

CFO Breakfast Panel Notes (10.17.19)

Laying the Groundwork Now to Secure a Future Board Seat



Moderator:

- **Greg Vlahos**

- Leads PwC's Northern CA Pharmaceutical and Life Sciences industry group
- Partner with 30 years of experience and a CPA; provides services to public and privately-owned biotechnology and medical device companies worldwide

Panelists:

- **Tim Barabe**

- Former CFO at Affymetrix, Human Genome Sciences, Molnlycke Health Care Limited, Sandoz, CIBA Vision
- Current Boards: Selecta Biosciences, Veeva Systems, ArQule, Vigilant Biosciences, and Project Open Hand (3 public, 1 private, 1 non-profit board)

- **Chris Lowe**

- CFO at Cortexyme, Managing Partner for FLG Partners, Board Member at EpiBiome
- Former Board Member for Hansen Medical, Pacific Pharmaceuticals, Asante Solutions, and Inspyr Therapeutics

- **Bob McNamara**

- Former CFO at LDR (now Zimmer Biomet), Accuray, Somnus Medical Tech, Target Therapeutics)
- Current Board Member at Axonics Modulation Technologies and Xtant Medical.
- Former Board Member for Northstar Neurosciences

- **Smital Shah**

- CFO & CBO for ProQR Therapeutics
- Current Board Member for Pliant Therapeutics

- **H. Ward Wolff**

- Former CFO for Abgenix (Amgen), Nuvelo, Sangamo Therapeutics
- Current Board Member for Calithera Biosciences, Sunesis Pharmaceuticals, Portola Pharmaceuticals
- Former Board Member for MAP Pharmaceuticals and Sangamo Therapeutics

Summary:

- Most Board seats are filled through networks and not through formal searches
- When considering a Board seat, take the time to talk to the management team and understand the company as thoroughly as possible
 - Ask yourself how can I contribute to the Company?
 - Remember, it is a two-way street
- Do your due diligence on the Company, Board, and Executive Management Team
- Lots of focus on diversity on Boards today – however, you don't want to be selected for a Board to simply “meet a diversity goal.”
- Get to know the Chairman of the Board and how he/she manages the dynamic
- Consider the dynamic of the other Board Members (VCs, independent advisors, etc.)
- Gain as much relevant transactions experience as possible to qualify as a Board Member:
 - M&A, IPOs, fundraising, etc.
 - Prior Board experience helps (Private & Non-Profit Boards included)
 - Stay in contact with all key stakeholders whom you have worked with as a CFO (they will be the network helping you to obtain a board seat)
- Audit Committee is the first Board role most people with a finance background take on
 - Likely can transition to other committees over time with more experience
 - CFO experience is applicable to all committees
- Beware of Boards (esp. private and non-profit) that believe you can leverage your CFO experiences as a Board Director to completely reverse their fundraising challenges
- Serving as a Board Member is a greater time commitment than most initially think:
 - Generally, the smaller the Co., the more of a time commitment it's going to be
 - Serving on an Audit Committee, you'll spend a lot of time
 - It's not just the quarterly Board meetings and Committee meetings that take your time, consider time spent on: prepping for the meetings, board education, mentoring management, interviewing candidates for executive positions and Board seats, dealing with unexpected crises at the Company (e.g. whistleblowing complaint, cybersecurity breach, activist investors)
 - Efficiency of the management team will majorly affect the time and commitment (how quickly do they prepare packages, can they anticipate questions, etc.)
 - If you are an active (not yet retired) CFO, you may face opposition from your CEO about joining a Board due to the substantial time commitment
- When should you commence the process of seeking out your first Board role?
 - Some on panel believe you should start process of looking when you are still a sitting CFO and before you retire (easier to get your first public company board opportunity while still an active CFO)
 - Another panelist believes it can be more challenging to get board seat if you are a sitting CFO (due to time commitments and potential opposition from your CEO)
 - You should take recruiter calls about Board positions to investigate opportunities
 - It's wise to re-work your resume and LinkedIn profile to show a Board focus
 - Once you have “broken through” and joined one Board, it's less difficult to add other board seats (similar to breaking through with your first CFO role)

- As a Board Member, what are your best practices for working with the CFO?
 - As a Board Member, don't micromanage; it's not your job to run the company
 - But do spend time advising/mentoring the CFO
 - You should let the CFO know what questions you will ask in advance so they can be fully prepared for upcoming meetings (avoid any "gotcha moments")
- How do you contribute as a brand-new member of the Board?
 - It's important to offer your thoughts from the very beginning
 - Don't hesitate to speak up and share your perspective early on
- How do you navigate insiders' vs independent board members' motives?
 - Find a balance in decision making because you'll get different answers depending on the board member's motives. For example, in picking a bank:
 - Insiders - will want to use their relationship for banking
 - Independents - will care about the analyst and less about the relationship
 - VC Board Members typically want to drop off as soon as possible after an IPO
 - Agendas are different for those who are early stage vs late stage investors
- How many board roles can you realistically handle if you are still a sitting CFO?
 - Consensus: 1 Board role when you are working as a CFO
 - Could potentially take on 2 Board roles as active CFO if you have considerable experience and can be ultra-efficient (end stage of CFO career), but may run into scheduling issues
- How many board roles can you take on if you are a retired CFO?
 - Depends on the individual, but err on the side of "less is more" until you are a very seasoned, confident Board Member
- PwC recently released its 2019 Annual Corporate Directors Survey which found that 49% of Directors feel 1 person on their Board should be removed. Thoughts on this statistic?
 - Let your CEO know if you believe someone should be removed from the Board
 - Generally, it's apparent as to who is contributing on the Board and who's not
 - Go confidently through nominating/governance committee to pick/vote on new members/replace members
 - You may have difficulties removing a Board Member depending on the relationship of that person to the CEO (especially challenging to remove a Board Member who is a consistent "yes" vote to the CEO)
- PwC's survey found that 43% of Directors say it is difficult to voice a dissenting view on at least one topic inside the boardroom. Feelings on this statistic?
 - That's a surprise since most Board Directors aren't shy to share their opinions
- PwC's survey found that 83% of Board Directors do not support laws mandating gender diversity on boards
 - People generally don't like being mandated to enact change
 - Something to keep in mind: majority of those surveyed are male
- What are the top items that boards are spending time on?
 - Strategic direction of the company, management of talent, retaining talent (and having pipeline in place), crisis management

- What is the greatest difference between serving on a private vs public company board?
 - Private company = less risk; when considering a board seat, look at risk profile
 - Complexity of the work is greater sitting on a public company board
 - But, if you're a good private co. board member, you'll likely be a solid board member for public co. too