

Message From The President



Dr. Larry Taylor
Chapter President

Congratulations to our chapter!

At the NACD Global Board Leaders' Summit last fall, the Southern California Chapter was presented with the highest award: Best Governed Chapter. This means that we excelled in meeting our three primary chapter goals: to provide world-class programs, to remain financially sound, and to effectively exchange NACD intellectual capital. All of our board's work and sponsor support is greatly valued. Moreover, we really appreciate our members attending our events and

providing positive feedback in our surveys. Thank you all.

The 2018 calendar year is off to a roaring start. Last year we provided our members 32 networking and educational opportunities via 12 open member programs and 18 small group roundtable events, plus two Governance Week programs—one of which was an all-day event in conjunction with the USC Marshall School of Business. We expect to match or exceed that program production this year.

Our Chapter Ambassador Program is producing significant results. We have nine 2017-18 ambassadors—Edrienne Brandon, Christie Chu, Fred Clayton, Ivelisse Estrada, Mike Gillmore, Richard Munro, Edith Perez, Lisa Greer Quateman, and Erin Selleck—each working with one of our board committees or roundtables. Selected ambassadors will be among our board candidates for the 2018-19 fiscal year beginning July 1, 2018. Interested in being a 2018-19 chapter ambassador? Contact us at anne@NACDsocal.com.

Our upcoming programs include a fireside chat with Melody Hobson, board chair of DreamWorks Animation and President of Ariel Investments, on March 29. We will host 'Digital Director in the Boardroom-UCI' at the University of California Irvine's Innovation Center in Orange County on April 19, and 'A Trade War and You' at California State University Channel Islands in Ventura County on April 20. On May 8, we will hold a 3/4-day corporate governance program on 'Women in the Boardroom' in Las Vegas in conjunction with the International Women's Forum and UNLV's Boyd School of Law. We hope to see you at a program soon.

Best regards,
Larry

Chairman's Corner



David L. Rosenblum
Chapter Chairman

As we move through the second half of our programming year, we continue seeking to:

- Focus on the topics most critical to board members,
- Extend our programming beyond its traditional base in downtown LA, and
- Offer opportunities for our members to engage in NACD Southern California Chapter activities.

With respect to the last of these objectives, we launched a new Chapter

Ambassador Program this year under Larry Taylor's leadership. This program has provided an opportunity for a number of our members to learn more about the nuts and bolts of chapter operations while also becoming a member of one of our board committees. I am grateful for the willingness of our ambassadors to step forward and help us run, what is at heart, a volunteer-driven organization.

In addition to our programs, as an NACD member, you have access to a broad range of highly relevant research from the NACD research team. I have found the [Board Resource Centers](#), which comprise 21 collections covering an extensive list of topics, to be

particularly valuable. I encourage you to go to NACDonline.org and take advantage of these resources, as well as the other research available to NACD members.

In an environment that regularly challenges companies and boards with new issues, trends, and opportunities, we are committed—through relevant programming and research—to support directors as they strive for excellence. Thank you for all that you do to serve your organizations and our broader society.

Best regards,
Dave

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Save the Date!

Thursday, November 8, 2018

NACD Southern California | USC Marshall School of Business
2018 Corporate Directors Symposium

The California Club | Los Angeles, CA

Upcoming Events ([click for more information](#))

March 29:

In Partnership with NIRI – Fireside Chat with Mellody Hobson

Los Angeles, CA

The National Association of Corporate Directors (NACD), Southern California Chapter, and NIRI Los Angeles Chapter, cordially invite you to a conversation and luncheon with Mellody Hobson, president of Ariel Investments.

[Register](#)

April 19:

Digital Director in the Boardroom – UCI

Irvine, CA

The NACD Southern California Chapter, in alliance with ENP (Executive Next Practices), presents this timely program focused on the importance of reserving a seat at your boardroom table for a tech advocate.

[Register](#)

April 20:

A Trade War and You

Camarillo, CA

Please join us as we look into the future and discuss global economy.

[Register](#)

May 8:

Women in the Boardroom: Claim Your Seat and Create Lasting Change

Las Vegas, NV

Please join us, in alliance with the International Women's Forum and the UNLV Boyd School of Law, as we explore pathways to a corporate board seat.

[Register](#)

May 22:

NACD Blue Ribbon Commission Report: Culture as a Corporate Asset

Los Angeles, CA

Culture is a core organizational asset that contributes to competitive advantage. Building on the topic of this year's Blue Ribbon Commission

report on the board's role in driving an ethical culture, directors and experts in this session will discuss how to think about values and culture in the context of long-term value creation, how to measure the cultural health of the enterprise, and the warning signs that may indicate trouble.

[Register](#)

August 15–17:

NACD Director Professionalism®

Westlake Village, CA

Through panel discussions, case studies, and keynote presentations with experienced directors, attendees will [benefit](#) from real-world and real-time insights into board effectiveness and the evolving role of key committees in today's dynamic business environment.

[Register](#)

August 20–21:

2018 Master Class Newport Beach

Newport Coast, CA

Master Class attendees will benefit from candid, peer-to-peer discussion, exclusive fireside chats with prominent CEOs, interactive simulations, and thought-provoking analysis of rapidly emerging disruptions affecting business strategy and long-term value creation.

[Register](#)

September 29 – October 2:

NACD Global Board Leaders Summit

Washington, DC

The National Association of Corporate Directors' (NACD) Global Board Leaders' Summit is the largest and most important director forum in the world, where the greatest minds in governance convene to take on the largest issues facing today's boardrooms and collectively discover the future of exemplary board leadership. Register today to attend the 2018 Global Board Leaders' Summit.

[Register](#)

NACD Directorship 2020 with Fay Feeney



Fay Feeney

With so many pressing issues facing boards of directors in 2018, it is essential to assess which areas where your board lacks information, talent, or time to focus. As we experience the rapid changes within our industries, our generation must transition from navigating using a paperback Thomas Guide atlas to one that relies solely on autonomous vehicles. Now that is a major shift in thinking!

As a risk professional, I asked my fellow NACD Southern California Chapter Director Dean Yoost

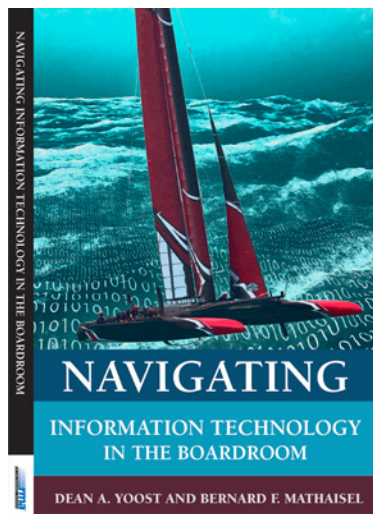
about his thoughts on navigating in these fast-moving times. Dean is a board member of MUFG Union Bank and Pacific Life Insurance Company. He also serves on the advisory committee of American Honda Finance Corporation.

He recently coauthored a book with Bernard F. Mathaisel entitled *Navigating Information Technology in the Boardroom*. When it comes to board oversight of IT, the question this book answers is, “how can I build my skills, improve the quality of questions, and understand the answers?” A dynamic focus on innovation and effectiveness is needed to assess adequate controls. Both legacy systems and new investments use capital and talent that is strategic to growth. They need our wisdom to be successful.

Fay: Dean, why did you write the book?

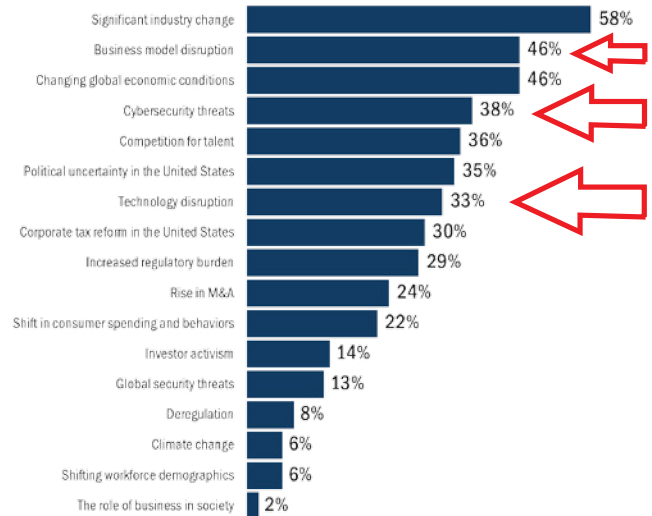
Dean: Improving the abilities of directors gives the enterprise and investors an advantage. Information technology is the single biggest factor contributing to an institution’s future, altering the status quo, and prompting rapid and transformational change in strategies, operating models, and customer relationships.

Directors typically have competence in finance, accounting, marketing, sales, people, and operations. But how many board members are capable of making the right decisions regarding information



Dean Yoost

What five trends do you foresee having the greatest effect on your company over the next 12 months? (Respondents could select five of the 17 issues below.)



Highlights of the NACD 2017-2018 Public Company Governance Survey

technology? It captured our attention when NACD research found that 90% of board members believe that their board’s knowledge of information technology needs to improve.

We wrote this book to help directors elevate their game in the oversight of IT given the complex, staggering pace of change that requires speaking a language filled with terms and acronyms. Even with focus, virtually all directors struggle to stay abreast.

Fay: How are boards handling the oversight of IT?

Dean: Boards today are taking seriously their oversight responsibilities regarding information technology. In many cases, they use one of four approaches, or a combination: (1) recruit one or two new board members who possess specialist knowledge, (2) form a special committee to handle IT, (3) designate a director or two to become more involved with IT matters, and (4) engage a third-party IT advisor to the board. In addition, best practices suggest that most directors will require education in the most important and pressing IT topics.

Fay: Dean, we look forward to reading your book and hearing you speak on this important boardroom topic. I encourage our members to reach out to Dean at deanyoost@cox.net.

Also, please utilize our great NACD resources such as the [NACD Cyber-Risk Oversight Program](#). It is designed to help directors enhance their cybersecurity literacy and strengthen the board’s role in overseeing their organizations’ cyber preparedness.

Best regards,
Fay Feeney
fay@riskforgood.com

New Board Appointments



Wanda Austin

Amgen (NASDAQ:AMGN)
Retired President and CEO, The Aerospace Corporation



Christina Carroll

The Chefs' Warehouse, Inc. (NASDAQ:CHEF)
Managing Director, Stout



Francis deSouza

Walt Disney Company (NYSE:DIS)
President and CEO, Illumina Corporation (NASDAQ:ILMN)



John Frank

Chevron (NYSE:CVX)
Vice Chairman, Oaktree Capital Management (NYSE:OAK)



Michael LeRoy

Chairman of the Board, The Rockport Company, LLC
President and Founder, Crown Capital Advisors
NACD Southern California Chapter Secretary and Treasurer



Scott McGregor

Applied Materials (NASDAQ:AMAT)
Equifax (NYSE:EFX)
Former CEO, Broadcom (NASDAQ:AVGO)



Michael Rapino

Sirius XM (NASDAQ:SIRI)
CEO, Live Nation Entertainment (NYSE:LYV)



William Waddill

Arrowhead Pharmaceuticals (NASDAQ:ARWR)
Former CFO, Calithera Biosciences (NASDAQ:CALA)



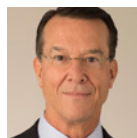
Joseph Zubretsky

Molina Healthcare (NYSE:MOH)
President and CEO, Molina Healthcare



Reveta Bowers

Activision Blizzard (NASDAQ:ATVI)
Retired Head of School, The Center for Early Education



Ted Craver

Wells Fargo & Co. (NYSE:WFC)
Former Chairman and CEO, Edison International (NYSE:EIX)



Kate Duchene

Resources Connection (NASDAQ:RECN)
CEO, Resources Connection



Anne Gates

Tapestry Inc. (NYSE:TPR)
President, MGA Entertainment



Melissa Lora

MGIC Investment Corp. (NYSE:MTG)
President, Taco Bell International



Lisa Greer Quateman

Chair, Global Initiatives Council, Los Angeles Area Chamber of Commerce
Partner, Los Angeles Office of Polsinelli LLP



Lon Rosen

Steel Partners (NYSE:SPLP)
EVP, Chief Marketing Officer, Los Angeles Dodgers



Emily White

Graco (NYSE:GGG)
Former COO, Snap, Inc. (NYSE:SNAP)

Newsworthy Members and Sponsors



Five Tips for Communicating Bad News February 2018 by Moira Conlon

For many years, Financial Profiles has been involved in helping boards and management teams communicate on a wide range of difficult topics or bad news, ranging from significant earnings disappointments to unexpected executive departures. Here are a few key considerations.

[Access the full article](#)



Risky Business: Protecting the Assets of Directors – December 2017

Pamela S. Palmer and Jay A. Dubow

Directors and officers are exposed to potential liability from suits by the company, shareholders, and debt holders, among others. There are, however, a number of protections available to safeguard the assets of directors and officers.

Published in the December 2017 issue of *INSIGHTS* (Volume 31, Number 12). *INSIGHTS* is published monthly by Wolters Kluwer, 76 Ninth Avenue, New York, NY 10011.

[Access the full article](#)



What Board Directors Need From Internal Audit

NACD Southern California Chapter Member and Ambassador Lisa Greer Quateman was a featured speaker at the recent Institute of Internal Auditors Los Angeles Chapter annual meeting. She developed and presented an outline of What Board Directors Need From Internal Audit, highlighting the role of the audit committee in working with internal audit and how each can enhance the work of the other and build a stronger enterprise that is responsive to today's challenges. Access the full presentation.

[Access the full presentation](#)



Economic Trends: Reliving the 1990s

This report from new Chief Economist Diane Swonk includes a top 10 list that takes a closer look at emerging economic trends and how they resemble, but do not necessarily replicate, the 1990s. Gains today will borrow from the future. Recessions created by asset price bubbles are inherently more difficult to recover from than recessions triggered by a more typical acceleration in consumer prices.

[Access the full document](#)



Underrepresented: An Analysis of Female Director Election Results

February 5, 2018 by Charlie Gray, Austin Vanbastelaer, and Kayla Dahlerbruch

Board diversity is claiming a wider share of the spotlight in boardrooms. BlackRock, Vanguard, and many of the largest asset managers have shifted their focus from addressing proxy access and board classification issues to developing voting guidelines on certain broader environmental, social, and governance (ESG) issues—including board diversity. In fact, the topic of gender diversity became substantial enough to warrant attention in Institutional Shareholder Services' (ISS) 2017-2018 policy survey. Diverse boards hold a wider variety of views and perspectives and, as a result, have a more diverse and aware mind-set. They are less susceptible to groupthink and thus better able to identify opportunities that promote long-term growth.

[Access the full article](#)

Recent Program Recaps

A Fireside Chat With Debra Reed, Facilitated by Rafael Pastor: Advancing Exemplary Board Leadership

September 26, 2017

The NACD Southern California Chapter held a lunch meeting, Advancing Exemplary Board Leadership, on September 26, 2017, at The California Club in downtown Los Angeles. In this fireside chat, Rafael Pastor, board director, NACD Southern California Chapter, interviewed Debra Reed, chairman of the board, president, and CEO, Sempra Energy, on a variety of topics, including board/management relationships, succession planning for executives and board members, and women in C-suites and boardrooms.

Key Takeaways:

- Recognize that change and diversification are critical success factors.
 - CEOs should constantly be the stimulus of change in an organization—people, strategy, or future vision. Companies must stay one step ahead of tomorrow's trends. Think Blockbuster and Netflix, and Borders and Amazon.
- Remember that the board and management are both focused on shareholder value creation.
 - The roles are different but the end game is the same. Management is responsible for developing and executing the strategy and delivering the results. The board's job is to ensure the company has a good strategy and the right governance in place.
- Bring the board into the fold early on major corporate developments.
 - Conflict can be avoided if management is transparent with the board early on about important corporate initiatives. The goal is to move everyone along in the process together and avoid surprises.
- Balance the long-term vision with short-term results.
 - The ultimate goal is to do what is best for shareholders. Boards and management are focused on the long-term strategy and vision, and Wall Street is focused on near-term results. The CEO has to manage both, and sometimes this requires taking some flak from investors.

- Build the best possible board.
 - Recognize the position that needs to be filled, assess the strengths that are missing from the board, and then identify candidates accordingly. Ideal candidates will understand the complexity of the business and be acute problem solvers, regardless of career or background. It pays to have a diverse board with a broad range of experience with different perspectives and skills, but never sacrifice quality for diversity.
- Start the CEO succession planning process early.
 - Succession planning should begin on the CEO's first day. Identify and assess potential successors, and then provide coaching to ensure that if a successor is needed, the company is ready.
- Create a culture of teamwork, not competition.
 - Move employees to different roles within the company so they experience every aspect of the business. A horizontal perspective allows people to see how different jobs link together and the importance of mutual support.



Rafael Pastor and Debra Reed

A Fireside Chat With Bonnie Hill, Facilitated by Chris Wing: Building the Strategic-Asset Board

October 19, 2017

The NACD Southern California Chapter held a lunch meeting, Building the Strategic-Asset Board, on October 19, 2017, at The Jonathan Club in downtown Los Angeles. In this fireside chat, Chris Wing, CEO, SCAN, interviewed Bonnie Hill, president, B. Hill Enterprises, on a variety of topics, including the definition of a strategic-asset board, tactics to motivate the board, how to facilitate turnover in a board, the importance of diversity in a board, and bringing innovation into a boardroom.

Key Takeaways:

• Defining a Strategic Asset Board

- A strategic-asset board should fit with a company's overall projection path in a given time period. In turn, the board members should have expertise on the company and/or sector and diversity in terms of thought, gender, and race.
- Board members are an asset to the company for a given time period. No board member should expect to stay on longer than their specific qualifications are needed.

• How to Motivate a Board

- First look at your business, then your shareholder base, and finally the board. Everyone on the board should have something to contribute to the board meetings. It is important to change the expectation of serving until retirement to serving only when you are needed.

• Starting the Turnover Conversation

- The lead director or non-executive chair should have one-on-one conversations with individuals about their service on the board. If they are unengaged, ask them what can be done to enhance their participation. Give people the opportunity to respond, and let them tell you why they are not engaged before making the turnover.

• How to Create a Diverse and Effective Board

- When interviewing potential board members, ask them how the company is relevant to the individual and why it is important to make a contribution to the company. Let them

Recent Program Recaps (cont)

- relate their experience to the company or industry.
- The best way to understand a candidate is through their peers. People who know the candidate by working with them in a similar setting will provide insight into the candidate's temperament and cultural fit and how they deal with difficult situations.
- Allow every board member to meet and talk with the candidate to gauge their compatibility. Ask how they deal with difficult situations or what their approach is when they disagree with something. Culture is important, and there needs to be a mutual respect for each other's opinions.
- **Creating Innovation in the Boardroom**
 - There is a fine line between the directors on a board and the organization. Board members should challenge the idea of management but should not challenge the respect of management.



Larry Taylor, Chris Wing, Bonnie Hill, David Rosenblum

Eight Questions Every Director Should Be Asking

November 30, 2017

On November 30, 2017, the NACD Southern California Chapter held a lunch meeting, 8 Questions Every Director Should Be Asking, at The DoubleTree Hotel in Santa Monica. Larry Taylor, president, NACD Southern California Chapter, moderated two lightning-round panel discussions with our sponsors on a wide range of current topics.

Key Takeaways:

- **Business Strategy and Executive Compensation – Dan Wetzel, Managing Director, Pearl Meyer**

Choose a performance measurement for executive compensation that drives risk mitigation and captures the company's values. This could be a singular measure of company performance or multiple measures across annual and long-term incentive plans. Either way, be sure to allow for both failure and success in the compensation program.

- **Markets in Financial Instruments Directive (MiFID) – Moira Conlon, President, Financial Profiles**

A new set of regulations going into effect in the United Kingdom shortly will require institutional investors to pay for sell-side equity research for the first time. This change could lead to reduced demand for research, continued consolidation of investment banks, and a lack of coverage for small and mid-cap companies, which could impact company valuations and ultimately access to capital.

- **Financial Integration – John Kim, Managing Consultant, RGP**

Acquisitions have two major components: transaction (where you develop the strategy, negotiate, and close the deal), and transition (where you preform integration and merge the two companies). Successful integration is an often overlooked and important part of a deal. And as part of that process, companies should perform an assessment to identify key strengths to leverage and key gaps that need to be filled.

- **Information Security – Michael Hatjiyannis, Director, KPMG**

Identify who in your organization is safeguarding sensitive information. Ultimately, someone needs to be in charge of information security. Elect a CISO who has a direct line to the board and is responsible for addressing risk both

proactively and reactively. The CISO needs to enforce policy and have a strong presence in the compliance division.

- **Corporate Compliance and Sexual Harassments – Michael Kelly, Managing Partner, Sidley Austin**

With all the recent allegations of sexual harassment, boards need to investigate red flags and put in place protocols that will ensure greater visibility into potential issues. Directors should (1) ask for a report of all complaints and outcomes to target repeat offenders or identify hotspot divisions that suggest a compliance/culture issue in the organization; (2) ask for information and rationale on settlements, particularly involving senior management; and (3) use the general counsel as an ally.

- **Tax Reform – Robert Johnson, Managing Director, Crowe Horwath**

New reforms include cash grants for jobs and training, property tax abatements, rate reduction, tax credits, tax holidays, and infrastructure. These proposals incentivize companies to create new jobs and generate cash for investment across the United States. States will be competing for businesses, so companies should shop states like vendors in order to get the most out of tax reforms.

- **Risk Tolerance – Bobbi Jo DeNofa, EVP, Willis Towers Watson**

Insurance is cheap right now, and most companies are transferring risk to a third party without understanding risk tolerance. Corporations must understand risk tolerance beyond the industry benchmark. Quantify your risk and make sure you are working with partners to drive holistic risk management and understand risk tolerance.

- **The Board's Role in an IPO – Shawn Stewart, Partner, Grant Thornton**

Companies that want to go public need a CFO with SEC experience who can withstand rigorous financial reporting in today's environment and can converse with the market about the company's plan and financial projections. Many companies need to upgrade technology with a focus on the future and conduct an internal audit and risk profile assessment.

Recent Program Recaps (cont)

NACD Southern California Chapter | USC Marshall School of Business

Corporate Directors Symposium: Navigating in Chaotic Times: Board Leadership Matters

On November 8, 2017, the NACD Southern California Chapter and USC Marshall School of Business presented the annual Corporate Directors Symposium, Navigating in Chaotic Times: Board Leadership Matters, at The California Club in downtown Los Angeles. At the Symposium, board members and experts provided thought-provoking and future-focused commentary on a wide array of critical topics that directors must be thinking about to prepare for tomorrow.

Key Takeaways:

Nominating and Corporate Governance Roundtable

- To maintain a healthy board, ask the following questions:
 - How effective is the chairman?
 - Is there diversity among point of view?
 - Should there be a younger member on the board to provide a fresh perspective on the company?
 - Are the board members too involved or not involved enough?
 - Should you implement an age or time limit to facilitate turnover in the board?

Compensation Roundtable

- Investor interest in compensation policies has grown significantly in the past four to five years. Passive investors, in particular, have built in-house governance teams in recent years to monitor compensation—in terms of not only traditional financial yardsticks but also social, political, and sustainability initiatives.
- At the same time, the major proxy advisors—ISS and Glass Lewis—have stepped up their scrutiny of performance goals in annual and long-term compensation plans.

Board Culture, Strategy, and Succession Roundtable

- To have a productive board, ask the following questions:
 - How deep are you going with the company's strategic plan, and how often are you revisiting this plan?
 - What is the culture of the board and company, and how well do you understand it?
 - Is compensation the main incentive for any of the board members?
 - How well are you communicating with shareholders?
 - What is your CEO succession plan?

Crisis Management Roundtable

- In today's world, a corporate crisis can hit quickly and spread rapidly. The role of social media in breaking news has rocketed the pace with which companies must respond before the facts are known.
- Companies should prepare in advance by identifying potential vulnerabilities and establishing a crisis management team of key executives and professional advisors that rehearse and plan together.

Corporate Strategy Keynote Address

- To ensure corporate strategy is up to date, the board should ask the following questions:
 - How is technology reshaping the economy in regard to my company?
 - What does technology mean for my role as a director?
 - How can we take a risk that will reward the company

in the long term?

- What are my competitors doing that will accelerate their company beyond mine?
- How does my company compete with a lack of profit-driven companies (e.g., Amazon)?
- What are management team inflection points in succession planning?

Mobility and Autonomous Vehicles Panel

- To understand and plan for the market entry of autonomous cars, board members should ask the following questions:
 - How will my company be affected by autonomous cars?
 - What can be done to get ahead of the potential threat of autonomous vehicles to my industry?
 - Is there an opportunity for advancing my company through autonomous vehicles?
 - Will autonomous vehicles cut jobs in my company?
 - What new businesses will arise that compete with my company?

Energy and Material Science Panel

- The energy and material-science sector is undergoing profound change. Spurred on by the power of new technologies, the old, slow-moving, integrated, rate-of-return-protected, highly regulated utility now collides with disruptive and fragmented competition; a changing framework in how you buy and sell power; decreasing costs of energy alternatives; local regulation awkwardly addressing global forces; and heightened cybersecurity risks as business processes incorporate more and more technology.

Artificial Intelligence Panel

- Artificial intelligence (AI) should be a discussion in every boardroom. And you should be asking the following questions:
 - How is the company applying the AI solutions that are out there today?
 - What in-house capabilities do we need that could be supported by AI?
 - What data do we have that can be utilized by AI, and which data needs to be protected?
 - Recognizing that AI is still vulnerable because it's not humans making the decisions, have we thought through the ethics and liability considerations and issues associated with our data?
 - Does our company have enough experience to know what is or is not relevant to AI adoption and utilization?
 - Are there competitors on the rise that are leveraging data and AI in ways that give them an edge?

Genomics and Health Personalization Panel

- The board of any genomics-based organization must be asking the following questions:
 - What privacy, security, and intellectual-property measures are being taken to protect our genomic data?
 - What disruption can we anticipate, and when and from where?
 - What conclusions will society make regarding the dollar value of quality of life extension?

Recent Program Recaps (cont)

Plenary Panel – Implications to Public Policy and Talent Management

- Digitization/technology is a game-changing factor for corporate success and will enhance the organization's public policy and talent management (i.e., its relationship with its external and internal stakeholders).
- Management should be attuned to digitization's created opportunities:
 - More efficiently navigating customer needs;
 - Accelerating the dialogue and improving relationships with regulators and other policy workers, especially in highly regulated industries such as energy; and
 - Redefining jobs to enhance employment productivity and minimize job displacement.

Board Leadership Keynote Address

- The board has three jobs:

- Get the right leadership.
- Challenge, augment, approve, and implement company strategy.
- Monitor risk.
- To understand how a good board operates, ask the following questions:
 - Does the board have a good collective knowledge of the business?
 - Is the board collegial but willing to disagree?
 - Will the CEO leave the company better than he or she found it?
 - What is the board doing to protect against the threat of cybersecurity?

To Our Valued Sponsors: Thank You for Your Support

Special thanks to Moira Conlon and Financial Profiles for providing this event recap.

A Fireside Chat With Anne Chapman, Michelle Edkins, and Ann Yerger, Facilitated by Hoshi Printer: Forecasting the Major Corporate Governance Issues in 2018

January 17, 2018

The NACD Southern California Chapter held a lunch meeting, Forecasting the Major Corporate Governance Issues in 2018, on January 17, 2018 at The California Club in downtown Los Angeles. Hoshi Printer, chairman of the Audit Committee, Lantronix (NASDAQ: LTRX), interviewed Anne Chapman, managing director, Joele Frank; Michelle Edkins, managing director, BlackRock (NYSE: BLK); and Ann Yerger, independent director, Hershey Entertainment and Resorts Company, on a variety of topics, including the importance of diversity on the board, implications of tax reformation, communication with shareholders, and long-term strategy.

Key Takeaways:

• Board Diversity

- To create a diverse board, the board must first be willing to initiate a change. A frank robust self-assessment is imperative to begin this process. Take this time to acknowledge the talent the board has and address what is missing. Remember that diversity goes beyond gender or race; it is also defined by age, thought, and background. Changing a board's dynamic is a gradual process. However, with each new director, a seasoned director should be tasked with training and ensuring their success.

• Board Tenure

- Contemplate tenure in ranges and ensure you have dispersion in clusters. Ask the following questions:
 - Are formal policies impeding an objective assessment of board composition?
 - Do longer-serving directors need to step aside?
 - Are people wedging into the matrix, or is real value tied to the current group?
- Directors should be able to give an elevator pitch on why each director is valuable to a board.

• Succession Planning

- Boards should be prepared for any circumstance and should plan CEO succession accordingly. Ask the following questions:
 - How are you building the succession plan?
 - How well do you know the younger talent in the company?
- Internal succession is usually more successful because it gives a sense of continuity. Create ways for management and the board to meet the next generation in the pipeline, such

as dinners, presentations, or direct mentorship programs.

• Tax Reformation

- Tax reformation will bring in extra capital for companies. Capital allocation is a core job for board members, but the best plan will vary from company to company. Directors need to be prudent on allocating these new extra funds and take a strategic approach to deploying the funds. In any case, it is most important to articulate your plan to shareholders.

• Long-Term Strategy

- Analysts and investors want to know how management thinks and plans for the future, so it is important to communicate the company's long-term strategy. First define what the long term means for your company and how your company thinks about the business cycle. Are you planning far enough ahead that your successor's successor is going to be in a place he or she can be successful? Then create and communicate a message that tells a great story, and dispatch this message through company materials. Directors should always remain vigilant to investor comments on earnings calls and reach out to holders beyond the top five. Schedule a second analyst call after earnings, hold private dinners, and deliver a candid, crisp CEO letter along with the proxy to ensure that all constituents can fully understand and buy into the company's message.



Hoshi Printer, Anne Chapman, Michelle Edkins, Ann Yerger, Larry Taylor

Thank You For Attending Our Events



Members

"We need directors who can clearly demonstrate their value on proxy disclosures. NACD's director credentials are the gold standard."

—Anne Sheehan, Director of Corporate Governance, CalSTRS

Congratulations to the Five-Year Fellows underlined below.



BOARD LEADERSHIP FELLOWS

Peter Agarwal	Senator Michael Machado
Kenton Alder	Jeffrey Margolis
Kenneth Berns	Dan Maurer
Dr. Karen Bogart*	<u>Ed Merino*</u>
Martin Casey	<u>M. Christian Mitchell*</u>
Paul Chan	Brenda Morris
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Photo from 'A Fireside Chat With Bonnie Hill' – Bonnie Hill (center) with Ambassadors Erin Selleck (front 2nd from left), Ivelisse Estrada (front, 2nd from right), and Edrienne Brandon (front, 3rd from right)

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