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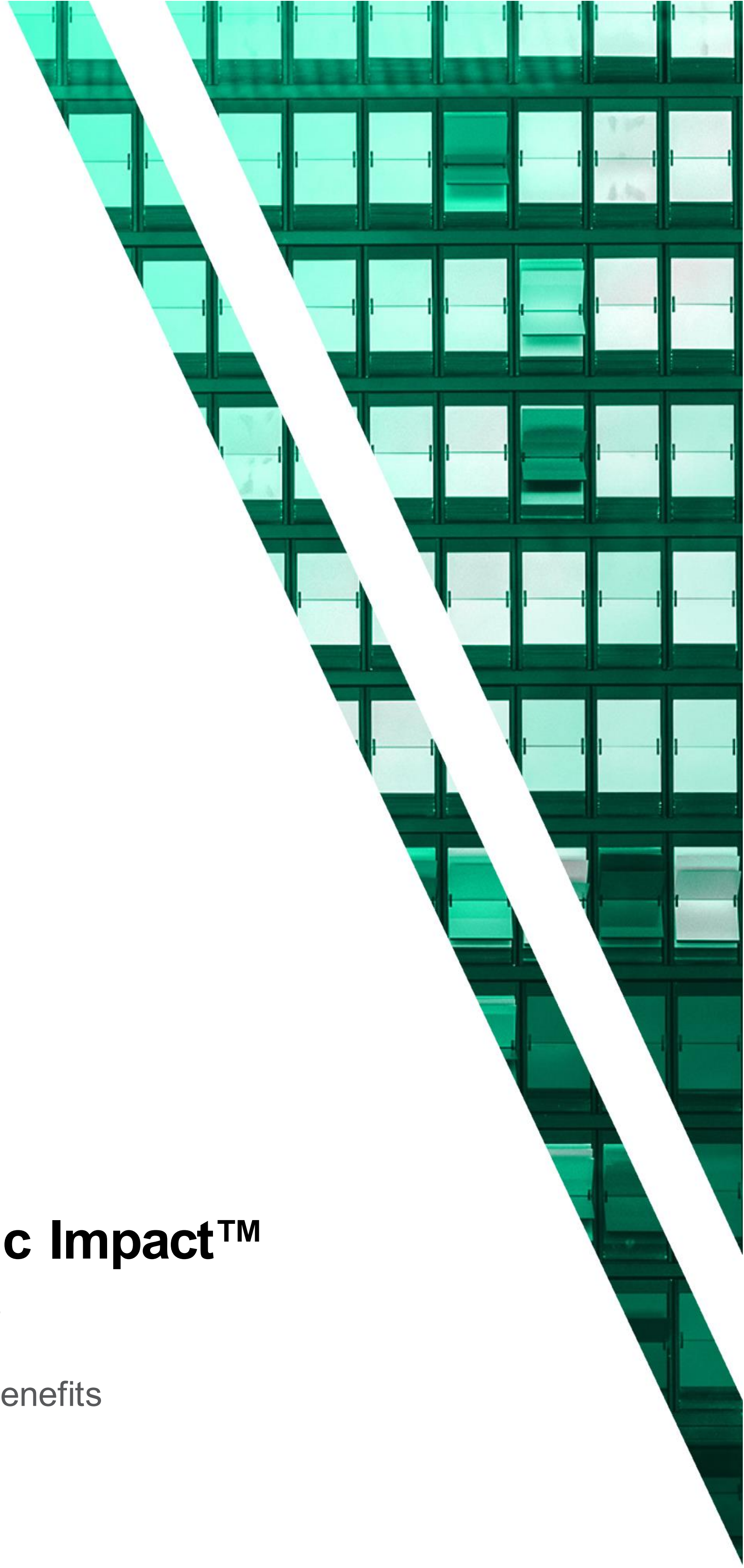

The Total Economic Impact™ Of Diligent Entities

Cost Savings And Business Benefits Enabled By Diligent Entities

JUNE 2022

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY DILIGENT

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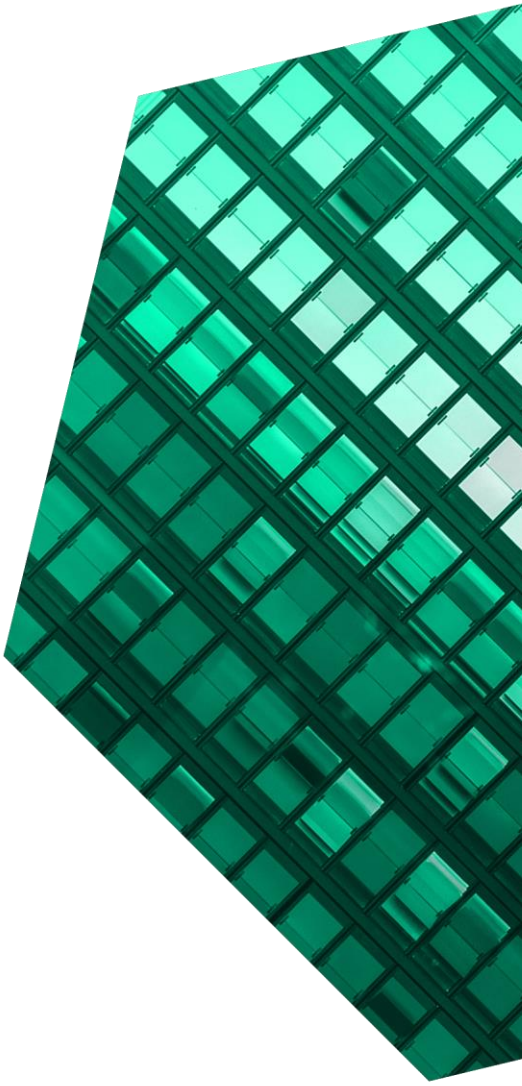


Executive Summary

> Today’s businesses are interconnected with one another, increasingly becoming more complex, and often facing various forms of external uncertainties. Risk and compliance professionals are expected to contribute to if not actively play a role in mitigating emerging risks, innovate at breakneck speed, keep pace with changing regulatory requirements, and identify areas of growth. For organizations operating hundreds or thousands of entities and subsidiaries, these challenges are often amplified.

KEY STATISTICS

Return on investment (ROI)
318%

Net present value (NPV)
$880K

Diligent Entities is an entity management solution that allows organizations to access entity-related information. It is web-based, which means users can access it anytime, anywhere. The purpose of the solution is to provide centralization of all corporate records related to entities, preserving entity data integrity, ensuring legal compliance, and anticipating potential risks related to entities and subsidiaries that operate under an organization.

Diligent commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Diligent Entities.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Diligent Entities on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Diligent Entities. For the purposes of this study, Forrester aggregated the interviewees’ experiences and combined the results into a single composite organization that is a $1 billion global company with 2,000 employees and manages 200 entities.

Prior to using Diligent Entities, these interviewees noted how their organizations often either managed information about the legal entities under their operation using manual spreadsheets or a self-managed platform, or they outsourced the work to a law firm. These organizations found this previous environment to be less than ideal, especially as the businesses continued to grow, and with that, the number of entities they needed to manage and the information they had to track. Key challenges with this environment included inability to know where specific information was located due to not having a single source of truth, work-request backlogs at the department supposedly responsible for all entity-related information, the work itself being highly labor-intensive, and the fear of knowing that every mistake when sharing information for compliance purposes can be costly.

After the investment in Diligent Entities, the interviewees’ organizations were able to create more streamlined operations to seek entity-related information, which allowed them to reallocate time and resources toward more strategic, higher-value work. Key results from the investment include time savings realized from various activities related to entity management, cost savings from identifying dormant legal entities, and cost savings from either retiring a previously used solution or from reducing outsourcing fees to external legal counsel. All of this combine to reduce risk related to managing and sharing entity-related information.

> **"What Diligent Entities allows us to do is to have a single corporate record [to] confidently build a system and process. This results in internal areas throughout the organization to confidently consume legal entity data for filing, business decisions, or other operational and risk purposes."**
>
> *Senior manager, financial services*

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **More than 70% in time savings related to entity data gathering, entry, and management.** For organizations that do not outsource activities such as collecting data related to entities and subsidiaries under their operations and updating them when things changes, this activity takes the most time out of the legal entity management team. With Diligent Entities, the automation and standardization that it introduces allows significant time savings. Over three years, the time savings in managing and maintaining data for 200 entities is worth $189,400 to the composite organization.
- **65% to 75% time savings when reporting entities information to external stakeholders.** Reporting financial and overview data related to each individual entity under operations is often part of the monthly, quarterly, and even annual reports that organizations create for external stakeholders, such as regulatory bodies or investors and shareholders. Using Diligent Entities, the composite organization can prepare and produce these reports much faster than before. Over three years, the time savings in preparing these reports is worth $72,000 to the composite organization.
- **More than 85% time savings in addressing entity-related requests from internal stakeholders and business units.** In addition to preparing reports for externals stakeholders, legal entity management teams often also receive requests from colleagues from other parts of the organization. Using Diligent Entities, this time is significantly reduced because the platform provides the ability for the stakeholder requesting information to self-serve. Over three years, the time savings in addressing internal requests is worth $60,200 to the composite organization.
- **Cost savings from entity rationalization.** Many organizations grow untidily, which creates corporate structures that are unnecessarily complicated. This increased complexity often serves as a hindrance to companies needing to be more agile in an ever-evolving space. Diligent Entities provides visibility into each of the entities and subsidiaries under operation, which means from time to time, the composite organization can identify a number of entities that no longer serve the purpose of the organization, and that can thus be let go. Over three years, assuming an average maintenance cost of $15,000 per entity, being able to identify 5% of its 200 entities being dormant, and letting them go is worth $298,400 to the composite organization.

- **Cost savings from no longer outsourcing entity management work.** Using Diligent Entities means the composite organization is able to reduce expenditures previously allocated for outside counsel spend. Previously, it often hired outside legal firms to help with filling. With the time saved realized by the legal entity management team, as well as with Diligent Entities being the single source of truth, a lot of this work can now be completed in-house. For the composite organization, being able to optimize this outsourced counsel spend saves it $537,200 over three years.

Unquantified benefits. Benefits that are not quantified in this study include:

- **Risk reduction in entity management environment with potential impact on brand value and topline growth.** Using Diligent Entities, the composite organization is less likely to mistakenly report, fail to report, or under report information related to its entities and subsidiaries. This means it avoids significant potential financial penalties that often accompany these preventable errors. In the long run, not being associated with these reporting mistakes would likely impact the organization's reputational risk and topline financial condition.
- **Standardization of entity management process gives the entity management team more credibility.** By spearheading to make the entity management process more efficient and consolidated in a united platform, the composite organization's entity management team is seen as more credible by other departments. This positions the team to be treated as more of a strategic partner within the organization.
- **Better decision-making from having all entity-related information centralized in one platform.** With Diligent Entities being the single source of truth for all entity-related information, people throughout the organization know where to look when they need that information. In addition to the time savings, knowing where to look results in having confidence that they are looking at the most recent information and can make better strategic decisions.
- **Partnership with Diligent.** Diligent has a number of other products and solutions in the space of governance, risk, and compliance (GRC). Implementing Diligent Entities means partnering with an organization that can offer other tools as needed within the GRC space.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Diligent licensing cost.** The composite organization pays $65,000 per year for its Diligent Entities investment. The exact pricing each organization gets depends on the level of complexity of the organization's entity operations.
- **Internal costs related to implementation and deployment.** The cost included here is mainly the time dedicated by all internal employees involved in the implementation of Diligent Entities. Implementation typically includes a proof of concept (POC), data migration, and user training. Some organizations may also include an external implementation partner to assist with data migration. For the composite organization, this cost adds up to $93,500.
- **Internal costs related to ongoing support and management.** Once Diligent Entities is in place, ongoing support and management effort is relatively minimal given the platform is a SaaS solution. Over three years, the composite organization spends $13,000 for this.

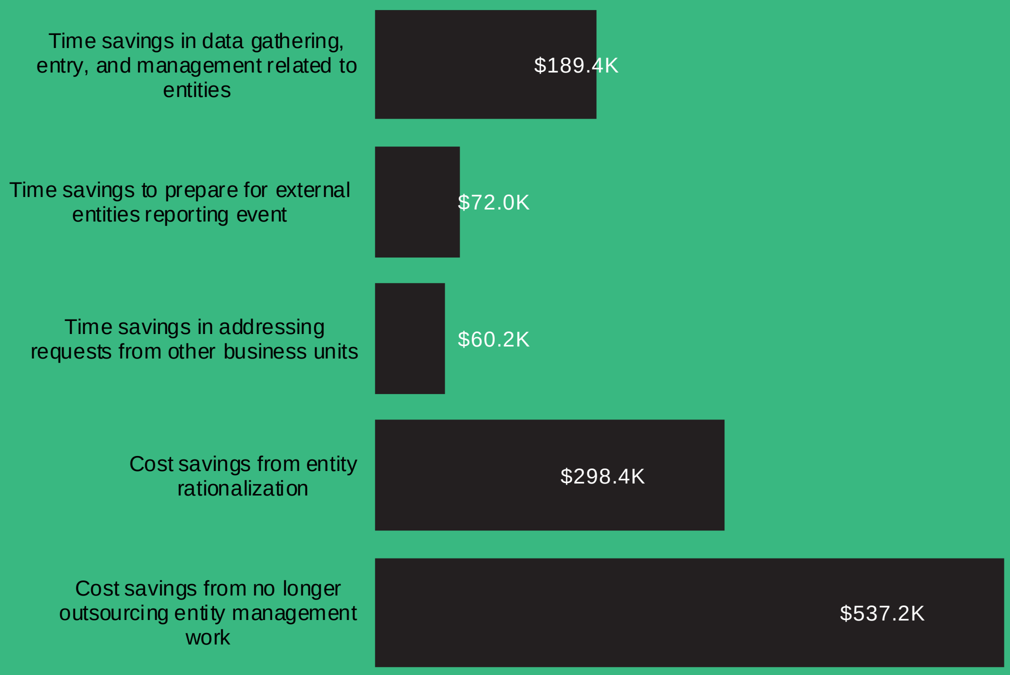
The representative interviews and financial analysis found that a composite organization experiences benefits of $1,160,000 over three years versus costs of $277,000, adding up to a net present value (NPV) of $880,000 and an ROI of 318%.

ROI
318%

BENEFITS PV
$1.16M

NPV
$880K

Benefits (Three-Year)



> **“The main value of Diligent Entities is centralization, which creates a single source of truth. As we develop more modules, we are consistently making the process more efficient [and] opening up time in our employees’ days.”**
>
> — Legal manager, private equity

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Diligent Entities.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Diligent Entities can have on an organization.

DUE DILIGENCE

Interviewed Diligent stakeholders and Forrester analysts to gather data relative to Diligent Entities.

INTERVIEWS

Interviewed four representatives at organizations using Diligent Entities to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.

FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Diligent and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Diligent Entities.

Diligent reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Diligent provided the customer names for the interviews but did not participate in the interviews.

Interviews

Role	Industry	Region	Number of entities and Diligent entities admins
Entity manager	Energy	Global	200 entities, 1 admin
Senior manager	Financial Services	Global	5,000 entities, 3 admins
Head of legal	Investment management	Global	900 entities, 3 admins
Legal manager	Private equity	USA	120 entities, 2 admins

KEY CHALLENGES

Prior to using Diligent Entities, several of the interviewees' organizations managed and maintained information about every entity under their operations using manual spreadsheets. Others built their own self-managed tools, which had their own challenges. In either case, the process was very tedious and labor-intensive. When their entity management teams became overstretched, the organizations would often outsource entity management and filling work to external law firms with billable hours that could quickly add up.

The interviewees noted how their organizations struggled with common challenges, including:

- **Operational inefficiencies from manual entity management work.** Interviewees shared that manually managing a growing number of entities on spreadsheets was very labor-intensive and operationally inefficient. Offices in different locations often kept different versions of entity information, which meant it was impossible to know what the actual status was regarding entities. An entity manager in energy noted: "Everything was decentralized. We had spreadsheets and folders without any common naming taxonomy. You had to go look in multiple places every time someone asked for information about an entity. The only people you [could] ask [were on] the legal entity management team, which created a backlog of requests."

> **"The amount of work involved in answering every tiny, little question [around an entity] every time something has to be signed is incredibly time-consuming."**
>
> *Entity manager, energy*

Often times, the lack of visibility from the inefficiency resulted in easily avoidable expenditure. A head of legal in investment management said: "Our maintenance and record-keeping of 900 entities was kept in various lists. The lack of proces or framework meant there was no way of knowing which entity no longer needed to exist. We had dormant entities that we continued to pay for in terms of annual maintenance, audit report, [state] licensing fees, etc."

- **Alternative solutions lacked functionality, scalability, and ease of use.** Some interviewees' organizations used alternative entity management software prior to Diligent Entities, and they found it lacked the ability to easily produce reports and was often limited in the number of users it could manage. A senior manager in financial services said: "[Our previous system] was not positioned correctly. Only a limited number of people had licenses to access it and they were not the individuals ultimately accountable for the management of the entity."

  The head of legal in investment management added: "Our organization is often asked to quickly report on subsidiary information and ownership in various investments, so we needed that reporting capability to produce organizational structure charts."

- **Inability to trust information related to entities.** Interviewees shared that the decentralized nature of information related to various entities meant they were often unsure about what was the correct or most recent data. The senior manager in financial services said: "The data in our previous entity management system was not consumable. You could not rely on anything that was in it. There were no controls, no reporting capabilities, [and] no accountability. So, there was no confidence that any information you [saw was] correct."

- **Regulated industries demand higher scrutiny for entity reporting.** Interviewees from organizations that operate in complex regulatory environments shared that the increased scrutiny they are under in terms what their organizations have to do when reporting entity information meant they had to strengthen their systems. Doing otherwise could potentially result in costly financial penalties as well as impact on brand value and reputation. A legal manager in private equity shared: "We have presence in 13 to 14 states, and every state is uniquely different in terms what we have to report. Thus, from a regulatory perspective, it gets pretty complex for us, especially as we continue to grow."

> **"Everyone was working with their own digital files to extract information. It was very confusing to know where certain information was located."**
>
> *Legal manager, private equity*

> **"In our organization, Diligent Entities is subject to rigorous SOX controls, which means we must have extensive controls and reporting in place to monitor compliance with such controls."**
>
> *Senior manager, financial services*

SOLUTION REQUIREMENTS

To alleviate these concerns, the interviewees' organizations searched for a solution that could:

- **Ensure data accuracy and data security from having a single source of truth.** Understanding the previous shared challenge of not knowing what data to trust, it makes sense that interviewees highlighted wanting a unified platform to serve as the single source of truth for everything related to their organizations' entities. More than wanting a unified platform, interviewees said they wanted a solution that could ensure data accuracy and data security. The senior manager in financial services said: "We want to have everything in Diligent Entities, so it is our single source of truth. As a financial services company, we go through a quarterly exercise of reporting to state regulators. So, every quarter, we go through all our entities and decide whether or not each entity is a reportable entity. Thus, we had to be sure that the platform we choose is accurate and secure."

Additionally, interviewees said that because of the type of information stored, security was a key criterion when comparing solutions before ultimately selecting Diligent Entities. The entity manager in energy said: "When you're registering directors internationally, there is no limit to the amount of information you have to disclose. Thus, you have to have a very secure place to store it. You have to have a very good way to audit it and to retrieve it in a safe way."

- **Be configured to meet the exact needs of the organization.** The interviewees come from organizations of different sizes, industries, and overall backgrounds. Their purposes for using entity-related information also slightly differ. Thus, when comparing different solutions, their organizations looked for a tool that could be configured according to their specific needs. The entity manager in energy said: "Diligent allows us to design the interface and dashboard according to our needs. We can make adjustments depending on what is easiest and most useful to our users."

- **Be learned easily by users.** The admins and users of Diligent Entities are often highly skilled knowledge workers. Interviewees shared that their organizations needed a tool that people could pick up easily so they could adopt it, use it, and find value from it. They did not want something that people find hard to use, which would then make it a wasted investment. The senior manager in financial services noted: "What I was looking for was a solution that I could market and sell to our internal clients, primarily attorneys, and easily train a global population on its use."

- **Operate as a hosted solution with minimal maintenance work.** With operational inefficiencies in their previous entity management processes highlighted as one of key challenges prior to using Diligent Entities, interviewees said the fact that Diligent Entities is a managed hosted solution was another differentiator for them. The entity manager in energy shared: "[One of the best things [about] Diligent Entities] is that it is hosted. I don't have to worry about the system being up and running. Everything is taken care of for you. [Diligent Entities] helps us upload the information if needed. I [do] not have to gather data from a gazillion companies and put them all in myself, index them, upload all the charter documents, [and] upload all the information. I can

> **"As a private equity, acquisitions will always be a part of our business process. So, it is very important to have a tool like Diligent Entities [to streamline our entity management process]."**
>
> *Legal manager, private equity*

pay somebody to do it who has the knowledge and experience in doing it."

- **Easily generate reports on entities under operation.** Interviewees shared that internal and external stakeholders often request information about their legal entities. Thus, they needed a solution that could easily generate the key facts and that has comprehensive reporting capabilities to meet these requests. The head of legal in investment management said: "People like to see words and pictures. So, one of the really key things for us was the ability to produce organizational structure charts."

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global company with $1 billion in annual revenue and 2,000 total employees. It has 200 legal entities under its operations. The legal entity management team consist of three admins.

Deployment characteristics. The composite organization migrates from its previous environment in which it used manual spreadsheets to manage its legal entity information. It outsources some annual fillings to an external law firm. Three admins who are part of the legal entity management team manage Diligent Entities, and the organization has 40 users.

Key Assumptions

- **Global company with $1 billion in annual revenue**
- **200 legal entities under management**
- **2,000 total employees**
- **3 admins as part of legal entity management team**
- **40 Diligent Entities users across the organization**

Analysis Of Benefits

🟩 Quantified benefit data as applied to the composite

Total Benefits

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Time savings in data gathering, entry, and management related to entities	$71,400	$76,500	$81,600	$229,500	$189,440
Btr	Time savings to prepare for external entities reporting event	$27,000	$29,077	$31,154	$87,231	$71,982
Ctr	Time savings in addressing requests from other business units	$22,950	$24,300	$25,650	$72,900	$60,218
Dtr	Cost savings from entity rationalization	$120,000	$120,000	$120,000	$360,000	$298,422
Etr	Cost savings from no longer outsourcing entity management work	$216,000	$216,000	$216,000	$648,000	$537,160
	Total benefits (risk-adjusted)	$457,350	$465,877	$474,404	$1,397,631	$1,157,222

TIME SAVINGS IN DATA GATHERING, ENTRY, AND MANAGEMENT RELATED TO ENTITIES

Evidence and data. Interviewees shared that using Diligent Entities resulted in significant time savings related to the activity of gathering data, inputting it into a unified platform, and updating all data related to the various entities. Prior to Diligent Entities, some interviewees' organizations had hundreds of data points per entity to manage, which resulted in legal entity management teams spending hours making sure everything was up to date.

When taking into consideration how data and models quickly decay over time and need refreshing, doing this manually was a significant time commitment for the legal entity management teams. Using Diligent Entities, interviewees appreciated being able to automate certain tasks and reminders to ensure entity data is consolidated and updated within the platform. The time saved in this process meant that their organizations did not need as many people to do the same entity management activities, which meant they could repurpose headcount to other higher-value work.

> **"[Prior to Diligent Entities], the entire job of our entity management team was managing different entities manually. Now, with Diligent Entities, it's probably 20% of their job. This means 80% of their time is now freed up to do higher-value work for our organization."**
>
> *Senior manager, financial services*

- The legal manager in private equity shared: “A key component of our process is the license renewal process. We’re licensed in 13 to 14 different jurisdictions, and we had a separate team manually going around updating data. This process can now be done fully on Diligent Entities. The time savings in this license renewal process is 70% to 75%.”
- The entity manager in energy said: “Instead of five paralegals to handle [more than] 200 entities, I only need one paralegal manager who’s able to manage the entire global environment. The synergies and abilities you have is a lot more valuable than the four full-time salaries saved.”
- The head of legal in investment management noted: “Our process used to require two lawyers and a paralegal. Now, it’s mostly run by a paralegal, dedicating 15% to 20% of their time.”

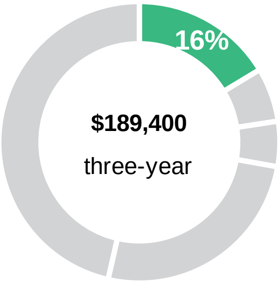
Modeling and assumptions. For the composite organization, Forrester assumes that:

- Three people are part of the legal entity management team doing this work.
- They spend 40% of their time uploading and updating entities data.
- Using Diligent Entities allows them to save 70% of the time to do this activity in Year 1. In each subsequent year, the time-saving benefits increase to reflect the increasing ease in utilizing the platform. Thus, the percentage of time savings is 75% in Year 2 and 80% in Year 3.
- This work is assumed to be done by paralegals, with an annual fully burdened salary of $100,000.[2]

Risks. Benefits from time savings in data gathering, entry, and management may vary, and specific considerations include:

- The number of people who are part of the legal entity management team and who specifically contribute to this data input and update work.
- The roles of people involved (e.g., paralegals versus attorneys).
- The industry, which could impact the complexity of data that needs to be collected.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $189,400.



Time Savings In Data Gathering, Entry, And Management Related To Entities

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of people involved with entities management prior to Diligent Entities	Composite	3	3	3
A2	Percentage of time dedicated to uploading and updating entities data	Interview	40%	40%	40%
A3	Percentage of time savings with Diligent Entities	Interview	70%	75%	80%
A4	Annual fully burdened salary of paralegal	TEI standard	$100,000	$100,000	$100,000
At	Time savings in data gathering, entry, and management related to entities	A1*A2*A3*A4	$84,000	$90,000	$96,000
	Risk adjustment	↓15%			
Atr	Time savings in data gathering, entry, and management related to entities (risk-adjusted)		$71,400	$76,500	$81,600

Three-year total: $229,500 **Three-year present value: $189,440**

TIME SAVINGS TO PREPARE FOR EXTERNAL ENTITIES REPORTING EVENT

Evidence and data. Interviewees shared that their organizations' legal entity management teams have to prepare for annual, quarterly, and even monthly reporting events to external parties. These could include regulators, investors, shareholders, and others. Prior to Diligent Entities, creating a consolidated report would mean significant time spent to gather information from disparate sources, ensuring the data is accurate, current, and consistent. With Diligent Entities being the unified platform, this report generation activity is reduced to several clicks on the platform, significantly reducing the time needed to prepare for these external reporting events.

- The senior manager in financial services explained: "Prior to Diligent Entities, we could spend several weeks preparing for an event, which includes time for filling, data review, and audit. With Diligent, the process takes two to three days. Not to mention we are also more confident in the data quality."
- The legal manager in private equity added: "Without Diligent Entities, we spent 10 to 15 hours each month and each quarter for reporting. Now with Diligent Entities, I estimate we are 50% to 75% faster once the information is properly populated and we figure out which attributes need to be reported on."
- The head of legal in investment management shared: "We provide various reports on a quarterly basis for our parent company to comply with some of their regulatory filings as well as annually for our own audit process. Additionally, some of our investment funds request for quarterly reports. Previously it would take weeks to collect and validate the information. [With Diligent Entities] it takes minutes."
- The entity manager in energy said: "If you're in accounting, everything is in Diligent Entities. This is a true database that stores other departments' data, such as tax ID numbers, DUNS (Data Universal Numbering System) numbers, W-8 and W-9 tax forms, intercompany agreements and loans. This helps whenever you are going to be audited. If you 100 audits in a year, that time savings add up."

> **"Before Diligent, we would manually send out hundreds of emails to people to review and certify their entity data. All that is automated today with Diligent Entities."**
>
> *Senior manager, financial services*

Modeling and assumptions. For the composite organization, Forrester assumes that:

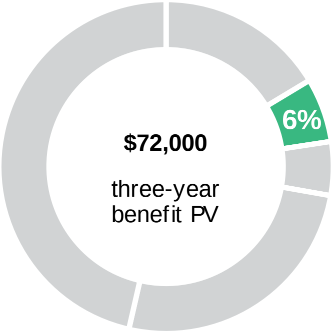
- The same three people of the legal entity management team are involved in preparing for these external reporting events.
- The external events happen monthly and quarterly, totaling 16 external events for which to prepare.
- Prior to Diligent Entities, the team spent 20 hours to prepare for each event.
- With Diligent Entities, this time is reduced by 65% in Year 1. As the team continues to get familiar with the platform, this time saving increases to 70% in Year 2 and to 75% in Year 3.

- This work is assumed to be done by paralegals, with an assumed hourly fully burdened salary of \$48.[3]

Risks. Benefits from time savings in external entities reporting events may vary, and specific considerations include:

- The number of legal entities that are managed and to be reported.
- The number of external events that the organization must prepare reporting for each year.
- The organization's geography and industry.
- The complexity of the information that needs to be reported.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$72,000.



Time Savings To Prepare For External Entities Reporting Event

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of people involved in entities events prior to Diligent Entities	Composite	3	3	3
B2	Number of yearly events that require entities reporting	Composite	16	16	16
B3	Time to prepare for each event (hours)	Interview	20	20	20
B4	Percentage reduction in time spent preparing for events with Diligent Entities	Interview	65%	70%	75%
B5	Hourly fully burdened salary for paralegal	TEI standard	\$48	\$48	\$48
Bt	Time savings to prepare for external entities reporting event	B1*B2*B3*B4*B5	\$30,000	\$32,308	\$34,615
	Risk adjustment	↓10%			
Btr	Time savings to prepare for external entities reporting event (risk-adjusted)		\$27,000	\$29,077	\$31,154
	Three-year total: \$87,231		**Three-year present value: \$71,982**		

TIME SAVINGS IN ADDRESSING REQUESTS FROM OTHER BUSINESS UNITS

Evidence and data. In addition to preparing to report entities information to external stakeholders, interviewees also shared often having to address internal requests from other business units. This could be requests from the tax department, HR, finance, or even business units. Prior to Diligent Entities, these requests would likely be sent to the legal entity management team. Depending on the number of requests to be addressed at any one time, this could mean a long backlog of requests, taking time away from the legal entity management team that could be utilized for other higher-value work.

With Diligent Entities, the legal entity management team can simply set up the platform and provide access to key internal stakeholders who would request information. This self-service process completely eliminates the backlog of requests, which means the legal entity management team can use its time to be a more strategic partner to other departments.

- The entity manager in energy said: "A lot of the time savings are through the visibility Diligent introduces. It's not a huge project to look for data and pull reports. For the tax department, all the restructuring information is in Diligent Entities. They can go directly into the system, which cuts down a lot of traffic."
- The head of legal in investment management said: "We could get as [many] as four major requests per quarter from another stakeholder in the company. It would take two weeks to respond to the request. Now, since it's just running a report, it takes an hour at most. Addressing requests from internal stakeholders previously [required] probably 75% of our employee's time. Now, it's probably 10%, so [that's] significant time savings."

> **"[With Diligent Entities], we can give access to anyone asking for information about an entity. It's self-service, so my team is not spending time answering questions that people can find the answers [to] themselves."**
>
> *Head of legal, investment management*

Modeling and assumptions. For the composite organization, Forrester assumes that:

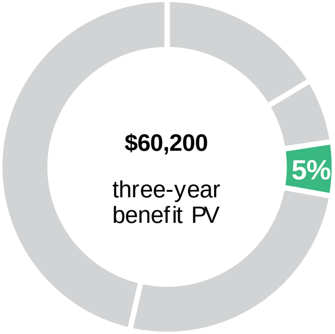
- The same three people on the legal entity management team are involved in addressing requests from other business units.
- The composite organization receives four major requests per quarter from other business units.
- Prior to using Diligent Entities, each request took 13 hours to address.
- Due to Diligent Entities allowing self-service, the time saving for this activity is 85% in Year 1, 90% in Year 2, and 95% in Year 3.
- This work is assumed to be done by paralegals, with an assumed hourly fully burdened salary of $48.[4]

Risks. Benefits from time savings in addressing requests from other business units may vary, and specific considerations include:

- The number of legal entities that are managed and to be reported.
- The number of internal requests an organization receives and must address each year.

- The complexity of the information that needs to be reported.
- The organization's geography and industry.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $60,200.



Time Savings In Addressing Requests From Other Business Units

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of people involved in addressing requests from other business units	Composite	3	3	3
C2	Number of requests from alternate business units per year	Composite	16	16	16
C3	Time required to deal with each request prior to Diligent Entities (hours)	Interview	13	13	13
C4	Hourly fully burdened salary for paralegal	TEI standard	$48	$48	$48
C5	Percentage reduction in time spent handling requests with Diligent Entities	Interview	85%	90%	95%
Ct	Time savings in addressing requests from other business units	C1*C2*C3*C4*C5	$25,500	$27,000	$28,500
	Risk adjustment	↓10%			
Ctr	Time savings in addressing requests from other business units (risk-adjusted)		$22,950	$24,300	$25,650
	Three-year total: $72,900		Three-year present value: $60,218		

COST SAVINGS FROM ENTITY RATIONALIZATION

Evidence and data. As organizations continue to grow, particularly those that do so via inorganic acquisitions, an inefficient entity management system can cause them to lose track of what costs they are paying. Interviewees shared that it is not uncommon to continue paying for dormant entities for years even after they no longer serve the larger objective of the parent company. The annual carrying costs per legal entity can run between $25,000 to $50,000, covering costs for audit reconciliation, IT integrations, duplicative HR management systems, federal/state/local tax fillings, licensing fees, and IP.[5] This process of entity rationalization provides simplification of the corporate structure that frees up cash and capital that can be utilized elsewhere.

Beyond the immediate cost savings from not paying the annual maintenance cost per entity, being able to do entity rationalization also allows organizations to be more agile.[6] Having a more streamlined structure better prepares these companies for further strategic transformation. The operational efficiency can potentially boost a company's valuation, sending a signal to the market that the organization is deal-ready. Releasing dormant entities reduces the risk of being hit with legacy claims and contingent liabilities.

- The entity manager in energy noted: "Our average legal entity costs $50,000 just to exist, which covers audits, financial statements, and keeping up with local fees. With Diligent Entities, we can determine which legal [entities] are no longer needed and stop paying for them. We could retire as much as 5% of our legal entities per year."
- The head of legal in investment management said: "Each of our entity's maintenance cost would be $2,000 to 3,000 per year, which isn't significant, but it is money you don't have to spend. With Diligent Entities, we uncovered 5% of our entire portfolio was dormant each year."

> **"Diligent Entities is central to the decisions when looking at what each of our entities are going to look like, how we can reparent them, how we can restructure them, etc."**
>
> *Senior manager, financial services*

- The legal manager in private equity shared: "We are currently working on eliminating some of our entities over the next quarter. [This means] a lot of information that previously would have to be maintained would be significantly reduced because the number of entities itself would be reduced."

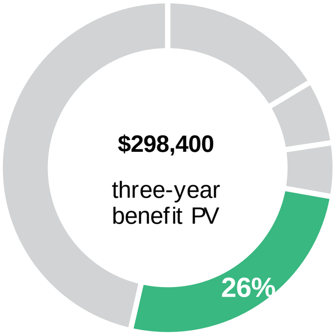
Modeling and assumptions. For the composite organization, Forrester assumes that:

- The annual carrying costs per legal entity is $15,000.
- Using Diligent Entities allows the composite to let go of 5% of its legal entities assumed to be dormant.

Risks. Cost savings benefits from entity rationalization may vary, and specific considerations include:

- The industry and specific operation of the organization and its subsidiaries, which will impact the annual carrying cost per legal entity.
- The organization's prior system of managing entity information, which can impact the number of dormant entities that can be identified.
- The size of the organization and the number of legal entity and subsidiary under operations.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of $298,400



Cost Savings From Entity Rationalization

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of entities	Composite	200	200	200
D2	Yearly cost per entity	Composite	$15,000	$15,000	$15,000
D3	Percentage reduction of dormant entities retired with Diligent Entities	Interview	5%	5%	5%
Dt	Cost savings from entity rationalization	D1*D2*D3	$150,000	$150,000	$150,000
	Risk adjustment	↓20%			
Dtr	Cost savings from entity rationalization (risk-adjusted)		$120,000	$120,000	$120,000

Three-year total: $360,000 **Three-year present value: $294,422**

COST SAVINGS FROM NO LONGER OUTSOURCING ENTITY MANAGEMENT WORK

Evidence and data. Interviewees shared that the significant time commitment their organizations had to dedicate to entity management work often meant needing to outsource some fillings and documentation to external law firms. Outsourcing entity management work to lawyers can run professional fees in the range of $20,000 to $30,000, and in certain complicated situations, parties can incur more than $2 million in fees to clean up entity-related problems.[7]

Interviewees from organizations that did not previously outsource entity management work and used their own self-managed platforms shared that the annual maintenance cost of these platforms could also add up.

Interviewees noted that by using Diligent Entities, this outside counsel spend is significantly reduced, if not completely eliminated. Again, this is additional cash and capital made available that can now be allocated and utilized elsewhere.

- The legal manager in private equity said: "A lot of our previous [entity management] work was outsourced. Someone had to manage it, so it was a lot of outside counsel fees. We would rely on them a lot for information. That cost hundreds of thousands of dollars per year. This is now completely eliminated because we are bringing [this capability] in-house."
- The senior manager in financial services shared: "[Prior to Diligent Entities], we had a self-hosted server managed internally. As we implemented the Diligent Entities cloud solution, we were able to simplify the user interface and hide a lot of the fields we were not using."
- The entity manager in energy added: "For us, using Diligent Entities means we don't have to buy a separate tool to keep licenses or for IT to build something internally. Building one in-house could cost $50,000 to $100,000."

> **"By moving to the Diligent Entities cloud solution, we were able to reduce the total cost of ownership for our entity management application by 54%."**
>
> *Senior manager, financial services*

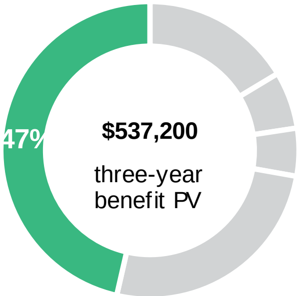
Modeling and assumptions. For the composite organization, Forrester assumes that:

- The annual cost of outsourcing entity management work to external law firms is $300,000 per year.
- Using Diligent Entities eliminates 90% of this expenditure after it's set up.

Risks. Cost savings from no longer outsourcing entity management work may vary, and specific considerations include:

- The complexity of the entity management work that is being outsourced.
- The organization's industry and geography.
- The existing capacity and capability of the organization's internal entity management team.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of $537,200.



Cost Savings From No Longer Outsourcing Entity Management Work

Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Annual cost to outsource annual filling and legal entity work	Composite	$300,000	$300,000	$300,000
E2	Percentage reduction with Diligent	Interview	90%	90%	90%
Et	Cost savings from no longer outsourcing entity management work	E1*E2	$270,000	$270,000	$270,000
	Risk adjustment	↓20%			
Etr	Cost savings from no longer outsourcing entity management work (risk-adjusted)		$216,000	$216,000	$216,000
	Three-year total: $648,000	**Three-year present value: $537,160**			

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Reduction in risk perception of entity management environment, with potential impact on brand value and topline growth.** Interviewees noted that on top of the time and cost savings that Diligent Entities introduces, the fact that their organizations have this platform reduces their exposure to risk scenarios and potential penalties. In the long run, this risk reduction better positions them in terms of brand value as well as growing the business. The head of legal in investment management said: "Being able to get rid of dormant entities helps reduce our risk profile. It reduces the possibility that somebody will come in and name that entity in a litigation. Additionally, if someone leaves our company, the knowledge does not leave with that person because everything is in Diligent Entities."

- **Standardization of entity management process gives the legal entity management team more credibility.** Interviewees noted that all the time savings recaptured by the legal entity team is time the team can use to be a strategic partner to other business units. The increased credibility that the legal entity management team has elevates it from being just a cost center doing administrative work to a valued strategic partner in the organization. The head of legal in investment management said: "Information is just readily available around the company. It's reliable and consolidated in a single platform. People have more faith in the information they are getting as it relates to entities. As a result, it gives us as the legal department more credibility."

> **"When you're dealing with an international team, you have someone in Europe, Asia, [and the] US all trying to share documents and data. … [So,] you want to ensure security. With Diligent Entities, we automatically reduce the exposure these data and information have to external parties."**
>
> *Entity manager, energy*

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Diligent Entities and later realize additional uses and business opportunities, including:

- **Better decision-making from having all entity-related information centralized in one platform.** Interviewees said that in the long run, as every stakeholder and employee knows where to obtain information related to entities and as the position of the legal entity management team heightens to a more strategic role, the decision-making process within the organization should also improve. The senior manager in financial services noted: "The fact that all information is centralized means our people have more confidence that the decisions are the correct ones. They don't have to go back to double- and triple-check everything. They can rely on what they find in Diligent Entities."
- **Partnership with Diligent.** Finally, interviewees noted that by using Diligent Entities, they can leverage that into a partnership with Diligent and the suite of other solutions that it offers. The senior manager in financial services said: "It's been invaluable to partner with Diligent Entities due to their proactive leadership. I'm a big believer in not having 10 different products from 10 different vendors. If Diligent can give me 80% of what I need, I would not have to go all over the place. Having Diligent as our one partners for entity management has been tremendously helpful."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

"As Diligent Entities opens up more time, I would like to do more partnering with the GMs of our different locations, talk to each of them one-on-one, [and] discuss their pain points. I want to move away from the manual emails and process."

Legal manager, private equity

Analysis Of Costs

🟩 Quantified cost data as applied to the composite

Total Costs

Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ftr	Licensing cost	$0	$68,250	$68,250	$68,250	$204,750	$169,728
Gtr	Implementation and deployment	$93,500	$0	$0	$0	$93,500	$93,500
Htr	Ongoing support and management	$0	$5,500	$5,500	$5,500	$16,500	$13,678
	Total costs (risk-adjusted)	$93,500	$73,750	$73,750	$73,750	$314,750	$276,906

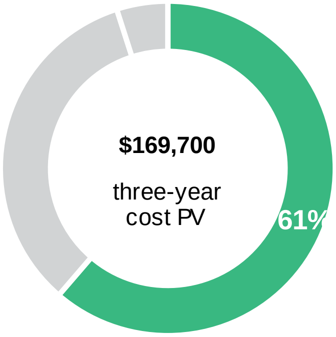
LICENSING COST

For the purpose of this study, Forrester assumes the composite organization pays $65,000 per year for its investment in Diligent Entities. Pricing may vary. Contact Diligent for additional details.

Risks. The licensing cost of Diligent Entities may vary depending on:

- The type of package selected based on the complexity of the organization's environment.
- The number of admins and users.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $169,700.



Licensing Cost

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Cost for Diligent Entities	Composite		$65,000	$65,000	$65,000
Ft	Licensing cost	F1	0	$65,000	$65,000	$65,000
	Risk adjustment	↑5%				
Ftr	Licensing cost (risk-adjusted)		$0	$68,250	$68,250	$68,250

Three-year total: $204,750 **Three-year present value: $169,728**

IMPLEMENTATION AND DEPLOYMENT

Evidence and data. Interviewees shared that implementation and deployment of Diligent Entities mainly involved setting up the platform and then migrating data and information about its entities into the platform. This work typically involves the corporate secretary team or legal entity management team. Interviewees shared that they could do the data migration work on their own, utilize professional service help from Diligent, or hire their own professional service assistance.

- The entity manager in energy said: "I've had to implement Diligent Entities for about 75 entities for a solid year. That was me doing it all myself. When I had [professional services] help, we spent about six months for 220 entities."
- The senior manager in financial services said: "If I was starting from scratch, it would be a three to six-month implementation timeline. That would already include the proof of concept, user training, etc."
- The head of legal in investment management shared: "Implementation primarily involved one of my paralegals [who was] responsible for most of the heavy lifting with a corporate secretary overseeing it. It took us six months. We had to figure out what our information is, gather it, and then migrate it into Diligent. In terms of training, we did a rollout training. We had trainings for lawyers who do the ongoing reviews. We had trainings for the view-only users. And then, [we had] training for administrators."

Modeling and assumptions. For the composite organization, Forrester assumes that:

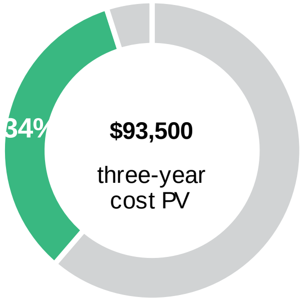
- All five members of the legal entity management team are involved with the setup of Diligent Entities.
- Implementation takes six months, which includes proof of concept, data migration, and user training.
- This work is assumed to be done by paralegals, with an annual fully burdened salary of $100,000.[8]
- Implementation and deployment are assumed to take 20% of the internal employees' time.
- The composite incurs a one-time onboarding and training cost of $35,000.

> **"[What's important to prepare for implementation] is the state of the data today, how clean it is to migrate, and the plan to train users."**
>
> *Senior manager, financial services*

Risks. The internal cost related to implementation and deployment may vary depending on the following factors:

- The current state of the organization's data and the entity management process that will be migrated into Diligent Entities.
- The capability of the internal staff, which can impact the implementation length and time for training.
- The industry and geography of the organization, which can impact the annual salary and cost for implementation partners.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $93,500.



Implementation And Deployment

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Number of people involved in implementation	Composite	5			
G2	Time spent on implementation (years)	Composite	0.50			
G3	Fully burdened annual salary	Assumption	$100,000			
G4	Percentage of time dedicated to implementation	Interview	20%			
G5	One time onboarding and training cost	Assumption	$35,000			
Gt	Implementation and deployment	G1*G2*G3*G4+ G5	$85,000	$0	$0	$0
	Risk adjustment	↑10%				
Gtr	Implementation and deployment (risk-adjusted)		$93,500	$0	$0	$0
Three-year total: $93,500			**Three-year present value: $93,500**			

ONGOING SUPPORT AND MANAGEMENT

Evidence and data. Interviewees said ongoing support and management once Diligent Entities is set up is very minimal. The little work that needs to be done here mainly revolves around continuous training of users, addressing questions about Diligent Entities and its use case, and periodical engagement with the Diligent team to understand updates and best practices.

- The senior manager in financial services said: "Ongoing management is very little. Unless there's a problem escalated to me, we really don't have many issues. Our Diligent Entities help desk has half an FTE from our technical team [and] half an FTE for legal entity reporting. That work is also split between three admins."
- The entity manager in energy shared: "In terms of admins for Diligent Entities in our organization, it's just me. I have some backup admins, but it's mostly just me. We provide user and administrator training from time to time."
- The head of legal in investment management said: "I would be shocked if we needed intentional conversations with Diligent more than once a year. We just need to keep tracking the technological changes, so having that open dialogue is helpful. The ongoing maintenance cost is certainly minimal"

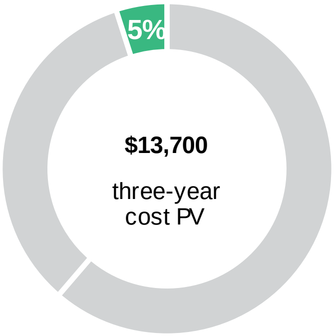
Modeling and assumptions. For the composite organization, Forrester assumes that:

- One person is involved with ongoing support and management, dedicating 5% of their time to this work. This is mainly to train new users as staff turnover happens or as new business units engage them on entity-related data.
- This work is assumed to be done by paralegals, with an annual fully burdened salary of $100,000.[9]

Risks. The internal cost related to ongoing cost and management may vary depending on the following factors:

- The capability of the internal staff, which can impact the work of the help desk and user training.
- The industry and geography of the organization, which can impact annual salaries.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $13,700.



Ongoing Support And Management

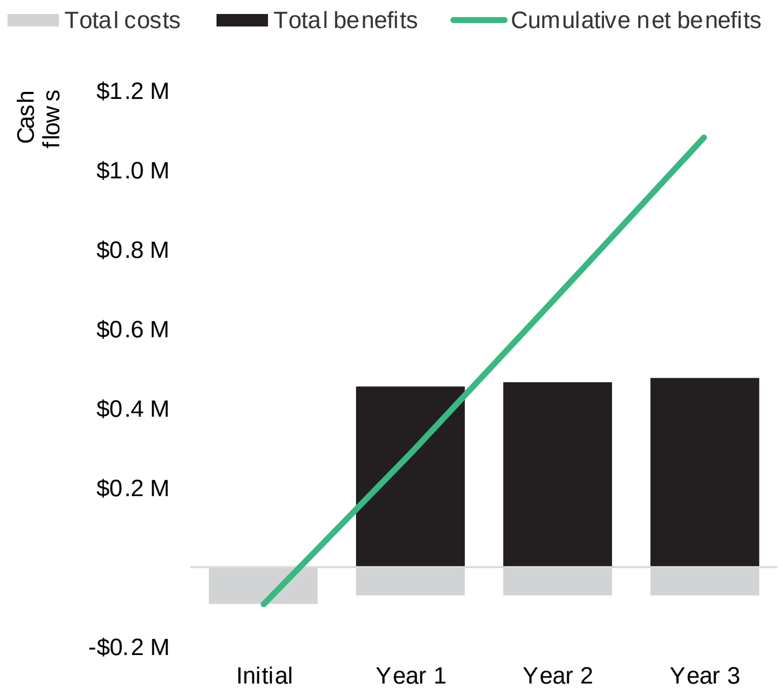
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
H1	Number of people involved in management	Composite		1	1	1
H2	Fully burdened salary (annual)	Assumption		$100,000	$100,000	$100,000
H3	Percentage of time dedicated to ongoing management	Interview		5%	5%	5%
Ht	Ongoing support and management	H1*H2*H3	$0	$5,000	$5,000	$5,000
	Risk adjustment	↑10%				
Htr	Ongoing support and management (risk-adjusted)		$0	$5,500	$5,500	$5,500

Three-year total: $16,500 **Three-year present value: $13,678**

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($93,500)	($73,750)	($73,750)	($73,750)	($314,750)	($276,906)
Total benefits	$0	$457,350	$465,877	$474,404	$1,397,631	$1,157,222
Net benefits	($93,500)	$383,600	$392,127	$400,654	$1,082,881	$880,316
ROI						318%

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Supplemental Material

Related Forrester Research

"The Forrester Wave^{TM}: Governance, Risk, And Compliance Platforms, Q3 2021," Forrester Research, Inc., September 22, 2021

"Drive Faster, Better Strategic Decisions With Enterprise Risk Management," Forrester Research, Inc., August 2, 2021

Online Resources

More information about legal entity rationalization is available at https://www.forbes.com/sites/forbesfinancecouncil/2020/10/30/getting-your-house-in-order-key-considerations-for-tackling-legal-entity-rationalization/

Appendix C: Endnotes

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[1] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

[2] Fully burdened salary includes both the direct wages and indirect costs of hiring and employment. Burden rate refers to indirect costs of employment beyond direct compensation, including, but not limited to: hiring costs, training costs, financial services, paid time off, sick leave, expenses, retirement contributions, payroll taxes, and incremental technology and workplace costs for the employee.

[3] Ibid.

[4] Ibid.

[5] Source: "Legal entity rationalization," Ernst & Young LLP, 2020.

[6] Source: Glen Babcock, "Enable your business – why you should make corporate simplification a priority," PwC LLP, 2021 (https://www.pwc.co.uk/services/business-restructuring/insights/enable-business-make-corporate-simplification-priority.html).

[7] Source: "The Value of Entity Management: A Multi-Part Study By Deloitte, Part 1: The Impact on Mergers & Acquisitions," Deloitte LLP, 2021.

[8] Fully burdened salary includes both the direct wages and indirect costs of hiring and employment. Burden rate refers to indirect costs of employment beyond direct compensation, including, but not limited to: hiring costs, training costs, financial services, paid time off, sick leave, expenses, retirement contributions, payroll taxes, and incremental technology and workplace costs for the employee.

[9] Ibid.

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