



Achieving and Maintaining Effective Board Governance Building Great Boards

CoBank Presentation July 13, 2016

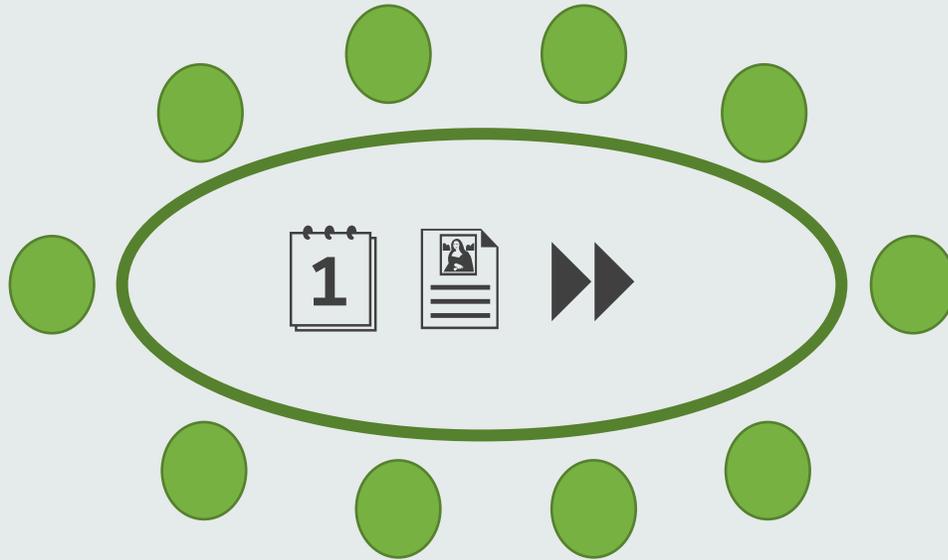
External Factors

Purpose

People

Process &
Structure

Performance



Practice follows purpose



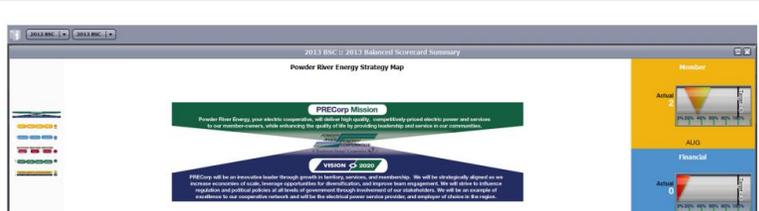
How boards have changed

- Increased information to boards
- Increased accountability, awareness and scrutiny of boards
- Directors are more engaged; professionally skilled and facing higher expectations



Increased information

Internal

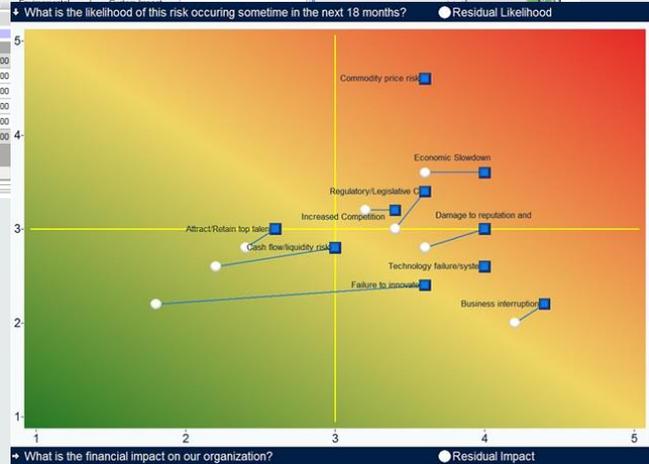


P005 Yandimoomba Project 100623

General	Probability & Exposure	Quantum
4	4	3
4	4	3
4	3	2
3	3	2
2	2	1

Opportunity

Level Name	Percent	Amount
Transformative	> 25%	375,000,000
Major	> 10%	150,000,000
Moderate	> 2.5%	37,500,000
Minor	> 0.25%	3,750,000
Insignificant	<= 0.25%	375,000



Reporting

THE AES CORPORATION FISCAL YEAR 2015 FORM 10-K
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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary of the information that you should consider, and you should read the entire proxy statement can references ("XX") are supplied to help you find further information in this proxy statement.

Governance Highlights (page 14)

The Company believes good governance is integral to achieving long-term shareholder value. We are policies and practices that serve the interests of the Company and its shareholders. The Board developments in governance best practices to assure that it continues to meet its commitment to representation of shareholder interests. The following table summarizes certain corporate governance

- | | |
|--|---|
| ✓ 11 of our 12 Director Nominees are Independent | ✓ Risk Oversight by Full Board and Committees |
| ✓ Annual Election of Directors | ✓ Strong Governance and Disclosure of Corporate Political Spending |
| ✓ Strong Independent Lead Director | ✓ Active Board Participation in CEO Succession Planning |
| ✓ Annual Board and Committee Evaluation Process | ✓ Board Oversight of Company Strategy |
| ✓ Active Shareholder Engagement | ✓ Diverse Board in Terms of Gender, Ethnicity, Experience and Skills |
| ✓ Majority Voting for All Directors | ✓ The Threshold to Call a Special Meeting is 15% of Shareholders |
| ✓ No Shareholder Rights Plan ("Poison Pill") | ✓ Transparent Public Policy Engagement |
| ✓ No Supermajority Voting Provisions | ✓ Longstanding Commitment to Corporate Responsibility |
| ✓ Annual "Say on Pay" Advisory Votes | ✓ Policy Providing for Return of Incentive Compensation ("Clawback Policy") |
| ✓ Board and Committee Authority to Retain Independent Advisors | ✓ Share Ownership Requirements for Executives and Directors and Share Retention Policy for Executives |
| ✓ Robust Code of Ethics | ✓ Hedging, Short Sale and Pledging Policies |
| ✓ Regular Executive Sessions of Independent Directors | ✓ Strong Alignment Between Pay and Performance for Incentive Plans |

Voting Matters

The following table summarizes the proposals to be considered at the Annual Meeting and the Board's voting recommendation with respect to each proposal.

Management Proposals	Board vote recommendation	See page number for more detail
PROPOSAL 1 Election of Directors	FOR each Nominee	26
PROPOSAL 2 Non-binding Advisory Vote to Approve the Compensation of our Named Executive Officers (Say on Pay)	FOR	36
PROPOSAL 3 Ratification of Appointment of Independent Registered Public Accounting Firm for 2015	FOR	68
PROPOSAL 4 Proposal to Amend and Restate the 2010 Incentive Stock Plan	FOR	70
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Shareholder Proposals		
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External



Stephanie Caraway @scare_away · 15h
#PrimeDay is awesome until you actually try to buy something.... #PrimeDayFail

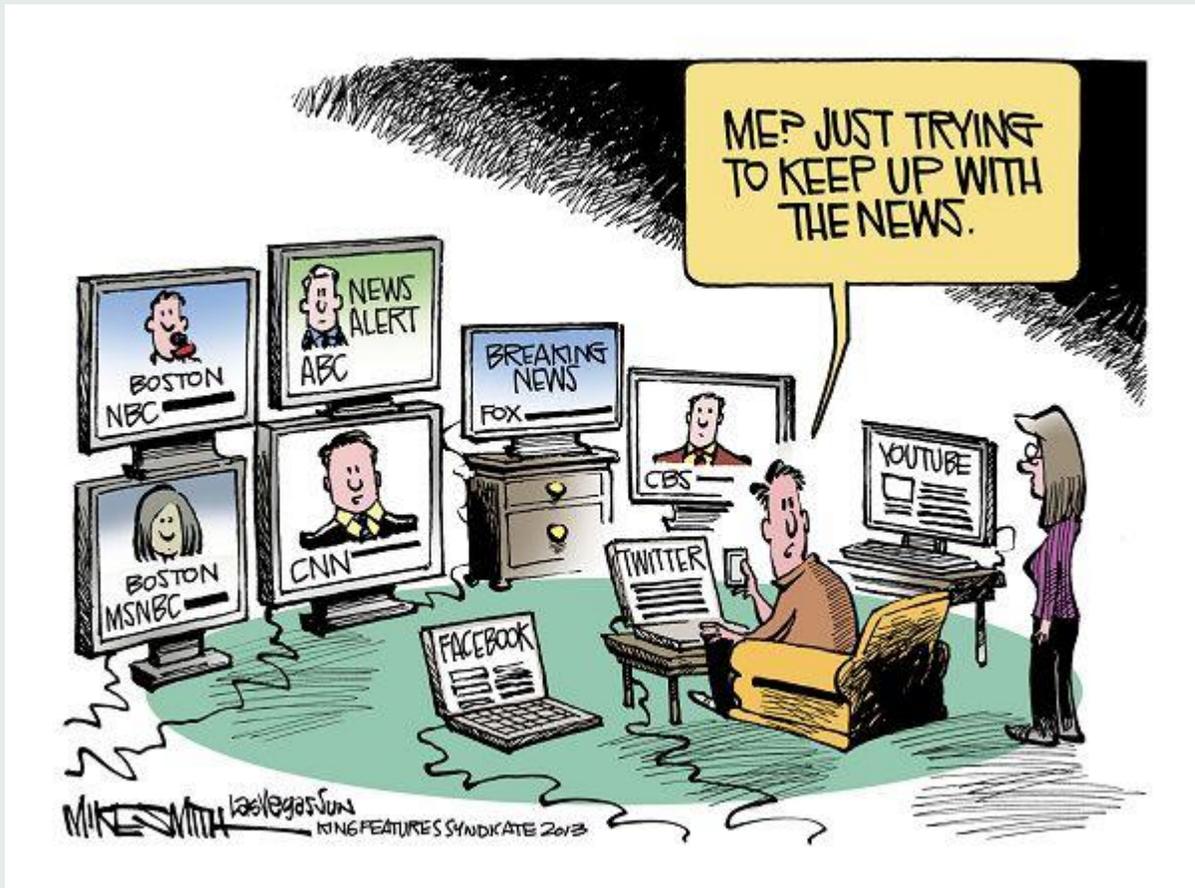
wrap available.

Lightning Deal
\$21.95 (Save 72%)

16% Claimed
Ends in 02h 32m 02s

Prime Exclusive Deal
As a Prime member, this deal is exclusively for you.

Quantity: 1
Add to Cart failed. Retrying..



Recent Case Studies



How many of you are facing:

Dramatic changes in demand

Customer or owner action

Consolidation or significant partnership

Critical skill shortage

CEO Succession

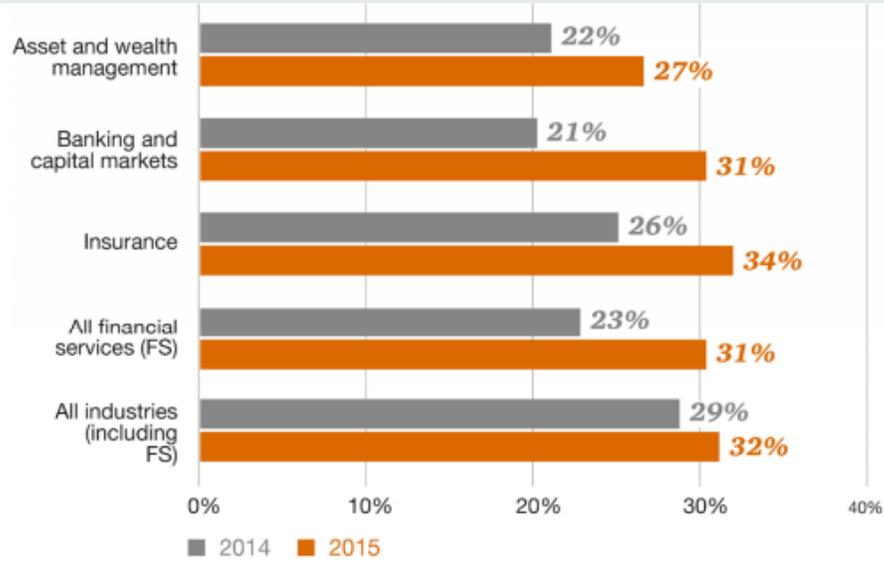
Growth of/consideration of distribution alternatives

Major investments

Activists present alternate plans

External scrutiny

Meetings with activists



Note: Percent of respondents who have had intensive discussions with an activist(s) and have had extensive board discussions.
Source: PwC's 2015 Annual Corporate Directors Survey.

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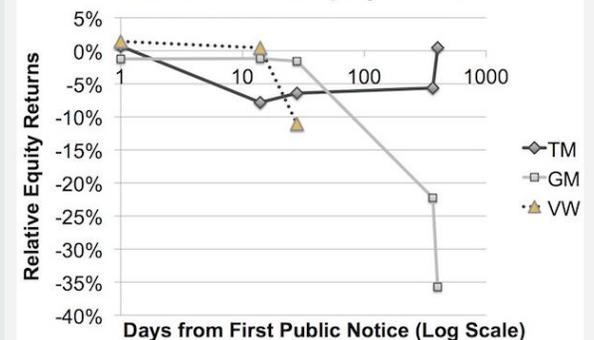
Confidential | For Discussion Purposes Only | 3

THE REGULAR CHARACTERS
CII
Glass Lewis
State Street
Advisors
NYS Pension Funds
Calsters
FASB
SASB

Media Coverage



Crisis Effects on Equity over Time



"Board Failures"

APR 27, 2016 @ 03:57 PM 6,300 VIEWS

The Little Black Book of Billionaire Secrets

The Theranos Crisis: Where Was The Board?

LEADERSHIP DUPONT

Another suicidal board? How DuPont's directors failed Ellen Kullman

10 Highly Paid CEOs at Low-Rated Charities

Print

SHARE    

For charities to be successful, they need talented, experienced leaders. Those leaders command significant compensation. But highly compensated CEOs should also get the most out of the organizations they lead. The leaders of these 10 organizations all have compensation above \$200,000 and are among the highest-paid executives of all charities of a similar size. Yet their organizations have very low overall ratings on Charity Navigator - either 1 star or zero stars.

Rank	Charity	Salary
1	Catholic League for Religious and Civil Rights	\$465,769
2	B'nai B'rith International	\$385,505
3	Lexington Institute	\$376,942
4	Washington Legal Foundation	\$354,277
5	Tiger Missing Link Foundation	\$323,973
6	Citizens Against Government Waste	\$295,803
7	The Creative Coalition	\$251,500
8	American Center for Law and Justice - District of Columbia	\$234,350
9	Women's Funding Network	\$231,637
10	Institute for the Analysis of Global Security	\$220,000

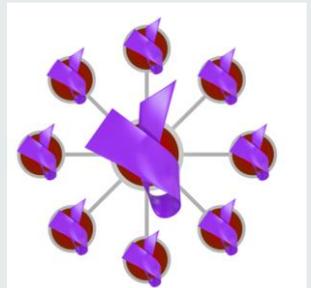
STAT | Reporting from the frontiers of health and medicine

  FOLLOW

THE REGULARS IN THE LAB BUSINESS POLITICS HEALTH FIRST OPINION

SPECIAL REPORT

Leading Alzheimer's group splinters over claims of misplaced priorities and lavish spending



What does this mean for
directors?

Time Commitment

How many hours have you spent on the following board-related matters?

	Attending board and committee meetings	Informal meetings or conversations with management	Traveling to/from board events	Reviewing reports and other materials	Director education	Representing organization at public events	Other (e.g., board social event)	Total*
Nonprofit	52.9	36.1	25.4	43.9	19.3	27.1	20.7	199.2
Private	58.3	53.5	31.4	54.3	16.9	21.5	24.3	246.7
Public	81.1	36	40.9	70.4	24.1	14.3	22.5	278.1

*The summary statistics in all other columns are not additive, and their sum will differ from the data in the "Total" column.

Time Spent on Board and Committee Meetings

	Full Board		Executive Session		Audit Committee		Compensation Committee		Nominating/Governance Committee	
	Meetings/Year	Hours/Meeting	Meetings/Year	Hours/Meeting	Meetings/Year	Hours/Meeting	Meetings/Year	Hours/Meeting	Meetings/Year	Hours/Meeting
Nonprofit	5.8	4.6	4.3	1.5	3.6	2.2	2.1	1.8	3.3	2.1
Private	5.2	5.9	3.4	1.4	3.6	2.3	2.8	2	2.2	1.5
Public	5.4	6.8	4.9	1.4	5.2	2.9	4.3	2.5	3.8	1.8

Up approximately 20% in last 4 years; equivalent to 5 – 8 FT weeks of work a year AVERAGE

Supplements

- Monthly board calls
- Site visits
- One-on-one mentoring
- Speaking or attending meetings

2014–2015 NACD Nonprofit Governance Survey

How many of you :

Meet quarterly

Meet monthly

Have additional responsibilities (Chair, Committees)

Have retreats

Other

Expectations of Directors

- Duty of care
- Duty of loyalty
- Duty of candor
- Disclosure of relevant skills
- Independence requirements
- Holding requirements
- Election, succession and term limits
- Additional service

Summary of Director Qualifications and Experience

	Baltimore, Thomas J., Jr.	Bethune, Gordon M.	Casey, Gilbert	Cullen, James	Grier, Mark B.	Horne, Constance J.	Hond-McJeon, Martina	Kropek, Karl J.	Penn, Christine A.	Savolmer, Douglas A.	Strangford, John R.	Urrah, James A.
ACADEMIA/EDUCATION experience is important because it brings perspective regarding organizational management and academic research relevant to our business and strategy.												
BUSINESS ETHICS experience is important given the critical role that ethics plays in the success of our businesses.												
BUSINESS HEAD/ADMINISTRATION experience is important since directors with administration experience typically possess strong leadership qualities and the ability to identify and develop those qualities in others.												
BUSINESS OPERATIONS experience gives directors a practical understanding of developing, implementing and assessing our operating plan and business strategy.												
CORPORATE GOVERNANCE experience supports our goals of strong Board and management accountability, transparency and protection of shareholder interests.												
ENVIRONMENTAL/SUSTAINABILITY/CORPORATE RESPONSIBILITY experience strengthens the Board's oversight and assures that strategic business imperatives and long-term value creation for shareholders are achieved within a responsible, sustainable business model.												
FINANCIAL/CAPITAL ALLOCATION experience is important in evaluating our financial statements and capital structure.												
FINANCIAL EXPERTISE/LITERACY is important because it assists our directors in understanding and overseeing our financial reporting and internal controls.												
FINANCIAL SERVICES INDUSTRY experience is important in understanding and reviewing our business and strategy.												
GOVERNMENT/PUBLIC POLICY experience is relevant to the Company as it operates in a heavily regulated industry that is directly affected by governmental actions.												
INSURANCE INDUSTRY experience is important in understanding and reviewing our business and strategy.												
INTERNATIONAL experience is important in understanding and reviewing our business and strategy.												
INVESTMENTS experience is important in evaluating our financial statements and investment strategy.												
MARKETING/SALES experience is relevant to the Company as it seeks to identify and develop new markets for its financial products and services.												
REAL ESTATE experience is important in understanding and reviewing our business and strategy.												
RISK MANAGEMENT experience is critical to the Board's role in overseeing the risks facing the Company.												
TALENT MANAGEMENT experience is valuable in helping us attract, motivate and retain top candidates for positions at the Company.												
TECHNOLOGY/SYSTEMS experience is relevant to the Company as it looks for ways to enhance the customer experience and internal operations.												

GOOD GOVERNANCE

Section B.2.1 – Director biographies

Example 1: SNC Lavalin Group
2009 Proxy Circular, pages 15 -20

SNC Lavalin's disclosure lists the directors' 'Area of Expertise' and board memberships over the past five years (committee memberships in footnotes).

	David Goldman	Mr. Goldman is Chairman of the board of Copernic Inc. (formerly Mamma.com and Intasys Corporation (NASDAQ) – which provides media solutions, desktop and mobile search and the metasearch engines Mamma.com and Copernic.com), and a member of the Advisory Committee of Livia Industrial LP, a limited partnership that owns aluminum casting businesses primarily servicing the automotive industry. He is also director of Duran Ventures Inc., a company listed on the TSX. Until December 2006, he was a director of Jaguar Nickel Inc. (an exploration and development company listed on the TSX). He is also President of Dave Goldman Advisors Ltd. (a general consultancy business). Mr. Goldman holds a degree in Metallurgical Engineering from McGill University and an MBA from Concordia University. He has been Chair of the Faculty of Engineering Advisory Board of McGill University and is a past Chair of the John Molson School of Business (Concordia University) MBA Case Competition Advisory Board. He received the Concordia University Award of Distinction from the Faculty of Management in 1997.				
	Age: 66 Toronto (Ontario), Canada Director since: March 1, 2002 Latest date for retirement: May 2013					
Independent						
Areas of Expertise: Mining & metallurgy Heavy industries						
Board/Committee Membership at the Date Hereof:		Attendance:	Attendance (Total):	Public Board Membership During Last 5 Years:		
Member of the Board		7 of 7	15 of 15	100%	Copernic Inc. ⁽¹⁾ (previously Mamma.com Inc. and Intasys Corporation (NASDAQ))	
Member of the Audit Committee		4 of 4			2001-Present	
Member of the Human Resources Committee		4 of 4			Duran Ventures Inc. ⁽²⁾ Jaguar Nickel Inc. ⁽³⁾ Workbrain Corp. ⁽⁴⁾	
					2008-Present 2005-2006 2000-2007	
Securities Held as at December 31, 2008 (at a Market Value of \$39.69 per Common Share as at December 31, 2008):						
Year	Common Shares	DSUs⁽⁵⁾	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2008	21,000	7,347	28,347	\$1,125,092	\$300,000	Yes
2007	21,000	5,677	26,677	\$1,284,231	\$300,000	Yes
Value of Total Compensation Received						
Year	\$					
2008	\$137,670					
2007	\$111,358					
(1) Mr. Goldman is also Chairman of the Board. (2) Mr. Goldman is also Chairman of the Board. (3) Mr. Goldman was also a member of the Audit Committee and the Human Resources Committee. (4) Mr. Goldman was also a member of the Audit Committee and Chair of the Human Resources Committee. (5) Deferred Share Units. For further details on DSUs see section 4.7 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.						

Total compensation, share holdings, and share ownership requirements are listed for the current and previous years. CCGG does not comment on the quantum of compensation.

SNC Lavalin's director biography disclosure is a "best practice" and provides a wealth of information about the director nominees...

MasterCard	15 years
Patterson Companies	20 years
The Procter & Gamble Company	18 years
Target Corporation	20 years or 5 years after retirement from active employment
Varian Medical Systems	15 years
Wal-Mart Stores	12 years
The Walt Disney Company	15 years
Xcel Energy	15 years

Case Studies

HP Inc

NYSE: HPQ - Jul 12, 6:31 PM EDT

13.72 USD ↑ 0.56 (4.26%)

After-hours: 13.16 ↓ 0.56 (4.08%)

1 day 5 day 1 month 3 month 1 year 5 year max

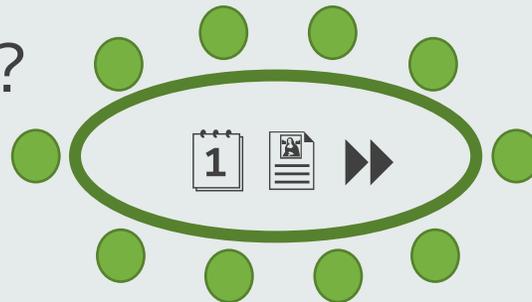


Open	13.47	Mkt cap	23.61B
High	13.83	P/E ratio	6.71
Low	13.42	Div yield	3.62%

- 1978 John Young CEO
- 1993 Lew Platt CEO
- 1999 Carly Fiorina CEO
- 2005 Patricia Dunn Chair/resigns
- 2005 Mark Hurd CEO
- 2011 Mark Hurd leaves
- 2011 Ray Lane Executive Chair
- 2011 Leo Apotheker CEO
- 2011 4 directors leave
- 2011 Meg Whitman CEO
- 2011 Ralph Whitworth joins the board

- 2002 HP and Compaq
- 2008 HP buys Electronic Data Systems \$13.9 billion.
- 2009 HP 3Com Corp. \$2.7 billion deal.
- 2010 Palm \$1B cash
- 2011 Autonomy \$11B
- 2012 \$8.8 B write down
- 2014-2015 Stock buybacks
- 2015 Split to HPQ HPE

The right directors?
The right dynamics?
The right skills?



Case Studies – How Boards Can Help

- Dealing with a Spin
- Aligning on Strategy
- Creating an Acquisition Process
- Dealing with a Short Term Activist
- Building the Management Team
- Repositioning the Company

Dealing with a short term activist

- *"We quickly realized that management's strategy was going nowhere – we were dealing with an exponential math that couldn't last. The company pursued a strategy of opening stores that had taken us to the lowest sales per square foot in our competitor group. They promised double digit margins, a rare occurrence in the retail industry. When they failed the stock fell to 10% of its peak value. This was what we had to clean up.*
- *Given the harsh retailing environment, the board undertook a review of strategic alternatives including an outright sale. Shortly thereafter, the activist investor, who had cashed out at \$24 a year earlier, was offering to buy the company back at \$9, arguing that the store opening strategy was the right strategy. We had to take the offer seriously, because he was threatening a proxy fight, and \$9 was twice the current trading range of the stock. We put together a thorough analysis showing that the [activist investor's] strategy was not sustainable, that the current leadership and board had the right skills, and that our strategy was sustainable over the long term. We took our story to proxy advisors and to investors: and all of this is publicly available on the Edgar database.*
- *In the end we prevailed, and put together a fair and impartial sales process. In the end, we sold the company for \$16.40 – well over the activist's offer. And the company was in far better shape. Much of what we did had to be done by the Chair and the board, because even the new CEO was conflicted. At the same time, the new CEO brought expertise, and managed the company. We kept in close touch during the sales process, although of course he was excluded from the special committee when he entered negotiations with the buyer."*

WHAT ARE BOARDS WORKING ON NOW

Stewardship and Capability

- Being Stewards
 - Higher Ambition
 - Real strategic engagement
 - Investigative due diligence (vs. screening, reviewing); scaled to the level of risk
 - Agility and conflict response preparation
- Building Collective Capability
 - Managing bias
 - Collective Intelligence
 - Self assessment
 - Relationship Dynamics
 - Succession: Developing board leaders for tomorrow (number of people on board 20 yrs or more)
- Managing the costs of governance – time, resources or attention

Being stewards: the board's role in strategy

Challenges

- Ambiguous boundaries
- Challenge without provoking
- Clarify strategic process and roles
- Getting and aligning on the right information
- Making time

Works Well

- Strategy Retreats
- Continuous contact
- Transparency and trust
- Open mindedness
- Constituent responsiveness
- Focus on purpose
- Investigative Due Dilligence

Works Poorly

- No follow through or link to execution
- Varied skills and ability and commitment
- Mixed motives



Strategic Thinking

Collecting, analyzing, and discussing the environment of the firm and broad business design alternatives

Strategic Decision Making

Making the fundamental set of decisions about the business portfolio and business design

Strategic Planning

Translating the critical strategic decisions into a set of priorities, objectives, and resource allocation

Strategic Execution

Undertaking initiatives and actions consistent with the strategic plan

Being Stewards: Ask good questions

- What risks are my bias creating?
- Who digs into assumptions?
- Are decisions made confidently?
- What's our reputation worth?
- Is our board expertise utilized?
- Am I acting when I see change?
- Am I prepared for a crisis?
- Will I use crisis to change?
- Who's ready to lead in a crisis?

Being Stewards: Practice follows purpose

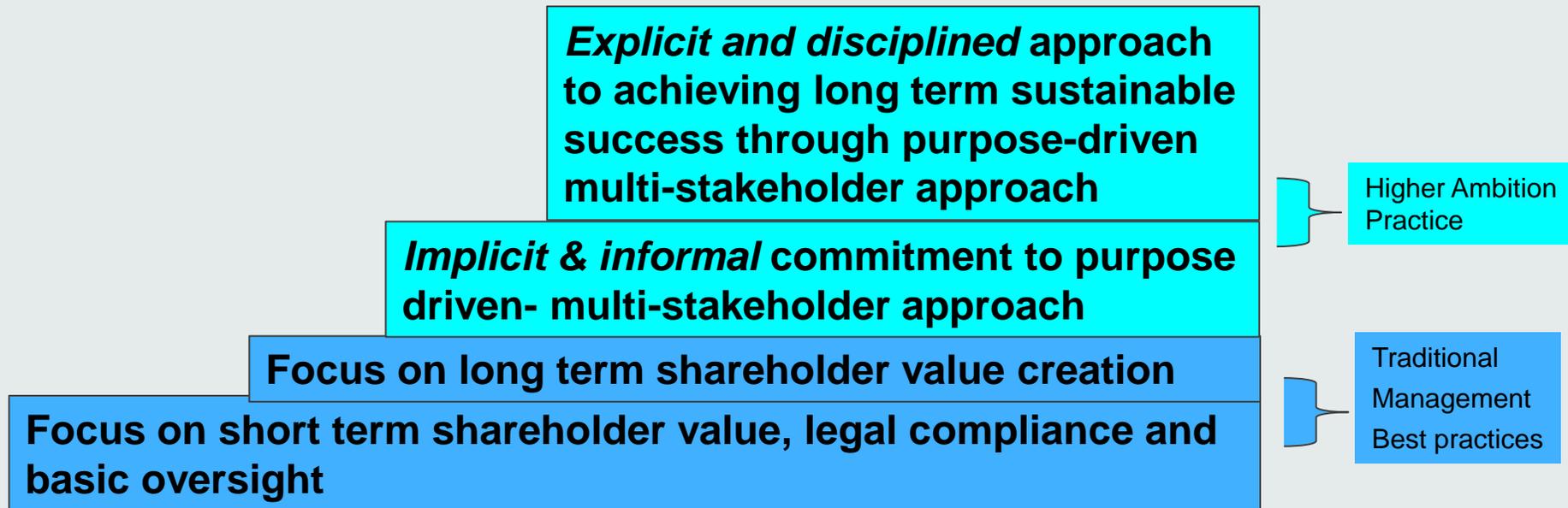


Being Stewards: Higher Ambition

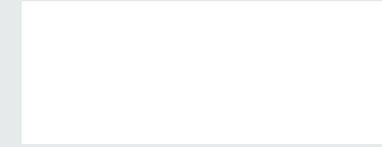


What Did we Learn about the Stages of Development/Achievement Across these 8 Dimensions of Activities?

Steps to Building a Higher Ambition Board of Directors



What were the Final Dimensions of Board Activities we Assessed?



- Board Stewardship
- Strategy
- Performance Management
- Community of Purpose
- Talent Development
- CEO Succession
- Board Member Selection
- Board Evaluation

Findings about Higher Ambition Boards

- Directors generally endorsed the company's Higher Ambition purpose, although a majority still believed performance for the shareholder needed to remain a paramount goal. Board commitment is largely implicit.
- The majority of directors understood the concept of “doing well while doing good,” and generally saw the business and social benefits as integral to the unified Higher Ambition strategy .
- Of all areas, boards were most involved in Higher Ambition strategy.
- Higher Ambition boards are active partners in developing the next generation of leaders; using best practices like formal talent pipeline reviews, mentoring (with CEO support and alignment) individual executives, teaching their own “leadership story,” as well as attending major employee events.
- CEO evaluation was another area where boards stepped up, although the evaluation of values, culture, stakeholders or purpose were largely informal. Only two firms formally included (and documented) non-financial metrics in the CEO evaluation.

Higher Ambition

- CSR
- Sustainability Reporting
- Responsible Investing
- Green Bonds
- Integrated Reporting



Conscious Capitalism



These resources will provide you with a general introduction to Conscious Capitalism, and to the four principles applied to business.

We will be continuously creating and curating new content and adding it to the site, and we welcome your submissions and recommendations. We also encourage you to sign up as a member and comment on and share content from the site with others.

Ultimately, we aim to facilitate a global conversation around Conscious Capitalism and to create a dynamic living library of insights, understanding and best practices.

Higher Purpose Stakeholder Orientation Conscious Leadership Conscious Culture



Shared Value



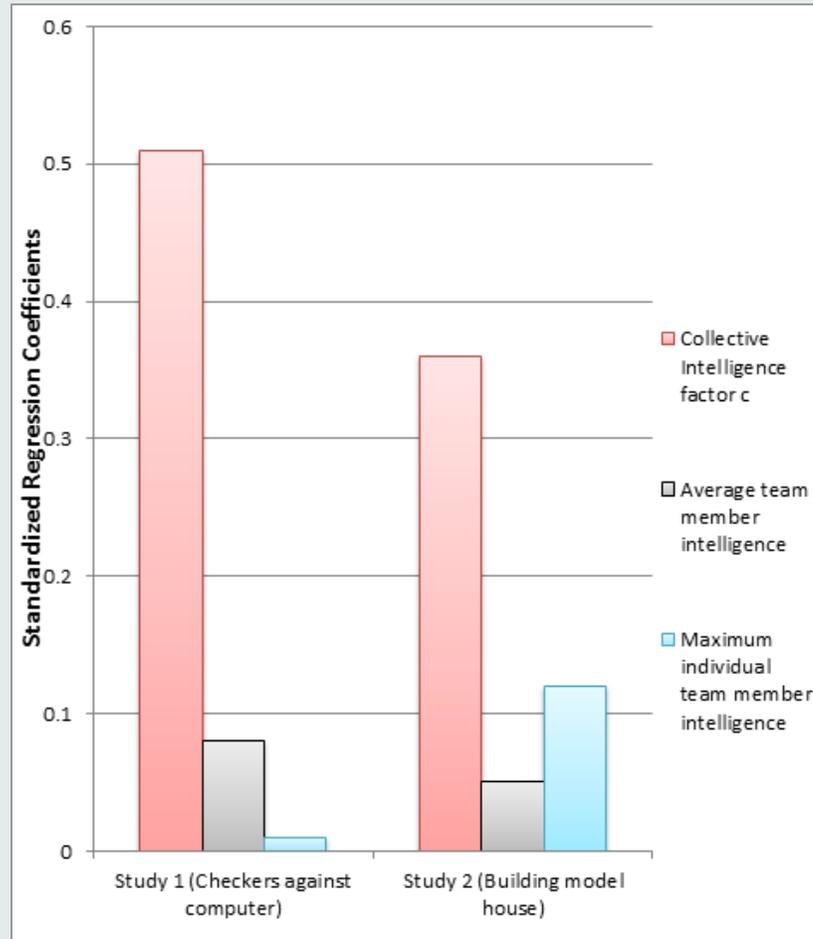
Examples

- Chobani and stock ownership
- Aetna & JP Morgan minimum wage
- Juniper Networks and Not for Sale
- CVS and tobacco
- Etc.

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Collective Intelligence

Woolley, Chabris, Pentland, Hashmi, & Malone (2010)



the variance in the number of speaking turns, group members' average social sensitivity and the proportion of females

groups where a few people dominated the conversation were less collectively intelligent than those with a more equal distribution of conversational turn-taking". Hence, providing multiple team members the chance to speak up made a group more intelligent.

How it looks in practice

In every group of people some talk more than others, and the process of bringing out the more quiet ones so that every voice was heard – that was something I worked hard at.

We changed the tempo of the meetings too - less standing up and giving reports. The meetings are structured around a few key issues with plenty of time for dialogue. And management has learned we don't want a data dump. And we've moved legal and compliance related work the committees where possible, because the board time should be really focused on running the company.

At this point, management and the board speak very openly. There's little hesitation or grandstanding. We focus on listening and understanding: we want to do the best thinking collectively. People put ideas forward, and they will take debate on their ideas. People learn more when they get criticized. But it's not personal or personalized - There's no lingering career risk if their idea doesn't carry the day.

How it looks in practice

One thing our Chair does is that he makes sure that everyone offers a point of view, has something to say, explicitly, on important topics. And since the majority of proposals a board sees are from management, it can be very hard for a person proposing something contrary to the CEO. A Chair can help get an airing of alternative views. At the same time, the Chair shouldn't become the ringleader of the opposition.

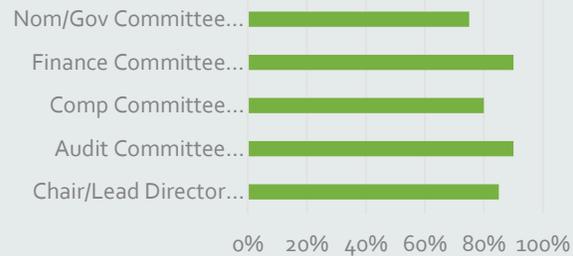
Sometimes, certain board members become ineffective but untouchable - everybody sees it but nobody does anything about it. That's when the chair's leadership is very critical – in getting things moving in the right direction. Usually, if there's a stumbling block, it's not between the CEO and the Chair, but it's at the board level. Biggest weakness in a Chair is not being objective and taking action on directors. I don't need a chair to commiserate about the crazy uncle; I need someone who will do something about it.

Building Collective Intelligence

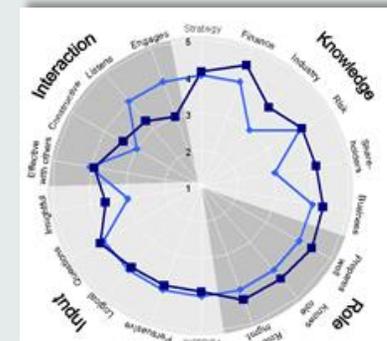
Board Assessment



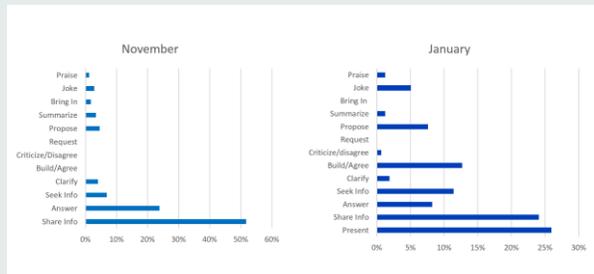
Leadership & Committee Assessment



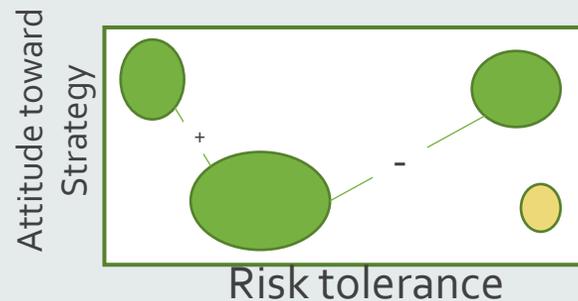
Director Assessment



Interactive Skills Assessment



Opinion Analytics



How it looks in practice

- The Japanese Tsunami hit one company particularly hard. Although we thought our supply chain was diversified enough to deal with any localized disaster, we found that certain key components that appeared multi-sourced were really dependent on one supplier in Japan, and our build plan was at risk.
- Later, when we did our assessment, we were self critical about our lack of preparedness for the tsunami and its aftermath. Based on that assessment, the board agreed to regularly review scenarios, and assess disaster preparedness. It could be weather related, technology related, talent related—many things. And as we've worked on the scenarios, I've seen that full board knowledge comes from the diverse sources—one director has military experience, another with Y2K experience, a third has worked overseas with international relief agencies—they all help build our understanding of the situation. Part of my job is making sure the board uses of the full range of knowledge of its directors—it makes us all smarter and more effective.
- Our learning from that assessment led us to request that we do a scenario assessment every year, and it has helped us understand preparedness much better.

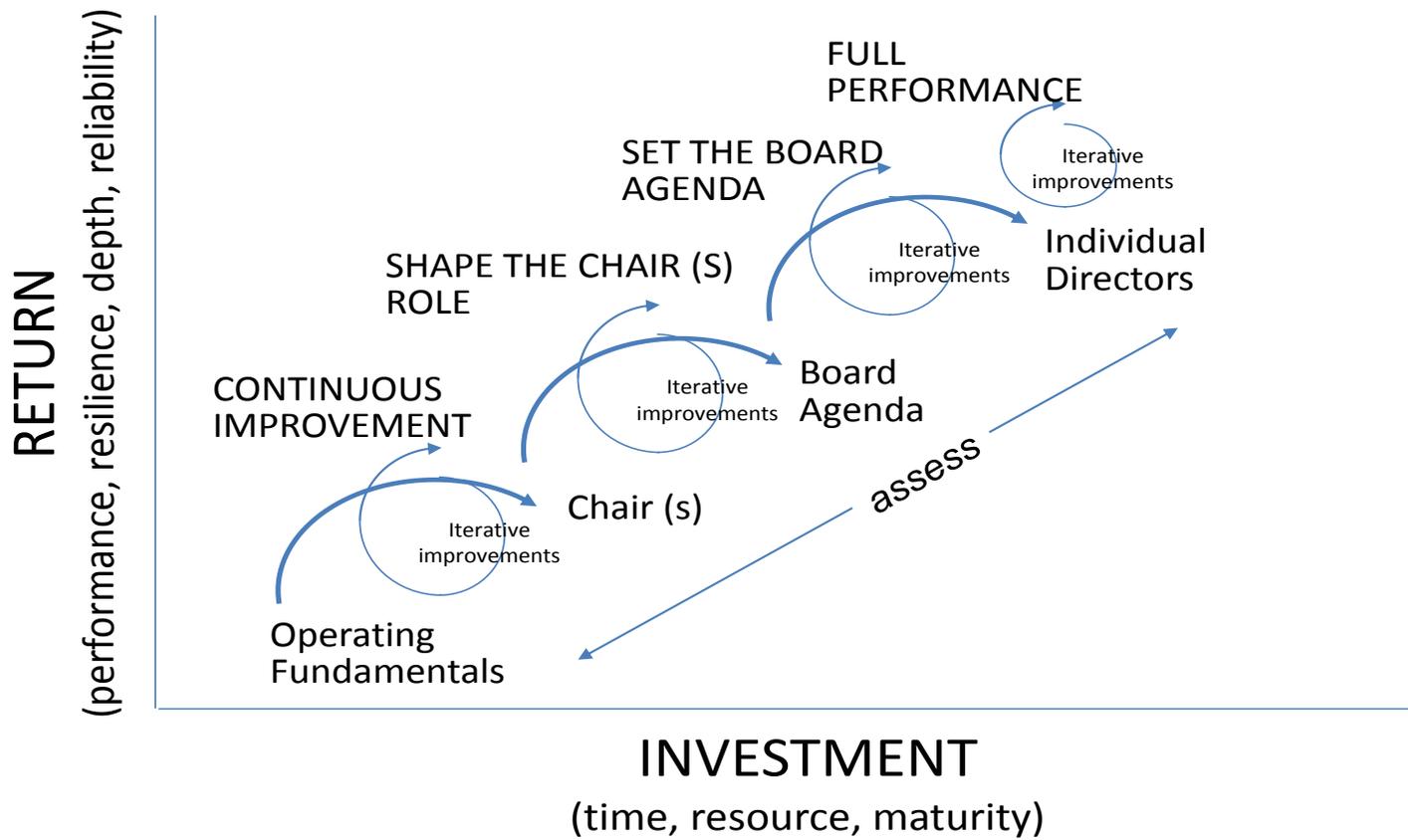


Figure 1: Board Assessment Maturity Curve

How many of you:

Do annual or bi-annual board evaluations

Do Chair or leadership evaluations

Do director evaluations

Do board education

Questions?