



Leverage Entity Management Software to Improve In-House Legal Performance

Gain Actionable Data Intelligence to Increase the Legal Department's Value-Added

For legal departments, ensuring appropriate compliance with the myriad rules and regulations affecting your business means that the data that supports these functions must be accurate, accessible and available. That's why inadequate entity management solutions don't just impede the performance of legal teams, they also create governance, compliance and legal risks.

To optimize in-house legal team performance, a reliable entity management platform is a must. Legal team members offer expertise that positions an organization for success in a fluctuating tax and regulatory environment. However, inadequate legal entity system support mires attorneys, paralegals and support staff in a swamp of unreliable, unreconciled data, forcing them to waste their time with manual processes that don't advance organizational goals.

Obtaining the appropriate entity management platform is just the first step. Implementing that solution so that legal teams can fully benefit from the advantages it offers is the more challenging second step. Implementation risk can derail the most promising IT project, dooming the legal team to a purgatory made up of a mishmash of partly implemented entity management, off-the-record spreadsheets and manual data reconciliation.

However, when implemented appropriately, a robust entity management solution solves many of the pain points experienced by legal. Such a system smoothly and effortlessly delivers the right data at the right time to the right person, ensuring that legal and compliance deadlines are met effortlessly. Legal can then operate at its highest potential, leveraging corporate data to evaluate potential acquisition targets, recommend corporate reorganizations and harness data analytics to provide strategic advice to optimize organizational profitability.



Current State of Legal Department Entity Management

Legal department entity management remains at a crossroads. While many have emerged into the light of entity management platforms, implementation is uneven, resulting in a platform that works for some functions, but doesn't with others. Data may be missing, incomplete or unreliable, potentially resulting in erosion of trust in the platform.

On the other end of the spectrum are those organizations that are still mired in spreadsheets. Then, there are organizations that fully optimize their entity management platform, allowing their legal teams to shine. Legal departments on the struggling end of this spectrum experience many problems, which include:

- **Inability to chart organizational structures**
- **Data and information chaos**
- **High employee turnover**
- **Loss of institutional memory and information**
- **Poor data governance and custody**
- **Missing and inadequate information**
- **Lack of coordination between legal, finance and tax**

On a day-to-day basis, these problems can take their toll on legal teams due to death by a thousand cuts of manual processes. In the bigger picture, the failure to leverage the power of a legal entity management system might mean a failure to optimize reorganization in response to U.S. tax reform. The consequence? A failure to seize market leadership and to increase profitability.

Consider the impact of a legal team so mired in manual processes—such as updating spreadsheets—that they fail to track deadlines effectively. Missing compliance, regulatory and securities filing deadlines has multiple potential outcomes, none of them positive. They include:

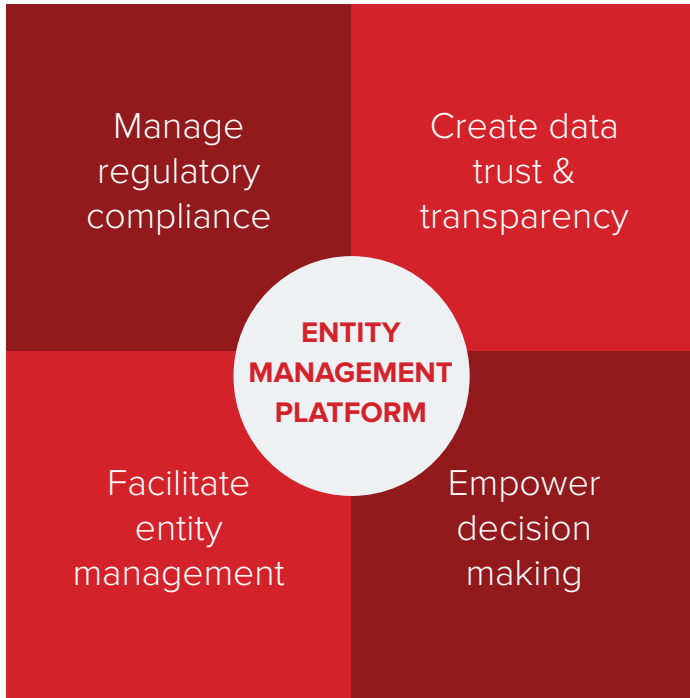
- **Fines**
- **Public tender derailment**
- **Board members receiving threatening letters from local government**

Backing up your legal team with first-class technology optimizes their performance and prevents unfortunate, preventable outcomes such as these.

The Role of an Entity Management Platform

Your legal team performs at the best of its ability when the data it needs is at its fingertips. Provide the support they need through automated workflows, permissioned access and data visualization capabilities.

Support Your Legal Team



That's because U.S. tax reform represents a once-in-a-lifetime opportunity to reset your organizational structure and to align it to maximize historically low corporate tax rates. The 2017 tax reform represents the first major overhaul of the U.S. tax system since 1986. In this and many other strategic situations, the ability to access and trust data, eliminate manual processes and optimize compliance deadlines is merely table stakes. Only when those capabilities are built into a system can the legal team leverage such data for the visualization and analysis capabilities necessary to take advantage of the opportunity tax reform presents.

Verbatim Data Conversion Engagement Optimizes Diligent Entities

In the process of a data conversion between a third-party data management provider and Diligent Entities, a Fortune 100 corporation engaged global compliance firm Verbatim to assist with the transition. As part of its due diligence, Verbatim reviewed more than 18,000 fields of data.

At the completion of the review, Verbatim found significant issues within the core data, which included:

- Data field overlap
- Redundancy, with more than 300 variations of titles and field labeling
- 650 duplicate records
- 300 "orphan" entities

Verbatim's due diligence revealed major flaws in the core data. The identified flaws meant that more than three-quarters of entities reviewed possessed missing or incorrect core data.

78% of entity data based on incorrect core data

Without remediation, the data conversion would have moved bad data into a better system, resulting in a less-than-optimal experience for employees, directors, managers and other stakeholders. Instead, Verbatim conducted a review, correcting the average of two data updates and corrections required for each entry.

Following the remediation, Verbatim established organizational best practices and trained staff in efficient, effective methods to maintain accurate, trustworthy data moving forward. Verbatim also installed its standard customized dashboard within the company's Diligent Entities software system to facilitate ease of use.

The result? The company leveraged the state-of-the-art Diligent Entities platform to automate previously manual tasks; create workflows; and improve security, governance and compliance.

Raise the Bar on Legal Department Performance

When an entity management system is either underutilized or inadequate, paralegals and corporate counsels must contend with the consequences on a day-to-day basis, which undercuts their performance. Consider the example of a director resignation. This type of event happens frequently in companies with a large number of subsidiaries. In a system that is reliable, accurate and well utilized, preparation for removal and replacement of an outgoing director can be accomplished in minutes with a few keystrokes.

Adventures in Entity Director Replacement

Scenario #1: The Easy Way

In the course of Verbatim's decade of experience in this space, director experience is a common event. Replacing high-level corporate officers on international boards does not need to be complicated, drawn out or expensive. Verbatim is happy to quote a fixed fee that covers the change, as well as local counsel's professional fees.

The true added value of Diligent Entities and Verbatim in this case involves the ease with which executing such a change occurs. When a board member such as a CFO resigns, especially on short notice, there are many potential questions that the legal department faces, such as:

- **Do I have a quorate board necessary to make decisions where we do business?**
- **Three directors are needed to approve an upcoming transaction—when can the director effectively be replaced?**
- **Does the departing director still hold the powers of attorney we granted her when she first came on board?**

Through its existing knowledge base, and decades-long partnerships with local providers throughout the world, Verbatim is well-positioned to answer these questions. By assessing these variables and providing fixed fees for this type of project, replacing outgoing directors can be accomplished at a minimal, predictable cost without sacrificing the organization's strategic objectives.

For a company that has implemented LEM, these tasks become a seamless part of legal operations. A new document that shows the changes in structure can be produced in less than five seconds, in contrast to the earlier process that might take five weeks or longer. Automating tasks such as these frees up your legal team for deeper engagement with the tasks that actually engage your staff and support its strategic role within the overall organization.



Scenario #2: The Hard Way

Consider what might happen when that isn't the case. Say you have an organization with a director who sits on 75 out of 100 subsidiary boards. Your team receives an email saying that he is taking another job and resigning from all of those boards. In a system with incomplete, untrustworthy or nonexistent data, a legal department staff member must reach out to all organizational entities to determine how many subsidiaries this resignation affects.

All this requires multiple phone calls, emails and manual data processing even before the actual work can commence of removing that person from the board, securing your systems and figuring out how to replace them.

In the absence of a robust entity management system that serves as an internal source of data truth, your paralegals could rack up dozens of phone calls, hundreds of emails and too many hours to think about implementing just one director change. Such a change could take weeks to manage, potentially interfering with ongoing business operations.

Ensure Data Security

The single source of data truth offered by an effective legal entity management platform, sometimes called a vault, repository or digital file cabinet, imposes a new and unparalleled level of security for all of your organization's internal records and its legal documents.

Entity management platforms support permissions for the creation, access and editing of these documents by role or department. The gold standard of document security is access on a need-to-know basis. Permissions and access can be easily transferred, changed and revoked as your workforce turns over and your business transforms accordingly.

With data privacy and security in the news, a robust entity management platform assuages concerns about data accountability for customers, employees and the organization as a whole. Europe's General Data Protection Regulation (GDPR) require all companies that serve European customers to safeguard data, keep customers informed about data usage and provide customers with the "right to be forgotten."

€10-20M fines for GDPR noncompliance

While the United States is generally far behind Europe in terms of nationally required data and security protection, California recently passed privacy legislation set for implementation in 2020. When this legislation is implemented, companies must disclose the categories of personal information they collect, the sources from where data originates, the business/commercial purpose for collecting it, and the third parties they share or sell said information to.

Under the California Consumer Privacy Act (CCPA), the definition of personal information is broadened to include any data that identifies, relates to or is capable of being associated with a specific consumer. This includes names; IP addresses; driver's license and passport numbers; records of personal property, products or services purchased; biometric data; internet browser and search history; location; and employment and education background.

Maintaining and using a robust entity management platform ensures that your organization complies with current and future privacy regulations, as well as regimes such as the U.K.'s Senior Manager Regime and Certification Regime.

Leverage Entity Management Software

Creating a single source of data truth provides multiple advantages for your organization beyond ensuring data accuracy and security. Implemented properly, it allows streamlined and automated updating, so your data is constantly and verifiably true and relevant.

Moreover, organizations with true command over their entity management systems can leverage features for advanced methods of data presentation and data visualization. The benefits of visualizing entity management data from different perspectives facilitates actionable decision making based on organizational trends. Such analytics raise the bar for managerial decision making by slicing and dicing organizational trends so that managers can easily grasp trends.

65% of individuals are visual learners

Harnessing data in the most useful ways possible allows legal to provide enhanced strategic value to decision-makers in the C-suite. Leveraging data intelligently supports leadership's ability to take advantage of new opportunities, such as the restructuring provisions now part of the U.S. tax code.

With a reliable, seamless and scalable legal entity management platform, collaboration between legal, accounting and finance departments on tax, compliance and legal issues occurs quickly and seamlessly. Reporting turns from churning through reams of spreadsheets into instantly presentable and actionable items. Dozens of other essential tasks like this one are now manageable.

Facilitate Legal Department Strategic Value

Managers of legal departments are constantly under pressure to demonstrate and continually improve the value of their team in relation to the rest of the organization. LEM's powerful technological capabilities allow them to raise their profile, thus proving their strategic value to the company in areas such as utilizing the analytical—as opposed to the technical—capabilities of legal staff at their highest potential.

What helps legal teams work effectively will have a knock-on impact on the rest of the company. LEM allows unprecedented levels of coordination and collaboration between legal and other departments to solve complex tax, financial and regulatory issues.

The speed and amount of change in global taxation regimes is just one example of the potential benefits of knocking down siloes between legal, tax, accounting and finance. The unprecedented speed of passage of 2017 tax reform left no time for a considered approach for the impact on an organization. Instead, legal, tax and finance had to dive headlong into the implications and start complying immediately.

Don't look for the pressure around tax compliance to ease up anytime soon. Ernst & Young predicts that tax law flux will continue this year and beyond, as issues such as tax transparency, tax harmonization and tax competition reverberate through national political and economic conversations¹ This one area emphasizes how critical high-level cooperation is between legal, accounting, tax and finance, as well as the value of the advice legal provides.



Find the Best Entity Management Software Partner

The implementation of a secure, streamlined and effective legal entity management strategy is all about finding the right platform. Partnering with a firm that offers a robust, scalable and secure platform provides the basis for effectively managing all of your entities. Avoiding execution risk through a fully supported integration into that platform ensures you can gain a large return on your technology investment.

At its best, an entity management platform should allow you to:

- **Realize a rapid return on investment in the LEM platform**
- **Integrate seamlessly with legal, finance, treasury and HR**
- **Address the pain points of data chaos and staff turnover instantly and effectively**
- **Add strategic value to your legal team and to its collaborations with other departments**
- **Expand the operational capacity and accessibility of the platform as your organization itself expands**
- **Create a single, authoritative and secure source of data truth for your whole organization**
- **Provide global compliance solutions**

Collaborate with Diligent Entities and Verbatim

The most appropriate legal entity management platform will drive enhanced capabilities and efficiencies at all levels of your organization's legal tasks. When implemented appropriately, an LEM framework allows your organization to emerge from the technological Dark Ages to seamlessly manage all of the legal and compliance tasks that come with global business in the 21st century.

Diligent Entities' entity management software offers a number of creative, secure and effective solutions to the dilemmas of legal entity management discussed in this paper. Moreover, the collaboration between Diligent Entities and Verbatim provides not only an effective platform for entity management, but the technological know-how to implement the software quickly.

Leveraging these two solutions means that your organization can maximize efficiency for all departments and stakeholders, scale the platform to meet business growth and leverage data for smarter decision making.

About Diligent Entities

Diligent Entities is our web-based entity management, governance and compliance solution, allowing users to access and manage their corporate compliance data 24/7, anytime, anywhere. With thousands of Users worldwide, across every conceivable industry, our client-base features many of the largest companies in the world such as Microsoft, Exxon, Chevron, Disney, TimeWarner, General Motors, as well as large clients in Europe, Africa, the East, Far East and Australasia. We have dedicated sales and support offices in the UK (HQ), US (Stratford, CT), Australia (Sydney), the UAE (Dubai) and Hong Kong. We are also a multi-site Microsoft Gold Partner with both the ISV and Hosting competencies.

Our commitment to providing a suite of highly secure and integrated solutions is the reason why many FTSE100, FORTUNE 500, EURONEXT 100, ASX 200, government organizations and public bodies trust us to manage their corporate information to deliver good governance.

We have a 98% client retention rate, the highest client retention rate in our industry, achieved by providing superior customer service and support.

About Verbatim

Verbatim is equipped to handle a wide range of compliance matters, drawing on subject matter expertise within a global network of lawyers in more than 130 jurisdictions. Whether relieving the burden of routine compliance activities or supporting complex, specialized compliance needs, Verbatim provides seamless, cost-effective and efficient compliance solutions. Since 2007, Verbatim has focused exclusively on global subsidiary governance, transforming the global programs of Fortune 100 to fast growing privately held organizations. Whether relieving the burden of routine compliance activities or supporting complex, specialized compliance needs, Verbatim provides seamless, cost-controlled and transparent compliance solutions.

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Notes

- i "The Outlook for Global Tax Policy in 2018," Ernst & Young, 2018, [https://webforms.ey.com/Publication/vwLUAssets/EY-2018-global-outlook-for-tax-policy/\\$File/EY-2018-global-outlook-for-tax-policy.pdf](https://webforms.ey.com/Publication/vwLUAssets/EY-2018-global-outlook-for-tax-policy/$File/EY-2018-global-outlook-for-tax-policy.pdf)



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