Diligent

The road to IPO starts now

7 steps for going public the right way

Implement the right governance processes today, and reap the rewards tomorrow.

Going public brings new demands regarding financial transparency and regulatory compliance — and new scrutiny from shareholders, stakeholders and regulators. Yet nothing prepares a company for long-term success better than having the right governance in place, before the IPO. Since the IPO process can take up to two years, ignore day-to-day market volatility and begin getting your company's affairs in order now. Follow these steps.

1. Build a high-performing board

Resist the urge to appoint executives as directors. Instead, populate your board with the right mix of expertise, tenure, age and gender to guide your company through any challenge.

- [ ] Create a skills matrix to evaluate your current and desired board composition and identify gaps.
- [ ] Recruit candidates who understand your stakeholders' expectations and have in-demand skills, particularly in areas such as ESG and cybersecurity.
- [ ] Tap established networks and tech-enabled databases for candidates, including non-executive directors (NEDs).

2. Protect your organization with best practices in security

Show stakeholders that company leaders are well-equipped with strong security practices, even when meeting remotely or in hybrid situations.

- [ ] Implement a secure board portal for storing, sharing and collaborating on board and committee meeting materials.
- [ ] Avoid hackable corporate and personal email systems by utilizing a secure messaging app for sensitive director and executive communications. Ensure the app can be easily wiped in the event of a lost or stolen device.
- [ ] Use a secure file sharing system for collaborating with trusted third parties such as auditors, attorneys and consultants.

3. Ensure SOX compliance

The Sarbanes-Oxley Act (SOX) stipulates several legal and compliance requirements, which can include filing specific reports. Get a head start by implementing a strong internal controls framework to comply with SOX now.

- ☐ Assemble your SOX compliance team — including chief compliance officers, auditors and risk management teams — and account for the roles of clients and external reviewers.
- ☐ Develop a structured program for SOX 404, which requires management and auditors to report the accuracy and adequacy of their internal controls.
- ☐ Put Section 302 certifications on your radar for quarterly reporting. Keep track of who needs to sign them and how you'll manage the process.

4. Align executive compensation to your company's values – and shareholders' expectations

To reward sustainable value creation, pre-IPO companies must design a sound compensation framework that reflects the organization's values and is overseen by a fully independent compensation committee.

- ☐ Form an executive compensation committee with directors who understand compensation best practices and your company's pay-for-performance philosophy.
- ☐ Implement controls to confirm the committee's independent oversight.
- ☐ Use a technology solution that provides compensation modeling and insights into investor expectations.

5. Prepare for ESG disclosures

With so many new disclosure mandates — from the E.U.'s Corporate Sustainability Reporting Directive to the SEC's proposed climate rule — now is the time to get serious about tracking and reporting ESG data.

- ☐ Research the ESG frameworks, requirements and best practices for your industry and jurisdictions.
- ☐ Implement a technology system for collecting, tracking and monitoring ESG data.
- ☐ Develop a plan for ESG reporting and the overall ESG story your company wants to tell.

6. Complete D&O questionnaires

Directors' and officers' (D&O) questionnaires can be very detailed, with steep penalties for incomplete or inaccurate submissions. Fill these out accurately pre-IPO, and then on an annual basis.

- ☐ Identify the directors and officers who will need to complete D&O questionnaires.
- ☐ Develop your question list based on the requirements of relevant exchanges and jurisdictions.
- ☐ Distribute, store and compile questionnaires efficiently and securely by utilizing a technology solution instead of time-consuming paper-based forms.

7. Streamline entity management

Because even one noncompliance incident can result in huge fines and reputational damage, you'll want to vet your entities' finance, accounting and compliance data well in advance of an IPO.

- [ ] Build an entity management team, with an external auditor and an internal audit committee.
- [ ] Research the entity data requirements for relevant exchanges and jurisdictions.
- [ ] Put systems and controls in place for collecting, reviewing and reporting all required entity data.

Set up a meeting with Diligent to learn about common requirements, best practices and technology solutions that can prepare you to go public.

Request a meeting

About Diligent

Diligent is the global leader in modern governance, providing SaaS solutions across governance, risk, compliance, audit and ESG. Empowering more than 1 million users and 700,000 board members and leaders with a holistic view of their organization's GRC practices so they can make better decisions, faster. No matter the challenge.

For more information or to request a demo:

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