

# Modern Governance

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The How-To Guide



## Modern Governance: The How-To Guide

“Good governance to me is being able to maintain sound business practices within whatever the regulatory guideline is. Making sure our information is safe. Making sure that our directors have the information that they need in order to make the decisions they need to make, when they need to make them. Diligent allows us to do all of that.”

**Matt Muller**

Legal Operations Manager and Corporate Secretary,  
Farm Credit Mid-America

The technology, processes and skills that today's companies need are evolving as quickly as the business landscape. Organizations must be all at once more informed, more secure, more collaborative and more purpose driven. Modern governance equips organizations with the tools and insights that enable business resilience – not only in times of vitality, but also in times of volatility.

At Diligent's 2nd annual Modern Governance Summit in September 2020, executives and legal and governance professionals from across the globe came together to share insights and best practices. Their discussions around security, risk, data governance and corporate responsibility create the blueprint for how to navigate governance in a highly dynamic era.

In this guide, we have compiled key takeaways from across the Modern Governance Summit sessions and share best practices and actionable insights in these critical areas:

- **Strategy & Governance**
- **Security & Collaboration**
- **Risk & Accountability**

As we navigate the new normal, Diligent looks forward to being a trusted partner of organizations around the globe.



**Brian Stafford**

President & CEO,  
Diligent Corporation

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### Recommended Actions

- ☐ Digitize any remaining manual or administrative processes, including book-building, board evaluations, D&O questionnaires and minute-taking and approvals.
- ☐ Protect video conference links by using the calendar feature in Diligent Boards.
- ☐ Leverage the voting & resolutions feature within Diligent Boards to collect approvals and signatures.

### Recommended Tools

#### Diligent Questionnaires

An application to securely manage the collection and analysis of D&O questionnaires and board evaluations, all within Diligent Boards.

#### Diligent Minutes

A secure and collaborative application that enables governance professionals to take minutes and circulate for board approval, all within Diligent Boards.

#### Secure Meeting Workflow

A governance workflow tool that secures the preparation of board meeting materials, allowing governance professionals to collect information and collaborate with other permissioned users.

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# 1. Embrace Virtual Governance

What once seemed like a short-term transition to virtual work has become the long-term reality. At the onset of COVID-19, the immediate priority was to successfully transition to virtual board meetings. Now other governance processes – including board evaluations, new director onboarding, D&O questionnaires and strategic planning – must follow suit.



**“The silver lining of COVID is it’s making us take another look at our processes and how we can do them better. How could we do them more securely? How could we make things easier for our users?”**

**Lisa Pascoe**

Vice President of Governance & System Effectiveness, Sparrow Health

While the transition may have been hectic at first, many organizations have found virtual governance capabilities to be beneficial in many respects. Diligent customers have streamlined administrative processes, increased director productivity and engagement, and reduced overall costs.

“What we [used to] do is print out the minutes and email them to my board members and say, ‘Please review these,’” explained Judi Coleman, Executive Assistant, Greater Baltimore Medical Center HealthCare, during the Summit. “[We] don’t have to do this anymore, and [we] can electronically and securely send them for approval. And that has made my CIO very happy because we’re really secure right now. [Diligent is] an amazing tool.”

As organizations continue the transition to fully online or hybrid operations, they’re recognizing that traditional governance processes are no longer sufficient. Modernizing governance and operational workflows to meet today’s challenges – and foster more secure, efficient collaboration among boards and executives – is now an imperative for every organization.



## STRATEGY & GOVERNANCE

### Recommended Actions

- ☐ Enhance board visibility into industry trends, peer group activity and stakeholder sentiment with the right tools
- ☐ Position yourself as a trusted advisor to the board and the organization by surfacing insights that improve decision-making.

### Recommended Tool

#### Diligent Governance Intel

An AI-powered application that enables environmental scanning, news aggregation and trend analysis for your company, industry and competitors.

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## 2. Avoid Intelligence Deficits

Never has it been more important for boards to be informed and vigilant. Between the evolving conditions of COVID-19 and an active stakeholder landscape, new information emerges daily, requiring the board and the C-suite to stay alert.

Governance professionals must keep the board informed on various topics: evolving regulations, governance and industry trends, peer activity and benchmarking, and negative press coverage that could threaten the company's reputation. But how can they accomplish this without inundating board members with too much information?

One Modern Governance Summit 2020 session, *Understanding Risk Analytics and How to Deliver Insights to Your Board*, showcased how customers are using Diligent Governance Intel to accomplish the following:

- Track emerging trends, industry developments and peer group activity.
- Curate relevant articles and resources for their board members and committees.
- Send daily, weekly or monthly updates through the Diligent Boards app or curated email newsletters.
- Monitor the company's media coverage across nearly 70,000 global news sources, industry publications and social media channels.
- Identify reputation risks early with sentiment analysis and health scores.
- Customize profiles and email updates so that each board member is receiving the information most relevant to them.

"In a recent global survey, we found that 65% of directors spend time gathering external information about the company, and 77% read external industry reports, as part of their preparation for board meetings," said Dottie Schindlinger, Executive Director of the Diligent Institute. "Instead of trying to 'protect the board' from outside information, governance professionals should focus on equipping their board members with the best tools and resources available – and adding value through curation."



## STRATEGY & GOVERNANCE

### Recommended Actions

- ☐ Examine existing governance processes and work with board leadership to remove inherent bias.
- ☐ Leverage technology like the Diligent Director Network to reach beyond the board's personal network and identify qualified candidates.
- ☐ Share news of Diligent's Modern Leadership initiative with your board and encourage directors to submit names of qualified diverse candidates in their network.

### Recommended Tools

#### Diligent Nominations

An application for nominating and governance committees that allows you to view board composition and performance through an independent lens and compare board practices to those of your peers and industry.

#### Diligent Director Network

A vast database of qualified board candidates, with advanced search capabilities, free within the Diligent Boards application.

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## 3. Prioritize Diversity & Inclusion

To achieve and maintain competitive advantages in this market, companies must wholeheartedly embrace the benefits of a diverse workforce and leadership team. During the keynote speech at Modern Governance Summit 2020, Robin Hood CEO Wes Moore highlighted the role of diversity and inclusion in company prosperity:



“What is measured matters, and what matters gets measured. What does proportional representation mean for your company, at all levels? Be creative and thoughtful. Inclusion is not a box-checking exercise. Ask yourself, ‘What do I need to make my organization better? What skills and backgrounds does my current makeup not address?’”

**Wes Moore**  
CEO, Robin Hood

In a 2018 international study, McKinsey & Company found that more diverse businesses were 33% more likely to have higher financial returns. Leadership trends are slowly changing to reflect these realities. According to Spencer Stuart's 2019 Board Index, 59% of all new S&P 500 board members in 2019 were women or minority directors.

Governance professionals must work with board leadership to ensure the right topics are on the board agenda, and that governance processes like succession planning and recruiting are examined for inherent biases. Diligent's **Modern Leadership** initiative demonstrates how technology and the power of Diligent's global network can connect boards with qualified, diverse candidates (learn more on page 13).

The current lack of diversity is not a supply-side issue. In order to diversify boards and corporate leadership teams, organizations must do their part to engage in the right pipeline-building activities.



“We’ve worked really hard to identify what our gaps are and what we need to be diverse, and we have actively sought out people...for the board who can fill those gaps. It’s an obvious best practice for an organization to be reflective of the community they serve.”

**Stephanie Mansfield**  
Board Vice Chair, TCU Financial Group



## 4. Communicate Sensitive Information More Securely

### Recommended Actions

- ☐ Provide a secure alternative to email for confidential documents and conversations to ensure sensitive information remains in a closed loop.
- ☐ Weigh the cost of implementing secure technology against the cost of a potential data breach.

### Recommended Tools

#### Secure File Sharing

An end-to-end secure data storage solution for board governance, internal and external groups, and executive leadership to collaborate, even when working remotely.

#### Diligent Messenger

Safeguard board and executive communication with a secure messaging platform that mirrors the experience of both email and SMS texting.

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Email remains the lifeblood of organizational communication, yet the pandemic has revealed its limitations, particularly when it comes to confidential communication.

Today, a new generation of technology and communication systems now enable highly secure collaboration and workflows. COVID-19 has dramatically accelerated this process and will continue to do so. In the Modern Governance Summit 2020 session *Best Practices for Remote Sensitive Communication, Collaboration and Meeting Workflow*, Diligent customer Tammy Wellcome described her organization's motivation for seeking out a secure and efficient collaboration method:



"It was a twofold situation. One was the concern our general counsel had with sending [sensitive] information over personal email.... [Two,] directors are very busy, and most of them are on more than one board.... They may not check their email every day, and you can't possibly expect that. So we wanted to find something that was better."

**Tammy Wellcome**

Corporate Governance Paralegal, American Water Works

The pandemic has forced boards and senior leadership teams to seek alternatives to email that are not only more secure, but also "less crowded," to ensure important updates don't get missed. With **Diligent Messenger**, board members and executives can access messages and notifications from their smartphones and communicate with one another securely.

"When we looked at Diligent Messenger it just had everything ... and it shows up on your phone," said Wellcome. "It says, 'You have a message,' but it doesn't send the sensitive data. So at no time does any of our material leave the secure portal. And that was our biggest concern."



## 5. Get Organizational Buy-in for Data Centralization

### Recommended Actions

- ☐ Set a clear policy for how data will be managed within the organization.
- ☐ Research and evaluate entity management systems to find one that can centralize and automate your data processes.
- ☐ Once the system is implemented, assign data roles and responsibilities to ensure adoption and promote effective data hygiene.

### Recommended Tool

#### Diligent Entities

Centralize and manage your corporate record to improve entity governance, meet compliance obligations, mitigate risk and accelerate decision-making.

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An organization is only as good as its data. This is particularly true for global corporations that stretch across regions and jurisdictions, and for any organization with subsidiaries. Manual processes, often kept in place by inertia, introduce redundancies, inefficiencies and errors. Compliance and reporting deadlines get missed. Decisions can't be made quickly.

Compliance officers, general counsels, paralegals and legal operations teams typically appreciate the importance of maintaining data integrity. Yet other departments within the organization – including finance, accounting, tax and human resources – are often maintaining their own data repositories and processes. They strive for data integrity as well, but maintaining multiple systems simultaneously always invites risk. In fact, an estimated 23% of spreadsheets contain errors. Incorrect data or data scattered across multiple locations can mean the difference between taking advantage of an opportunity or letting it pass by, explained Reyner Meikle at Modern Governance Summit 2020:



"I always try to stress to business leaders the importance of managing corporate records and keeping those records updated. Because they never know when the opportunity or need is going to present itself. [Recently] many companies, small and large, were scrambling with a lot of added effort and intensity to pull together corporate documents and records as part of the Payroll Protection Program and SBA loans. Those organizations that were ill-prepared lost an opportunity."

**Reyner Meikle**  
President & CEO, Agile Legal Services

Every business unit has a vested interest in ensuring a single set of data. Setting clear policies ahead of time will assuage potential concerns about who has oversight of the data and how it will be managed.

"Having these records kept current, updated and maintained with regularity really does put your organization in a better position to be prepared when a deal or opportunity comes along," said Meikle.

Implementing a centralized corporate record, one that ensures all departments are drinking from the same data well, eliminates the need to scramble when opportunity arises. Data centralization saves time and money, reduces risk and positions the entire organization to act with speed and confidence.





### Recommended Actions

- ☐ Raise recognition of cybersecurity as an enterprise-wide strategic risk.
- ☐ Help boards understand their organization's unique legal obligations.
- ☐ Provide boards with access to appropriate cybersecurity expertise.
- ☐ Secure board and leadership communication accordingly.

### Recommended Tools

#### Diligent Compliance

Meet internal and external compliance obligations with automated processes to collate business-critical information.

#### Leadership Collaboration Suite

An end-to-end solution that enables executives and leadership teams to collaborate effectively, make agile decisions and mitigate security risks.

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## 6. Implement a Top-Down Approach to Security

Cybersecurity has traditionally been treated with a bottom-up approach – something that an IT department had to solve on its own. However, as Larry Clinton, President of the Internet Security Alliance, discussed with Diligent's Chief Information Security Officer Henry Jiang, cybersecurity requires a top-down approach that begins with the board and the general counsel.



"Cybersecurity is not an IT problem.... It is an enterprise-wide risk management issue. We need oversight from the board of directors to set the environment for a good cybersecurity culture – and then put in parameters for the cultural supports (including economic supports) so the entire organization can embrace cybersecurity and follow best practices."

Larry Clinton  
President, Internet Security Alliance

To implement this top-down approach, cybersecurity must be factored into all board decisions. No longer a single item on the board agenda, cyber risk must be a lens applied to every board decision.

"Cybersecurity was traditionally thought of as an appendage issue that you tack on to a board meeting for 15 minutes at the end," said Clinton, explaining that now cybersecurity must be treated the same as legal and financial decisions. "There is not a single major business decision [today] that does not include cybersecurity considerations. Cybersecurity needs to be woven into the entire process.... That's the message about cybersecurity: We're all in this together."

According to Clinton, management (including both security and legal) should present to boards:

1. A cybersecurity framework detailing where data is and how it operates.
2. A cyber-management strategy led by someone with cross-organizational responsibility.

Boards should also expect from management an economic and empirical risk assessment. With this information, boards and senior leadership can work together to set the risk appetite and manage risk to that level.



## 7. Enable Self-Service Through Reporting & Visualization

### Recommended Actions

- ☐ Leverage Diligent Entities for critical searchability so stakeholders can access key documents and data through custom portals.
- ☐ Link to appropriate resources and platform locations from sub-portals to enable a streamlined flow of information.
- ☐ Maintain accuracy of your corporate record and streamline collaboration on key documents with a secure collaboration tool like DotApprove.

### Recommended Tools

#### Diligent Entities

Centralize and manage your corporate record to improve entity governance, meet compliance obligations, mitigate risk and accelerate decision-making.

#### DotApprove

A secure tool that streamlines key document workflows and approvals across multiple stakeholders within an organization, giving compliance teams confidence in an accurate corporate record.

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"I'm so tired of answering the same questions over and over again," said Teresa Redman, Entity Manager, World Fuel Services, at Modern Governance Summit 2020. Unfortunately, this is a common sentiment among many administrators in the entity management realm.

Enabling self-service is a critical step in ensuring your entity management platform delivers value for the entire organization. Various teams and business partners all need different information at different times, but that shouldn't mean wires become crossed or processes slow down.

With an entity governance strategy in place, business stakeholders are equipped to access and obtain what they need, without having to ask administrators the same questions repeatedly. At the Summit, Diligent customers discussed best practices: Custom portals, for example, are available within **Diligent Entities** and allow administrators to drive cross-departmental users into the platform and land directly on the information or reporting they need. Administrator controls help manage the flow of information and protect sensitive data from departments that don't have reason to access it.



"Diligent Entities is such a good tool, and it's so versatile. Any bucket of data that you want to put into this thing, you can.... It really enables you to design specifically what you need.... [You can] link to different legal entities, link to individuals, and also [highlight] what you need to have at a glance."

**Teresa Redman**  
Entity Manager, World Fuel Services

Helping all business units become more self-sufficient not only streamlines systems and processes, but it also increases organizational knowledge and empowers the business with better information, explained Redman. Easy search functionality is critical, enabling teams across an organization to quickly find minute books, reports, visualization charts and other core data to accelerate decision-making.



## 8. Implement & Maintain Effective Compliance Processes

### Recommended Actions

- ☐ Measure your compliance program against best practices and identify any gaps.
- ☐ Create a cross-departmental compliance plan and document steps in the process. Communicate clear roles and responsibilities to stakeholders and automate any manual processes.
- ☐ Review the compliance program regularly to evaluate its effectiveness.

### Recommended Tool

#### Diligent Compliance

A tool that helps your organization meet internal and external compliance obligations with automated processes to collate business-critical information.

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Maintaining compliance continues to be more critical with every passing year and with every newly passed regulation. Yet siloed teams, lack of resources, changing laws and overlooked obligations can make implementing and maintaining sound compliance practices a seemingly insurmountable challenge. For companies that do have compliance programs in place, only 70% measure their effectiveness, and two-thirds of those are unsure of the metrics to use. Moreover, 65% of compliance programs are reactive instead of proactive: They only respond when something disrupts the current state of business.



“The cost of compliance has increased 43% since 2011. Companies are investing more, but it’s difficult to understand what works and what doesn’t. Is staffing up going to make you more compliant? Does it deliver results?”

**Kristin Drake**  
Senior Director, Customer Success, Diligent

At Modern Governance Summit 2020, Michael Nyhuis, Diligent’s Director of Audit & Compliance, and Kristin Drake, Diligent’s Senior Director of Customer Success, laid out a three-pronged approach to maintaining proper compliance:

1. Always be audit-ready. Define and implement a compliance framework before the auditors arrive.



“Many organizations often undertake a project to gather the evidence for an audit. Teams scramble to find the right reports and gather the right information. That whole process is time-consuming and costly...We need some better tools and systems in place to be audit-ready.”

**Michael Nyhuis**  
Director of Audit & Compliance, Diligent

2. Utilize technology to better monitor and assess risks in real time, and automate those processes to stay ahead of changing regulations.
3. Leverage best practices by removing silos between compliance teams, risk managers and internal auditors. Find the common activities that support multiple frameworks simultaneously. Deploy them once and use them repeatedly.



### Recommended Actions

- ☐ Build an infrastructure that enables secure communication in times of crisis.
- ☐ Assess gaps in compliance and risk management programs that may pose further risk to the organization.
- ☐ Ensure governance teams have the tools they need to stay alert on developing news and regulations.

### Recommended Tools

#### Governance Cloud

A secure software ecosystem that digitizes the various activities and tasks for the board of directors, helping them stay organized and prepared for the next crisis.

#### Leadership Collaboration Suite

An end-to-end solution that enables executives and leadership teams to collaborate effectively, make agile decisions and mitigate security risks.

#### Diligent Governance Intel

An AI-powered application that enables environmental scanning, news aggregation and trend analysis for your company, industry and competitors.

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## 9. Prepare for the Next Crisis

2020 has been a year to remember. Company leadership, operations and processes have been tested in unprecedented ways. Throughout Modern Governance Summit 2020, Diligent customers shared best practices and lessons learned.

In the session *From Surviving to Thriving Through a Corporate Crisis*, Lucy Fato, General Counsel, AIG, shared her vantage point from executive leadership: “[Early on] I was asked to take on a more prominent role than I typically would around communications,” she said. “How do we communicate with all of our stakeholders? How do we communicate with our colleagues, our shareholders, our regulators, our rating agencies? This list goes on and on.”

Secure and effective communication was a key theme throughout the COVID-19 crisis response, and for many organizations, it revealed gaps that must be addressed before the next crisis rolls around. For many customers, tools like **Diligent Boards**, **Diligent Messenger** and **Diligent Governance Intel** kept the board, C-suite and governance teams well-connected and secure at the height of the pandemic.

On the risk and compliance side, existing challenges were compounded by changing obligations and an evolving risk landscape.

Managing these challenges requires companies to be proactive, agile and informed. Organizations must begin to build and/or maintain the systems and processes that enable them to think strategically about the future. When assessing the role that technology will play, look for tools that:

- Enhance communication channels across the company and with relevant stakeholders.
- Evaluate risk more frequently using proper metrics.
- Gather, inspect and curate data and insights.

One silver lining of this pandemic has been a refocusing on the human side of governance. Fato explained: “I would say the relationships we’ve built – internally and with all the external stakeholders – have gotten better because everybody is dealing with each other first and foremost as human beings, and then in our professional capacities.”

# Why Diligent?

## Partner with Diligent and grow when the time is right

Governance needs are varied, constantly evolving and unique for each organization. Diligent offers solutions that digitize governance at a pace that works for you – whether it's securing the board meeting process, benchmarking data across peer groups, or managing entities throughout a global organization.

## Best-in-class customer support

Diligent's unprecedented 98.8% retention rate is most often attributed to its award-winning onboarding, training and ongoing account management model. With tailored training and onboarding for all users and admins, we put our clients first in everything we do.

## Modern governance is our core business

Since creating the first ever board portal in 2001, Diligent has expanded to meet the everchanging needs of governance. Our dedicated experience in the governance space provides unmatched expertise in solving the inefficiencies, vulnerabilities and silos that exist in your governance model today and in the future.

## Intuitive and easy to use technology

Existing board meeting preparation processes can be inefficient and cumbersome. Diligent's solutions are designed to enable quicker preparation, collaboration and review of board materials alongside a user experience that customers love.

## Reputation and investment in governance

As a leader in the governance space for almost 20 years, Diligent offers the industry's most secure and intuitive modern governance technology. By leveraging insights from a customer base of 19,000 organizations, Diligent heavily invests in R&D to continue to innovate and enhance the Governance Cloud, making Diligent the most complete partner for the tools and expertise that enable good governance, scaling with you as you grow.

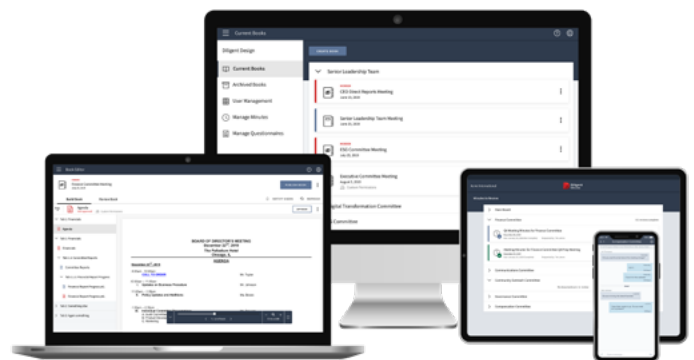
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**“Modern governance was a goal we had for a long time, but really needed the right tool to do so. We feel we found it with Diligent.”**

**Jay Joynes**

Compliance Program Manager, CRICO

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**For more information or to request a demo, contact us today:**  
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