board or Advisory Board member. In a number I served as Chair or Executive Chairman. This list is not exhaustive - I have served on more than three dozen boards and advisory boards and advised many more.

TESTIMONIALS

FOUNDERS

“We were having issues amongst the founders. Having an unbiased, experienced advisor to help sort things out and mediate was huge.”

CEO COACHING & MENTORING

“It was great to have someone to talk to about dealing with my staff, senior execs, board and investors. David has been through the wars and was able to share his experiences. He talked me down from the ledge a number of times!”

STAKEHOLDERS

“We didn’t know how to engage with investors – what reporting was appropriate, how much to share, where to draw the line. We had some high maintenance investors and a board member who sometimes crossed the line. David provided guidance and help us keep the calm. I had enough to deal with running the business.”

BOARD MAKEUP

“David showed us the mistakes founders make in building their boards. He provided a methodology for building a good board, and showed how to build and use an advisory board as well.”

BOARD PROCESSES

“Together we built a full governance plan which provided clear lines of authority, set expectations on management and board members, and simplified prep and reporting. He showed us how to hold everyone to account and as a result our Board functioned well and contributed.”

GOVERNANCE

“We didn’t realize the impact of giving our strategic partner a board seat and how to manage him. I wish we had known sooner how to handle this.”

CONTROL

“We thought we were being transparent, instead we just created a governance nightmare and lost control of the agenda.”

COMPENSATION

“David helped us devise a Board and Advisory Board comp package, and he made sure that both integrated well with our overall equity plan.”

FEES

For governance advisory services:

- Cash consulting fees:
 - by the hour, or
 - fixed priced for defined projects, or
 - monthly retainers for long-term engagements, or
- For project or long-term engagements, I will consider taking a portion of the fees in equity

*“I work with clients to build a fee structure that motivates **performance** and **aligns interests**”*

What is included?

- **Presentations** – multiple educational slide presentations
- **Tools and Templates** – over forty purpose built governance tools and templates
- **Advice & Support** – hands on advice and content generation

FINAL THOUGHT

*“If you want a **positive Board experience which provides meaningful contribution to your company or organization**, invest the time and effort to achieve this.*

If you don't know where to start, get advice from someone who does. This is too important a matter to leave to chance.”

Helping companies with their growth, financing and governance strategies and then leading their exit - relevant experience, proven results.

CONTACT

David J. Raffa
Valeo Corporate Finance Ltd.

EMAIL david@davidraffa.com

PHONE 1 778 668 3532

SKYPE david.raffa

TWITTER @raffaspeak

WEB davidraffa.com

*For additional case studies and testimonials,
visit www.davidraffa.com*

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