

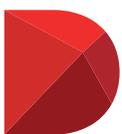


How Board Administrators Can Lead the Digital Transformation in the Boardroom

Enabling the Corporate Secretary and the General Counsel to Improve Governance Through Technology

The landscape of board operations is changing dramatically as the impact of digital transformation and new technology changes every aspect of an organization. This transformation will cause tremendous upheaval in the status quo. As John Chambers, former Executive Chairman of Cisco, noted, “At least 40% of all businesses will die in the next 10 years ... if they don’t figure out how to change their entire company to accommodate new technologies.”¹ However, technology alone is not the answer. Rather, it is how it is used to drive benefit to the organization that matters most, especially as new tasks and responsibilities emerge in digital businesses, for corporate boards.

Enterprise Governance Management (EGM) describes a new corporate discipline, utilizing modern technology to deliver the tools that support the board and its activities. Effective EGM is essential to allowing the board to move from a meeting-centric orientation to more continuous interaction with the organization, typical in a high-speed digital business. Another key demand is to enable new directors to engage in new activities. It is a given that the number of tasks or activities that directors participate in will expand dramatically as they become more engaged. The board will have more issues to cover, things to know and things to do, while becoming more agile and quicker to react through the use of the right governance technology.



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1. <https://www.businessinsider.com/cisco-chairman-john-chambers-has-idea-to-create-1-million-us-jobs-a-year-2015-9>

Improvements in security, confidentiality and compliance for information and documents used within boardroom technology are also what encompasses EGM. Cybersecurity and information protection are two of the most important internal issues for the board. This includes both the organization's data and the sensitive information used by the board.

For most organizations, EGM is a set of disciplines that enhances board functions through technology, specifically those aimed at improving governance. A clear description of EGM is essential to understanding its importance. Diligent has created an excellent definition:

Enterprise Governance Management (EGM) is the discipline of applying technical tools and resources to the full range of governance needs to govern at the highest level and to deliver long-term success and sustainability for the board.

The emergence and development of EGM is driven by the meta-trends that are changing the face of business. For example, digital transformation is enabling the “disruptor phenomenon,” where a single new process or service can change well-established businesses and markets. Boards need to be more agile and in constant communication to provide counsel and insight as the rate of “disruption” increases. It is no longer possible to wait for formal meetings to make decisions or to take action. And as the breadth of board activities increases, it is critical to have one system or portal where all board activities are housed to support the EGM discipline.

EGM is central to defining the board-centric governance solutions and next-generation technology platforms, such as Diligent's Governance Cloud, that will be used to improve corporate governance. The employees driving EGM will often rely on external application and service providers. Speed is one reason. Another is that board administrators are already overloaded with other projects, and need more support to help improve board functions and governance.

THE GENERAL COUNSEL AND CORPORATE SECRETARIES WILL DRIVE THE MOVE TO EGM

The general counsel (GC) and the corporate secretary are perhaps the most critical parties in helping an organization define and implement good governance and boardroom technology. GCs and corporate secretaries have historically been very involved in board operations. Extending their purview into the new EGM discipline provides continuity and consistency, ensuring that new capabilities and workflow tools will fit seamlessly with current processes and technologies in use.

These two parties are also deeply entrenched in ensuring that the board maintains continuity and consistency when new directors are put in place. Processes and tools that EGM identifies as important should greatly simplify the process of onboarding new directors. Rather than forcing new directors to master many different processes and systems, effective EGM will likely utilize a technology suite like the Governance Cloud that will help drive essential board activities and house essential information in a single platform. This will make it much easier for new directors to complete their tasks. GCs and corporate secretaries will also identify specific needs for individual directors, such as mobile usage, usage on different types of devices, or other unique needs to ensure that Diligent's Governance Cloud can support their growing needs. This enhances the director's impact on and value to the organization.

Ensuring that EGM delivers the best results requires some homework on the part of the GC and the corporate secretary. To bring the benefits to fruition, they must ensure that the Governance Cloud capabilities are strongly aligned to their governance needs.



PREPARING THE BOARD FOR THE 21ST CENTURY – GOVERNANCE CLOUD

To support the staff driving and implementing the right governance tools, you need a technology solution that supports the key elements of EGM described in the preceding chapters. This set of digital tools or Diligent's Governance Cloud is a centralized suite of secure digital tools that supports the tasks and processes for a board of directors using a cloud-based IT architecture. Governance Cloud is a new concept encapsulating all of the offerings from Diligent. The true definition of it is:

An integrated enterprise governance management solution that enables organizations to achieve best-in-class governance and is an ecosystem of software tools

that digitizes the various activities and tasks for the board of directors. As organizations grow more complex and regulations more stringent, the scope of governance responsibilities evolves. The Governance Cloud allows boards of directors to meet the demands in the boardroom and beyond with the ability to select the products they need to help them perform their best and do their best work.

The Governance Cloud ecosystem allows business leaders to ask better questions, gain deeper insight and add value as they react to the fundamental changes, across industries, that impact the board. It is also important to note that Governance Cloud is aligned with the fundamental shift to cloud-based digital IT architectures. Cloud systems can be used anywhere on any device. And the organization pays for only the services it uses, rather than making a much larger investment to build on-premises infrastructure. And when there is a spike in demand, such as needing a large amount of storage when year-end data or metrics grow dramatically or when new subcommittees are created, the cloud service can be scaled up to suit a growing board's needs. Downtime is much lower than for traditional IT systems, as cloud services typically have fewer outages and are more resilient.

From the perspective of the GC and the corporate secretary, the following are some of the common problems that Governance Cloud should help to resolve in order to support the EGM initiative:

Enhanced information delivery on a continual basis:

Governance Cloud enables document and information delivery "outside of the meeting" to simplify the work process for directors. This includes the creation of board materials, as well as an enhanced ability to conduct votes and distribute D&O questionnaires. Secure delivery to all of the directors' digital devices ensures that they will see these important files. Directors are now constantly engaged with the organization, and the actual board meeting will become more productive.

Support for "staying up to date" and real-time business operations:

Digital businesses will quickly become real-time businesses that cannot wait for decisions to be made. And directors will need access to the most recent information to add true value in a high-speed business. This also ensures that directors are on top of the trends that most impact the firm. Being current enhances the director's interaction with the operating units of the firm. The system must support the directors' continuous engagement and rapid interaction with the organization. This ensures that directors have the time necessary to maximize their efforts and their value to the board.



Improve the ability of the directors to ask the right questions to support the board and board subcommittees:

Too often the process for working with the board for review of key operating metrics or to interact with board subcommittees becomes complex or suffers from long delays in reporting. With access to the right information, directors have better awareness of issues and can become more involved. Directors are now empowered to ask the right questions that can enhance their value to the organization.



Secure communications:

The clear majority of the directors' communications will contain sensitive or private information. Ensuring that these communications are secure and protected from cyber-theft or breaches is critical. Directors will often connect remotely and use personal devices, and all of these must be secured.

Support the entire range of governance activities:

The breadth of activities that are now part of corporate governance is increasing substantially and constantly. Without an efficient and comprehensive Governance Cloud ecosystem that puts all of the key information at their fingertips, directors may find that their scope of activities is limited. This is problematic, as blind spots can be created. The Governance Cloud will help to mitigate this problem.

DEMAND AN INTEGRATED GOVERNANCE SOLUTION

The best approach to supporting the board, the organization and individual directors is a governance technology that has many features or applications that are all integrated so that they work together seamlessly. When multiple applications or systems from many different vendors are used, it creates a number of problems:

- **Difficult integration of data from many different applications**
- **Confusion and complexity for users**
- **Higher costs**
- **Missing features that require adding yet another vendor's application or service**
- **More difficult cybersecurity protection**

For those — and many other — reasons, the best approach to working with a board technology provider that delivers on the current and future needs of your organization and its directors is to find one that can support your growing needs. With a single portal, directors are more efficient and they can maximize the impact of their time spent working with the organization.

Integrating several disparate and unique applications from multiple vendors into a manageable and effective whole is a poor idea. Common problems arise in any IT project of this type. First, it becomes very difficult to keep information stored in multiple systems in sync. Further, individual directors will have trouble syncing information among different devices, and this can be very frustrating for them. All of this haphazard integration will also result in potentially material errors or omissions when integration processes don't work well. And finding where the errors occurred will be nightmarish.

Simplifying and reducing complexity may well be the most obvious benefit of the Governance Cloud for the directors, the GC and the corporate secretary. The integrated system will foster better communication between both individual directors and the directors as a group. In addition, it is simple to add reports or additional files, as all of the information will reside in just one system. One integrated system makes it easy to upload reports or results from operating units and post them so that directors have immediate access.

Finally, a single integrated solution delivers far greater efficiency for the GC and the corporate secretary as they interact with the board. The comprehensive repository provides a coordinated point of digital interaction for these parties. It also simplifies the process

of delivering or receiving information to or from directors. These time savings can be substantial and will reduce the complexity of preparing for board meetings and other activities.

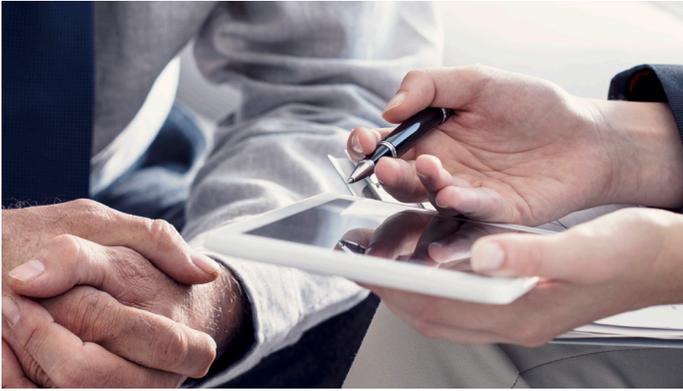
BETTER SUPPORT FOR SECURITY, LEGAL AND COMPLIANCE REQUIREMENTS

Every single corporate process or activity must now be viewed through the lens of cybersecurity and compliance. The virulence of cyber-attacks increases every day as the attackers devise new and highly capable threats. Government and industry associations are responding to those threats with increasingly stringent legal and compliance demands.



For those driving the EGM initiative and deploying governance technologies, it is necessary that the technology utilizes very stringent security capabilities and features. The starting point is to ensure that the cybersecurity framework is built to NIST standards and that the Information Security Management System (ISMS) certification is compliant with ISO 27001:2013. All data stored in the cloud must be stored using strong encryption, with the encryption keys stored in a secured FIPS 140-2 L3 certified security hardware module. The use of these security initiatives alone is not enough. The cloud service must pass audits, such as the Statement for Standards on Attestation Engagements (SSAE) and service organization controls (SOC) audits. This should include the SSA SOC1 Type 2 and the HIPAA/HI-TECH AT-101 audits. Beyond that, a governance technology service provider should have a substantial, in-house security team focused on ensuring that information is protected and defended against the latest threats; the service provider should engage external security testing firms to provide an objective security evaluation of their products.

These capabilities are exceedingly important, as most GCs are tasked with forward-looking risk mitigation. The cloud service partner must make this easier for the GC by ensuring that they are also evaluating current and future threats — and doing whatever is possible to mitigate them.



The simple truth is that the data and information provided to the board and the directors is incredibly valuable to attackers, especially the new generation of attackers who are technically skilled and profit focused. Access to possible mergers, new products or other data that would have a material impact on a firm's stock price is particularly prized. The Governance Cloud can improve protection in many ways. First, with all of the information in one place, and not stored remotely on directors' devices, it is much easier to protect data and information. Often, directors don't practice good security hygiene or have effective security on their personal devices. The cloud service mitigates that problem. Further, the cloud service has much stricter access control to ensure that unauthorized parties don't obtain sensitive information.



Meeting compliance demands has higher criticality, as the penalties for unauthorized disclosures or data breaches have become more onerous. The implementation of the EU's General Data Protection Requirement (GDPR) has taken penalties to an entirely new level. And it is likely future privacy and compliance directives will continue to increase the cost of a breach or non-compliance. The emergence of new compliance or legal requirements is another reason to use a cloud service, as the service provider is more likely to quickly implement the necessary changes to meet these demands, typically much faster than an in-house IT team.

LOOKING FORWARD, GOVERNANCE CLOUD MEETS CURRENT AND FUTURE EGM DEMANDS

Looking toward the future, the Governance Cloud will provide the critical functionality to enable your board to drive success. There will be better support for the activities of the board of directors while dramatically simplifying the board's operating processes for GCs and corporate secretaries. To ensure success, the Governance Cloud ecosystem must be able to deliver the capabilities that support EGM and the vast range of tasks that enable board operations and communications in a high-speed business.

Broad functional capability is important, as the digital business phenomenon will expand the scope of board activities. This will be driven by several factors, including digital transformation, increasing security and compliance demands, as well as greater board interaction. As the breadth of activities expands, it is imperative that governance technology be used to reduce complexity and improve automation to deliver efficiency. This fosters the implementation and success of EGM.

A cloud service will also be more likely to roll out new features and capabilities quickly, particularly when that service provider is already focused on supporting the board and the individual directors. Using the cloud provides several tactical benefits and is aligned with the larger trend of fast migration of digital workloads to cloud services. The cloud also has the substantial advantage of supporting a much faster migration from legacy systems and paper forms that might be in use today. Also, a cloud service can be "turned on" in as little as a few days.

Finally, the one certainty showing up in the crystal ball is that cybersecurity and compliance will continue to have an outsized impact well into the future. The Governance Cloud is inherently more secure and has better compliance protection when compared to other approaches. More importantly, new cybersecurity defenses will often be added faster in the cloud than for on-premise infrastructure.

Those spearheading the EGM initiative will benefit greatly from the Governance Cloud. Using cloud services will become the "go-to" approach for many organizations. The board of directors needs the same state-of-the-art technology solutions that deliver the functionality, speed, ease-of-use and security from which other operating units within the business are benefitting.

Introducing Diligent's

Governance Cloud™



Begin your journey with Diligent Boards. Grow with Governance Cloud.

Good governance isn't just one thing. Why buy software that only manages board documents?

From the creators of Diligent Boards, trusted by 50% of the Fortune 1000, Governance Cloud partners with board directors and executives to mitigate risk more effectively and meet demands in the boardroom and beyond.

With over a decade of experience as the leader in the market and with over 12,000 clients and 400,000 board directors and executive users around the globe, Diligent spent the last two years working with clients to develop the various components of the Governance Cloud. Backed by Diligent's unparalleled customer support, easy-to-use technology, and earned industry trust—Governance Cloud is a partner that can grow with you.

Begin your journey to the best-in-class governance.
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