



GETTING BOARD READY – MODULE 3: YOUR BOARD IMPACT

BIOZEST INC.

FACT SITUATION

- **BIOZEST Inc.** (the “Company”) manufactures personal protective clothing and air purifying respirators for use in critical healthcare and infection control facilities. Biozest products are designed to provide the highest level of protection for employees against infectious diseases and are certified medical grade. Biozest products are used by companies in the life science and healthcare industries and undergo rigorous testing prior to market release to ensure they are proven safe and effective. The Company is widely respected for delivering high quality products and services and serves as a trusted partner with its customers throughout North America.
- The Company has been in existence for almost 20 years and went public on the TSX in July 2014 and has had marginal revenue growth since 2014.
- The current CEO has been in office for 5 years.
- In 2019, a CEO Succession Plan was put in place that included a 3-year plan for development of a successor. Two internal candidates were identified as potential CEO successors in 2019.
- Biozest has experienced a significant increase in demand for its products and corresponding revenue growth since January 2020.
- In January 2020, the Board of Directors (the “Board”) approved a Strategic Plan (the “Strategic Plan”) that projects significant revenue growth outside North America concentrated in the Asia-Pacific region.
- From the onset of the pandemic, the Board has supported the management team through guidance and candid advice (and personal support when requested). Biozest put a crisis management team in place to address employee health and safety and interactions with suppliers and customers. The management team has also developed a crisis-operating model that can scale as pandemic issues escalate and strategic responses to different scenarios across multiple time horizons. The management team regularly reviews the strategic

crisis plan with the Board. The Board has recognized the need for a CEO with crisis leadership and high agility traits.

- As part of the strategic planning process, the Human Resources and Compensation Committee (the “HRCC”) of the Board identified new CEO attributes and a corresponding CEO compensation package that would meet the company’s future growth and execution of the Strategic Plan (plus crisis leaderships and agility attributes).
- In May 2020, based on the work of the HRCC, the Board approved the new CEO attributes and a proposed CEO compensation package that would meet the Company’s future growth and execution of the Strategic Plan. The Board further determined that, even though it has had limited exposure to the internal candidates who were identified as potential CEO successors, nor a clear understanding as to how they stack up against the new set of attributes/requirements, that the two internal candidates remain on the list of potential CEO successors
- The board had also expressed concern that there might be better external candidates that should be considered to execute on the Strategic Plan.
- The Company retained Apex Executive Search Firm and initiated a confidential CEO search to gauge potential external CEO candidates; one potential CEO candidate has been approached, without sharing information about the Company
- Also of note, a current Board member previously served on an Advisory Board to the Company (to provide strategic advice and guidance to the CEO) prior to the company going public on the TSX. Additionally, this Board member (identified as Candidate C) has considerable knowledge and expertise with regard to the business of the Company as well as the industry within which it operates and previous senior executive leadership including CEO experience.
- HRCC and the Board acknowledged that the inclusion of Candidate C (or any Board member) as a successor CEO (interim or otherwise) would create a natural conflict of interest. The HRCC followed an abbreviated selection process for Candidate C in order to confirm Candidate's C's qualifications and also solicited views of other directors prior to adding Candidate C's name to the pool of candidates. The HRCC and Board anticipate that in the event the Board turns to Candidate C either as interim or permanent CEO that Candidate C would step down from the Board. Candidate C is not a member of the HRCC.

- The current CEO has met an unfortunate accidental death and the Board must now address the CEO situation, earlier than intended.
- The HRCC and representatives of the senior management team met on an emergency basis in advance of the Board meeting to review the CEO situation and prepared a briefing to the Board based on that meeting.
- The Board has called an emergency Board meeting