



# D&O Questionnaire & Conflict of Interest Software Buyer's Guide

How to Choose a Next-Generation Solution that Benefits Administrators, Directors, Officers and the Legal Team



**Diligent**

## Optimizing the Director & Officer (D&O) Questionnaire Process

The annual or semiannual process of surveying the officers and directors of an organization is a necessary task, required for public companies and an increasing number of private and nonprofit firms. This process provides the necessary input to public-facing documents, such as Form 10K. Although the importance of the D&O questionnaire process is often overlooked, managing and executing it is essential.

Upgrading and optimizing this process to be more timely, efficient and integrated with other director and board activities is an important component of modern governance, which Diligent defines as the practice of empowering leaders with the technology, insights and processes required to fuel good governance.

Many organizations have been using the same processes for years; in some cases, the process has not changed meaningfully since the last millennium. Moving to a modern digital solution delivers several benefits for the admin team, the directors and officers, and the legal team.

The questionnaire development process is one set of tasks that can be improved substantially. Moving from a manual process that is dependent on an ad hoc paper trail to a fully digital process improves the speed, accuracy and efficiency of getting the questions to the directors and officers. In some cases, businesses can't quickly find last year's physical questionnaires, delaying the process even further.

One important part of the process that needs to be improved is the legal review of the D&O questionnaire. With manual creation of the document and constant change, it is hard to get timely legal sign-off, holding up the entire effort.

Finally, in many businesses, responsibility for this task may change among different employees from year to year, and without a documented process, it may be done inconsistently. This eliminates any potential efficiency gains, and the learning curve for directors and officers never ends. A documented and consistent digital solution provides the consistency and efficiency that is essential for a digital business.



## A Buyer's Checklist for Identifying the Optimal D&O Questionnaire Solution

As organizations embrace modern governance, deploying an efficient and simplified digital process for D&O questionnaires is an important project. Choosing the right platform requires the consideration of many different aspects during the buying process. This Buyer's Guide will detail the issues and review the optimal ways a solution should address key issues.

Before beginning the upgrade process, the organization must properly evaluate and select a product from a vendor that can become a true partner. To start, the vendor must meet all the usability, governance, security and legal requirements of the organization's board that are listed below. The following critically important vendor attributes must be met:

- **The solution must meet the needs of directors, officers and administrative teams that are part of the entire D&O questionnaire process.** To be valuable, the new solution must have demonstrable features that are clearly better than the status quo. The D&O questionnaire process is driven by very specific elements. The chosen solution must address all elements of the process: questionnaire creation (including unique or targeted questions), support for legal review of the survey, survey delivery, survey completion and survey tabulation. The right product should also support easy integration into your existing board portal solution. This saves time for everyone involved.
- **The vendor must be trusted by this target market. D&O questionnaire processes may not be the highest-profile board activity, but they are necessary.** Working with a vendor that has experience and knowledge from years of working with directors, officers and high-level admin teams is an important criterion. Focusing on vendors that are leaders in modern governance and that are known and trusted by corporate admin teams, directors and executives is the best approach.
- **The vendor must offer best-in-class customer service and support.** An essential part of making the D&O questionnaire process easier is to work with a vendor that can provide best-in-class support to everyone involved with the project. The support team must also be knowledgeable about how boards operate and have some level of subject-matter expertise. The right vendor will be available 24/7, every day of the year, to make sure that completing the D&O questionnaire process is never impeded.

Beyond these vendor attributes, specific functional aspects of the D&O questionnaire solution are must-haves. These features or capabilities can be broadly grouped into three specific areas:

- Improved efficiency and the ability to meet governance demands
- Integration with other technology solutions used by directors and officers
- A better experience for completing the D&O questionnaire process

Each of these three areas will be examined in more detail below.

## Deliver an Efficient Process that Also Meets Governance Demands

An inefficient process that wastes resources and elongates project timelines is anathema for a modern business. Further, as corporate governance requirements increase, ensuring that all director and board activities meet compliance and governance directives is essential. The D&O questionnaire process in many businesses has not changed in years. Updating the process to provide more timely and accurate data is now a focus. Key questions that should be asked of any potential vendor include:

- **Does the solution deliver demonstrable time savings?**
- **Will it eliminate errors and inconsistencies?**
- **Does it support contingent questions?**
- **Does the solution have key features that shorten and simplify legal review?**
- **Is there a dedicated service and support team?**

## The Answers to Key Efficiency and Governance Questions for Next-Generation D&O Questionnaire Solutions:

- **Best-in-class solutions deliver demonstrable time savings.** Many legacy processes include numerous manual steps that elongate the process. Further, this manual activity is difficult to oversee from a compliance perspective. If a problem arises, finding the cause may be difficult. A modern solution is driven by a holistic digital process, with all activities contained in a single platform. The digital solution reduces the time needed to find the previous year's questionnaires, build questionnaires that are specific to each director and officer, include contingent questions, simplify completion of the questionnaire and tabulate the results. Diligent's D&O questionnaire module is a comprehensive solution that is integrated with the Diligent director and officer portal. This is a single solution for all common board activities.
- **They eliminate errors and inconsistencies.** With legacy processes that often change without documentation, include different staff members every year and have limited information, errors and inconsistencies are very likely to occur. With information stored haphazardly and few audit trails possible, inconsistencies will arise. With a digital platform that is used every year and that stores previous questionnaires, both blank and completed, mistakes are eliminated and consistency is improved. The digital solution also reduces errors in a few ways. Most obviously, it will reduce tabulation errors. Survey mistakes can be eliminated by easily referencing past versions. Finally, a digital system ensures timely submission and the ability to send reminders in cases where responses are tardy.

- **They support contingent questions.** Questionnaires often include questions that are dependent on contingent issues, such as changes in the director's or officer's role, directors' and officers' participation on certain committees, and their ongoing service. For example, a director who serves on a specific committee might need to answer questions that are irrelevant to directors who aren't on that committee. Trying to manage contingent questions manually is complex and difficult. A digital system supports this capability and ensures it is implemented correctly.
- **They simplify legal review.** One of the costliest and most time-consuming aspects of the D&O process is the legal review of the questionnaire. Many legacy processes are inefficient and result in constant iterations that make legal review difficult and time-consuming. Furthermore, the length of that process can prove problematic in meeting deadlines. Diligent has changed the game for this aspect of the D&O questionnaire process. Technology is used to simplify the process and reduce the frustration and complexity that often accompany it.
- **They offer a dedicated service and support team.** Whenever problems or issues arise, the D&O questionnaire process must be put on pause until they are resolved. For this reason, choosing a vendor that has trained support staff that are available when you need them is a key decision criterion. Diligent's customer support is recognized as responsive and knowledgeable and a key reason why customers are highly loyal.

## Integrate the D&O Process with Other Digital Systems Officers and Directors Utilize

Simplifying the job of being a director or officer goes a long way toward improving the productivity of these key individuals. Having all board activities, including minutes, evaluations, messaging and D&O questionnaires, residing within a single portal or platform is a proven approach to improving productivity. Treating every D&O questionnaire project as a unique experience is inefficient, and worse, it may deliver inaccurate information.

In addition, directors and officers who have grown comfortable with one digital platform or portal will appreciate having the D&O questionnaire process integrated into that system, so that they don't have to learn how to use an entirely new system. There are important questions about integration that should be asked during the buying process, including:

- **Is the D&O questionnaire solution part of a broader, integrated ecosystem that supports officers and directors?**
- **Can you view last year's answers/questions with a simple click?**
- **Can the D&O questionnaire process be completed within a secure environment?**
- **Can the solution simplify matching questions to the director's or officer's roles and responsibilities?**

## The Answers to Key Integration Questions for Modern D&O Questionnaire Solutions:

- The D&O questionnaire solution must be part of a broader ecosystem serving officers and directors. Integration should go beyond a sole focus on the tasks necessary to complete the D&O questionnaire process. Integration should extend to numerous director and officer activities residing within a single portal or platform. Having a single, unified platform in which much of the board activity occurs increases efficiency and lets users leverage their learning curve from other tasks, such as the review of minutes or evaluations. A single, commonly used portal is also the storage location for previous years' questionnaires.
- It should supply simple access to last year's questions and answers. When the legacy system for D&O questionnaires is done as a single standalone activity, finding the work from a previous year can be difficult. If the person who ran the project last year has left the company, finding past information could be impossible. Using a single integrated platform every year centralizes past questionnaires and answers, making them easy to find.
- It should provide a secure environment for completing the D&O questionnaire. As with any board-level activity, security is a necessary component of the D&O questionnaire process. Using a questionnaire or survey tool that is on the wide-open web may result in lost data or security vulnerabilities. There is always the chance that a phishing or web redirection attack could compromise sensitive information. For this reason, completing the survey in a secure environment provides greater protection.
- The solution should integrate the questionnaire development process with the data that details officers' and directors' responsibilities. As noted above, the survey instrument will change based on the roles and responsibilities of each officer and director. Getting accurate information about directors' and officers' roles, quickly and easily, is important to timely questionnaire development. Using a single integrated environment that provides all this information and supports the survey development process makes it much easier for administrative teams to deliver an accurate questionnaire the first time.



## Improve the Experience of Completing the D&O Questionnaire:

When manual systems are used, the respondents may get questionnaires full of unnecessary questions that waste their time. With an improved solution, delivering a questionnaire that is reflective of each officer's or director's role is simple. And delivering an accurate questionnaire the first time reduces frustration and annoyance for directors and officers. Working with a vendor that can provide quality support for the directors and officers as they complete the questionnaire is also a major improvement.

When it is hard to complete the questionnaire, delays and omissions are much more likely to occur. This makes completing the project more annoying and frustrating for directors and officers. When considering a D&O questionnaire solution, it is essential that it improve the experience for officers and directors. Key questions to ask include:

- **Are you only asking questions that need to be answered?**
- **Can the director or officer complete the questionnaire during multiple interactions?**
- **Is there a dedicated and knowledgeable support team available?**
- **Does the solution make it easier to deliver timely responses?**

## The Answers to Key Questions for Improving the D&O Questionnaire Experience:

- **The best solutions will ensure that only necessary questions are asked.** A next-generation solution, such as Diligent's, makes it possible to build digital questionnaires that don't force a director or officer to skip multiple pages or find questions deeper in the survey that they need to answer. This reduces frustration and errors. Further, using a single, comprehensive portal provides the information and detail needed to create personalized questionnaires and ensure that the correct contingent questions are included. Inclusion of only the necessary questions also raises confidence for directors and officers that they've effectively completed the survey and haven't missed any questions during a complex "skip" process.
- **They support questionnaire completion during multiple interactions.** Oftentimes, directors or officers will not have enough time or information at hand to complete the survey in a single interaction. They may even need to come back to it several different times. Some digital solutions don't support such jumping in and out, and others require the respondent to remember where they were. Manual methods require storing and organizing the paper questionnaire. Given the detail and specificity of D&O questionnaires, it is unreasonable to expect directors and officers to complete them in a single session; thus, it is important to enable them to come back to the survey multiple times and to be able to easily pick up where they left off.

- **They have a dedicated and knowledgeable support team available.** When problems do arise and a director or officer needs assistance, providing knowledgeable and highly available support professionals is essential to improving the experience. Diligent maintains a highly qualified, well-trained and available support team to ensure that a small problem doesn't become a big one. Support must include the specialized knowledge of how the D&O questionnaire process works, not just the ability to solve technology issues.
- **The solution must make it easier to deliver timely responses.** Every director and officer wants to complete tasks on time and not become a roadblock to the efficient completion of the questionnaire process. Enabling timely responses comes from the combination of multiple capabilities: fast and accurate survey creation that gets it to the respondent faster, digital survey completion that supports multiple engagements, and inclusion in a consistently used digital portal that directors and officers already know how to use. When there is a simple and comprehensive process, the project is completed faster.

## The Diligent D&O Questionnaire Solution Delivers the Next-Generation Experience

Diligent is a well-known and trusted provider of solutions and technology that dramatically improve processes for the board and corporate officers, while enabling administrative support teams to complete tasks more efficiently. Its D&O questionnaire solution brings all the company's insights and experience to simplifying and supporting this process. The company's reputation for delivering best-in-class digital solutions for directors, officers and boards is unmatched. The Diligent solution is highly automated and reduces the demands on scarce internal resources. Further, because it automates many existing manual tasks, it makes it possible to complete the survey process much more quickly.

One of the most lauded and valuable components of the Diligent solution is the reduction in complexity and time needed for legal review that supports the D&O questionnaire process. This feature alone has been cited as justification for deploying the solution. Not only does the

improved support for legal review cut costs, but it also reduces the time necessary to complete the entire process, since legal review is a lengthy endeavor in legacy processes.

Another key benefit of the Diligent solution is that it is an integrated component of the Diligent Board Portal, which delivers numerous other services to officers and directors. This integration allows directors and officers to work within a platform they already know and trust, simplifying the survey process, since there is no learning curve necessary before answering the questions.

Ensuring an accurate and appropriate questionnaire is another key strength of the Diligent D&O questionnaire solution. This benefits both the administrative team and the directors and officers. Based on the information already in the Diligent Board Portal, creating specific surveys that include only the appropriate questions is much easier, saving everyone time. Further, the enhanced ability to support contingent questions with the right context to the right director or officer solves a common problem with legacy approaches.

And, of course, having a single, secure repository that is part of the Diligent portal means that sending out the previous year's questionnaires and answers is greatly simplified. In situations where there has been staff turnover or the process was done manually, finding such prior-year information can be problematic. And with ready access to last year's information, creating this year's survey is much easier.

## Key Takeaways

Although the D&O questionnaire process may not get the same level of focus as minutes or board communications, it is still necessary for every listed company, as well as an increasing number of other firms. And many firms' legacy processes for completing this task depend too much on manual processes and result in complexity and inaccuracy. Diligent's holistic digital solution simplifies every step of the process and improves timeliness, accuracy and efficiency. It enables a business to proceed along its own path toward modern governance. As a key component of the Governance Cloud, the Diligent D&O Questionnaire module delivers benefits to administrative teams, directors and officers.



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