



insights

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JULY 2007

A PUBLICATION BY BRIDGE PARTNERS, LLC

WHO WILL SERVE ON THE BOARDS OF THE FUTURE?

Why a diversity of thought and experience is vital

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Sadly, the statistics speak for themselves – in 2007, US public boards still lack diversity of gender, ethnicity and international exposure. The “excuse” is usually a poorly conceived one of supply and demand, but the reality is that diversity challenges on boards are likely related to unwillingness to look outside the traditional pool of candidates.

The process for recruiting a “traditional” CEO board candidate is different from that to recruit someone who falls outside that well-networked group, someone who may not be on the radar. Specific to diversity, it’s a question of knowing where to look and having access to the best candidates, coupled with a willingness on the behalf of the Nominating Committee to look beyond individuals who already serve on several other boards. Those board directors may seem a safe bet but they bring their own set of challenges with regard to availability and potential conflict of interests.... and each of the board members who serve on multiple boards today, started with just one.

Going back to basics, the business case for diversity on boards is as clear as the case at every level of the organization: 1) good governance requires diversity - the more uniform a corporate board is, the more likely its members will think and act the same, making them less likely to



challenge the status quo; 2) many institutional investor groups are now including the diversity of board members as a desired “good governance” policy - a representation of the interests of all stakeholders, including shareholders but also customers, employees, suppliers and the communities that the organization impacts; 3) stakeholder groups are insisting upon higher standards of corporate governance, including a contribution to broader societal goals – a board that reflects differences in attitudes, approaches, backgrounds ideas and affiliations, will show stakeholders that corporate leadership is both appropriate and aware; 4) as companies globalize, cultural diversity becomes just as important in understanding customers, recruiting and retaining employees, and maintaining strong corporate growth.

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“[Diversity] is necessary to avoid the perils of ‘groupthink’ in appointing a CEO or a CFO, and in strategic planning....[groupthink causes] the board to avoid hard questions or otherwise rock the boat...The point is that groupthink is less likely in the presence of diversity and with diversity as an avowed goal.”¹



OPPORTUNITIES TO INCREASE DIVERSITY ON CORPORATE BOARDS:

An Increase In Number of Board Seats Available To Outside Directors – the SEC, NYSE and NASDAQ all proposed variations on an increase in the number of “independent” outside directors, leading to new opportunities for outside executives. In 2006, US corporate boards had an average of 1.59% inside directors per company, and 6.96% outside, “independent” directors per company.

“It’s important for companies to have access to the thinking and the experiences of Hispanics, of women, of African Americans and Asian Americans....As a board member, first and foremost you have responsibilities to the shareholders.....I feel, though, that it’s important to add to that my experiences that others may not have had. It’s a delicate but very important balance we have to strike.”

*Vilma S. Martinez, a Los Angeles-based attorney who sits on the boards of Anheuser Busch, Burlington Northern Santa Fe Corporation and Fluor Corporation*²

A Decrease in Multiple Board Directorships - while this creates an increased challenge in filling board seats with experienced Board Directors, it offers significant opportunity for new outside executives. In 2006, the Corporate Board Member/PwC report calculates 33,110 directors held just one board seat; only 671 individuals held more than 4 board seats; the 10th Annual Corporate Board Effectiveness Study 2006/2007, conducted by the USC Center for Organization Effectiveness, states that 40% of boards surveyed have placed an upper limit on the number of boards that their independent board directors can serve on – a dramatic increase from

3% who responded affirmatively to the same question in 2001.

A Broader Candidate Pool - as a result of the increased accountability placed on boards, typical candidate profiles appear to be shifting from the traditional pool of (relatively homogenous) US corporate CEOs, to include a more diverse pool of potential Board Director candidates, including reports to the CEO, academics, and international executives. One report, entitled “Who’s on Board” (by Eugene H. Fram and William J. Stevenson) states a 30% decline from 2002 to 2006 in the number of Fortune 500 outside directorships held by CEOs; another report they reference looks at companies in the Standard & Poor’s 500-stock index over the same period and found a 38% drop in new outside CEO directors.

Proactive Recruitment - the need to attract and recruit a more diverse range of potential board candidates has required a board to reach beyond their own networks and the traditional recruiting-grounds of other public boards. The more leading-edge organizations are proactively broadening their outreach by proactively requesting a diverse slate of candidates for each and every board seat opening, often utilizing the expertise of a niche executive search firm.

q&a

An Insight Into Boards and Diversity

CHARLES M. HERINGTON



Charles M. Herington is a member of the Board of Directors of Molson-Coors Brewing Company (NYSE: TAP) and NII Holdings, Inc. (NASDAQ: NIHD, formerly Nextel

International) and, until its acquisition in 2007, also served on the Board of ADVO, Inc.

He has served as SVP Latin America for Avon Products, Inc. since 2006. Charles has 25 years of experience working in Latin America with major brand name consumer marketing companies. From 1999, he was President & CEO of AOL Latin America, where he launched AOL in that region following a brief appointment as president, Revlon Latin America. His previous career included PepsiCo Restaurants International where he rose to become Regional Vice President, KFC, Pizza Hut and Taco Bell for South America, Central America and the Caribbean. He also served on PepsiCo’s corporate operating council. During the 1980s, Mr. Herington held a series of increasingly responsible positions in product marketing at The Procter & Gamble Company in a number of Latin American markets and Canada.

FOOTNOTES:

¹ “No Seat at the Table: How Corporate Governance and Law Keep Women Out of the Boardroom” – Douglas M. Branson – New York University Press, 2007

² “On the Corporate Boardwalk” – Hispanic Online

³ “Leading Diversity in the Boardroom” – Corporate Responsibility Officer

How were you introduced to/recruited to your current Boards?

My total experience with boards consists of 3 boards of publicly traded companies, 1 board of a private company, and 1 board of a not-for-profit organization. In the case of the public companies, in all three cases I was approached by executive search firms, who interviewed me and coordinated my discussions with the companies. In the case of the private company and the not-for-profit organization, they directly targeted me as someone they wanted to attract to their board.

What attracted you to your Board roles?

In all cases, there were four key elements that attracted me:

- 1) I was interested in the nature of the activity the company or organization was involved in;
- 2) It was a company or organization that I admired
- 3) I was thoroughly impressed with the people that I met, whether management or members of the board
- 4) After learning more about each, I was of the opinion that each of these organizations had a bright future, and there were ample growth opportunities.

How did you prepare to become a Board director?

In several ways. First, as CEO of a publicly traded company, I had to learn as much as I could about corporate governance, and the duties of the board to be in a position to educate my own board. In addition most other boards also have segments in our meetings to update directors about new developments, or regulations and best practices. Constant research, reading and learning about each company, its industry, and competitive environment, as well as the business practices, strategic direction and business performance is also a requisite. And finally, a combination of formal board education (which I have of course attended), and reading corporate governance publications are also very helpful.

In your experience, how do Boards recruit new Board Directors?

Given the increasing importance of independence among boards, in my experience most searches are conducted through executive search companies. An exception would be if a board wants to target specifically a certain skill-set or background that could reduce the universe to a handful of individuals.

What is the make-up of your current boards with regard to diversity?

We have most groups represented in my boards. Specifically talking about minorities, there are women on all of the boards that I serve on. Through me there is Latino representation; and while we do have some African-American members, I would say this is the most under-represented segment.

Is there/has there been a formal discussion around increasing diversity at Board level?

There is always a dialog in each of the boards around increasing diversity, especially if there is any level of activity to either increase the size of the board or replace a member. But the basic talent and skill-set of each individual are still primary considerations.

What do you and your fellow Board members consider to be the drivers for diversity at Board level?

The belief that it is through diversity that we will reach the point of abundance of thought, presenting us with the optimum solution for any situation.

What advice would you offer to Boards who are trying to increase their diversity?

There are many highly-qualified terrific people coming from minority groups. It may be a little tougher to find them, but the extra effort to uncover them will be well worth it, especially in the long run.

What advice would you offer to individuals who feel that they have the appropriate skill-set to serve on a public-company Board?

The most important part is to focus on your career (your own business), and ensure that you are excelling at it. Also, if you have great achievements, don't be bashful about them!! In addition, starting to get prepared is a strong second step. Some ideas to start getting prepared are: a) join a not-for-profit board; b) take a formal director education course; c) join the National Association of Corporate Directors, and subscribe to publications of interest such as "Corporate Board"

A. DAVID BROWN



David Brown serves on the Board of Directors of Selective Insurance Group (NASDAQ: SIGI). He has previously also served on the Boards of Zale Corporation (NYSE: ZLC) and Hanover Direct, Inc (prior to its acquisition in 2006). From 1987 to 1992, he was a member of Macy's

Board of Directors.

David currently serves as SVP Human Resources at Linens 'n Things, controlled by Apollo Management LP. He was previously a Co-founder of Bridge Partners LLC and spent several years leading Whitehead Mann's Retail and Diversity practices, and Korn/Ferry's retail/fashion

practice. Earlier in his career, David served for 12 years as SVP Human Resources for R.H. Macy & Co, Inc, where he was responsible for the human resources/labor relations function affecting 50,000 employees in five divisions in the US and 17 foreign buying offices.

How were you introduced to/recruited to your current Boards?

Either through Trustees from non-profit boards on which I served, or through Former

senior executives with whom I worked.

What attracted you to your current Board roles?

The experience of oversight responsibility and strategy of running a public company at the highest level, also the nature of the businesses - retail where I had experience and insurance where I had none.

How did you prepare to become a Board director?

I have served on several Non-Profit Board, which gave me an insight. I also worked through training packages



prepared for a Director's orientation/responsibilities and spoke with existing Board Members. In addition, I consulted with legal experts to determine liability.

In your experience, how do Boards recruit new Board Directors?

Of course, word-of mouth plays an important role but, now more than ever, through search firms who will be more selective, objective and seek the right skill-sets.

What is the make-up of your current boards with regard to diversity?

My current Board has 12 members, including 1 woman, 1 African American (me); my other most recent Board had 9 members, including 1 woman, 1 African American (again, me).

What do you and your fellow Board members consider to be the drivers for diversity at Board level?

Competence and experience related to skill sets they are looking for, markets they are looking to drive and employee base.

What advice would you offer to Boards who are trying to increase their diversity?

Hire a search firm!

What advice would you offer to individuals who feel they have the appropriate skill-set to serve on a public-company Board?

- Be careful and thorough.
- Do your due-diligence, prepare and understand the company and the sector (governance, legal, etc.)
- Get some non-profit/advisory experience.
- Get to know some recruiters.
- Stay current with governance issues.

"Every board needs to look at the world through other people's eyes. The world is changing and you are more likely to see it coming if you have diversity on your board. That means diversity of experience – cultural background and gender."

Dr. Cheryl Shavers, former Under Secretary of Commerce for Technology at the US Department of Commerce who sits on the boards of ATMI, Inc and Rockwell Collins ³

FOR POTENTIAL BOARD DIRECTORS...



A well-run board should have a mixture of experience and skill-sets. Companies are no longer focusing their board director search just on individuals who serve, or have served, as Chief Executive Officers.

Requirements for “financial experts” on every audit committee has given rise to a drive to recruit Chief Financial Officers but, as well as finance, there are a number of specific skill-sets that a board ought to seek, including international experience, technology experience, acquisition integration experience, and outsourcing experience, to name but a few.

The benefits of serving on a board – why it’s worth the time and commitment:

- Exposure to visionary leadership.
- Exposure to ideas and approaches from outside your industry.
- Opportunity to learn about a new industry
- While due diligence can minimize exposure to reputation-harming Board opportunities, they can also be reputation enhancers.

A first board experience will often lead to others - how to position yourself for a Board role:

- Develop a personal reputation for best practice.
- Innovate in your function or your industry
- Network - let others know of your intentions, experience and abilities. A Board search is generally more subtle than a regular job search, it takes time to cultivate these networks, so be patient.
- Build on your resume – undertake volunteer activities, join industry associations, speak at industry events, become an “expert” for industry press.
- Take on a non-profit or advisory board role.
- Take part in Director-training programs and learn about corporate governance issues.



- Work out a plan – target a sector, industry or type of company (high growth, international etc) that balances your interests and experience.

When considering specific board roles, some do’s and don’ts:

- Don’t ignore opportunities in smaller high-quality companies.
- Don’t focus only on public companies, many private companies use public company approaches
- Do establish the number of board meetings per annum, and their location. Ensure that you have the time to fully-commit.
- Do as much due diligence on the company as possible – remember it’s your reputation on the line.
- Do check D&O coverage, don’t put your personal wealth at risk.
- Do look for a visionary Chief Executive Officer and fellow Board members
- Do develop a personal comfort level, with the culture of the firm and the corporate strategy.

FOR THE NOMINATING COMMITTEE...



As a Nominating Committee you are charged with identifying and attracting the most appropriate, highest caliber candidates possible

Best practice should dictate that the Nominating Committee develops a formalized protocol that standardizes the criteria for assessing the skill-sets, experience and appropriate fit of potential qualified Board candidates, a process that specifically strives to attain a diversity of backgrounds, viewpoints, knowledge and skills.

To achieve success in such an effort, vision and a willingness to divert to a new approach are necessary. A Nominating Committee should take into account that qualified but often overlooked candidates may be found in a wide variety of organizations and sectors. A proactive search and outreach to potential candidates in a variety of areas should then be undertaken. In addition to the traditional corporate environment, these areas should include non-profit organizations, government, academia, private businesses, international environments, and non-CEO functions.

How to put the theory into practice:

- Develop a standardized assessment protocol – one that is consistent in assessing the skill-sets, experience and appropriate fit of potential qualified board candidates.
- Spend time identifying gaps or specific needs on the board - identify skill-sets that may lie outside the traditional pools of candidates.
- Build a consultative relationship with a search firm in advance of your board need, develop a dialog with the search firm that allows them to understand “what works” in your company environment. In the past CEO’s made initial contact with potential board members but today it is more effective and appropriate to engage the services of experts.
- Reach out to, and form alliances with, organizations or groups that represent the interests of women and minorities, or have an international focus.
- Review/update recruiting process periodically.



- Build a relationship with potential board candidates, over a period of time, to allow both parties to gain a full understanding of cultural and skill-set fit.

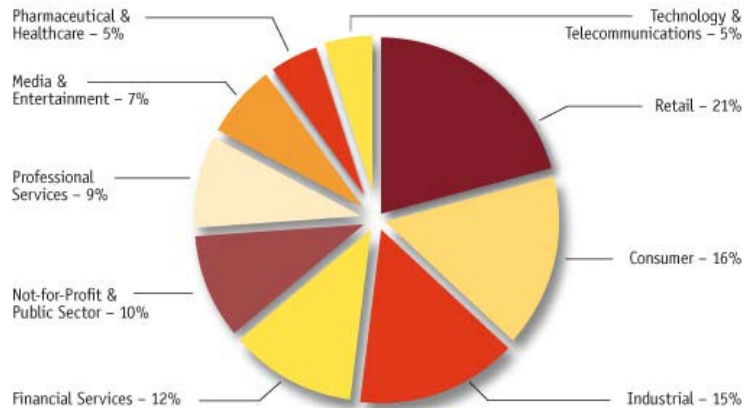
So, if not standing CEO’s, where are these potential board candidates?

- Retired Chief Executive Officer’s from both public and private companies, of varying sizes, bring experience and will have more time to commit.
- Chief Financial Officers, divisional finance executives, Controllers, or retired Managing Partners of audit/accounting firms, bring financial acumen.
- Individuals who are still “in the pipeline” within a corporate environment i.e. have not yet reached the C-suite are demographically more diverse and will often have the drive and commitment that comes with ambition.
- Look for specific expertise and skill-set, rather than a particular title - finance, international exposure, investor relations, legal, acquisition integration, multicultural marketing, chapter 11 experience etc.

A SELECT CLIENT LIST

ADVO, Inc.
American Eagle Outfitters, Inc.
Barnes & Noble, Inc.
Brown Shoe Company, Inc.
Campbell Soup Company
Cendant Corporation
Children's Place Retail Stores, Inc.
Colgate-Palmolive Company, Inc.
CVS Corporation
Federated Department Stores, Inc.
Foot Locker, Inc.
General Electric Company
GNC Corporation
Jackie Robinson Foundation
Jimmy Choo
Karabus Management
Lucent Technologies, Inc.
Medco Health Solutions, Inc.
Merrill Lynch & Co., Inc.
Prudential Financial, Inc.
Schering Plough Corporation
Sodexo, Inc.
Starwood Hotels & Resorts
Worldwide, Inc.
Sullivan & Cromwell LLP
Tommy Hilfiger Corporation
University of Medicine & Dentistry
of New Jersey (UMDNJ)
University of Pittsburgh Medical
Center (UPMC)
USAA
The Walt Disney Company
Wyeth Pharmaceuticals, Inc.

INDUSTRIES WE SERVE



ABOUT BRIDGE PARTNERS LLC

Bridge Partners LLC is a retained executive search firm with an unrivaled ability to successfully and efficiently execute senior search assignments, bringing to each project a focus on ensuring that our clients are presented with a diverse slate of candidates.

Our reputation has been built on consistently achieving superior results in the execution of our assignments. We are dedicated to a client-driven process and believe that process is maximized by partnering with the client organization on a relationship-driven, long-term basis. Bridge Partners LLC maintains the highest level of ethical standards and integrity with both clients and candidates by placing their interests first and ensuring that our methodology and process is transparent during the entire search process.

DIVERSITY-INCLUSION

We know diversity is a business imperative. As a minority-owned business, it is an intrinsic component of what we do. It is a core value of Bridge Partners LLC and is embedded in every aspect of our culture and practice.

We provide a higher level of service and raise the degree of expectation regarding inclusion in our candidate slates. We recognize that ability is the top priority, regardless of race, gender or any other defining characteristics and our track record of successfully attracting and placing senior level diversity candidates proves our ability and commitment to building our clients' management strength and social responsibility.



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DIRECTORSHIP INSIGHTS

WWW.DIRECTORSHIPINSIGHTS.COM

Directorship Insights enables senior professionals who have an interest in being considered for board seats to access relevant information that will help them understand the intricacies and challenges of serving on a board. It will also demonstrate to clients that there is a broad population of untapped leadership talent that is eager and qualified to help guide organizations of all types and sizes.

WWW.DIRECTORSHIPINSIGHTS.COM

The Directorship Insights service was developed as a result of numerous requests from senior diverse professionals in our executive search network who have a desire to sit on boards, coupled with the inability of many corporations to reach out to these talented professionals.

Studies conducted by the Executive Leadership Council and Catalyst show that representation on corporate boards has increased over the last ten years however, the pace has been dismal. Sadly, many corporations continue to employ the same techniques and resources to attract board directors that they have used in the past, and this approach has not produced results that reflect their increasingly diverse market or employee population.

This slow pace of change can no longer be explained by the lack of qualified people of color and women. There are many talented diverse professionals that populate the senior levels of corporations with the necessary skills, integrity, experience and understanding of corporate governance to be effective board members. Rather, the challenge lies in an organization's lack of ability to recognize these professionals and make the proper connection to them.

Directorship Insights aims to help organizations connect with these professionals.