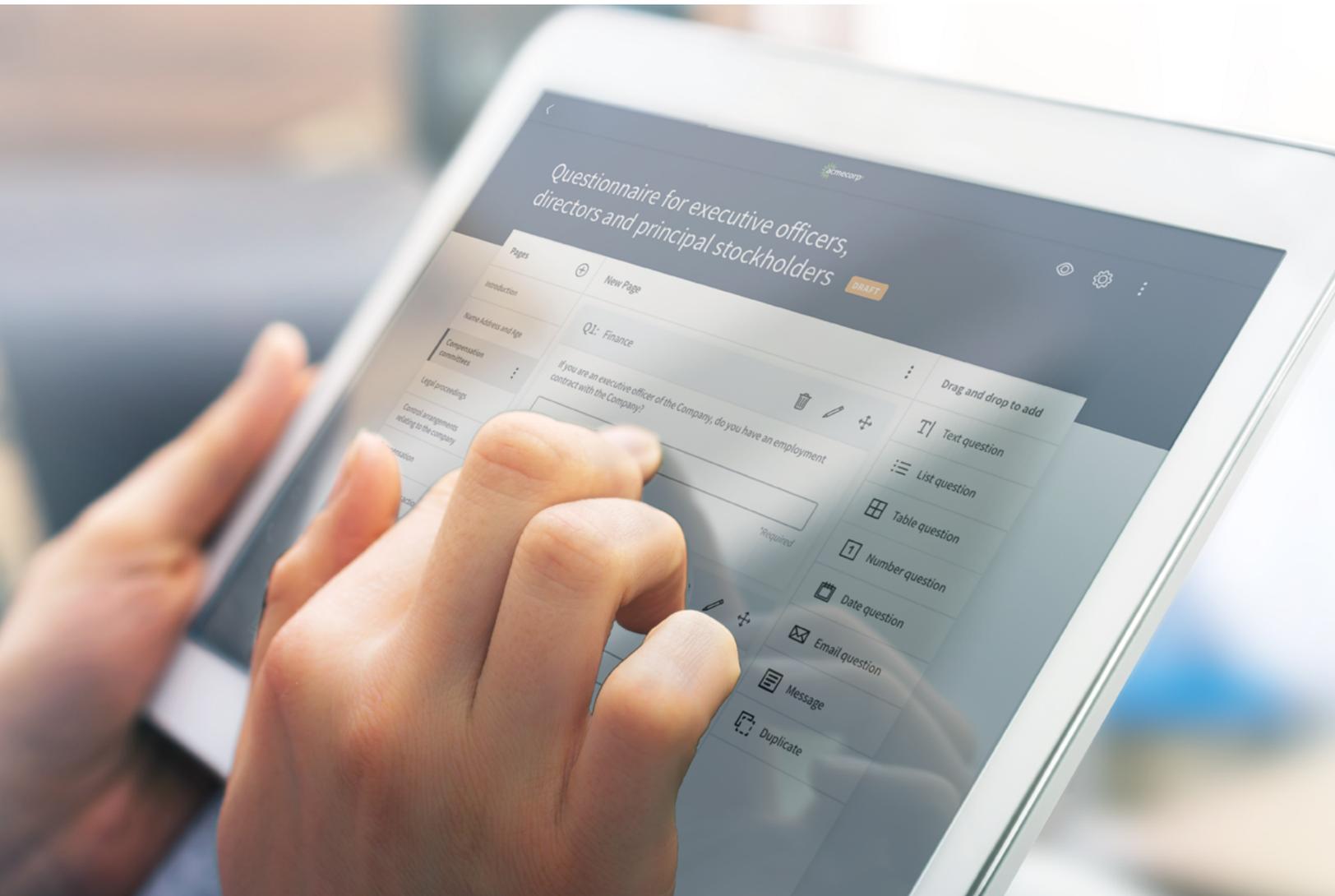


BEST PRACTICES FOR D&O AND BOARD EVALUATIONS IN A VIRTUAL WORLD



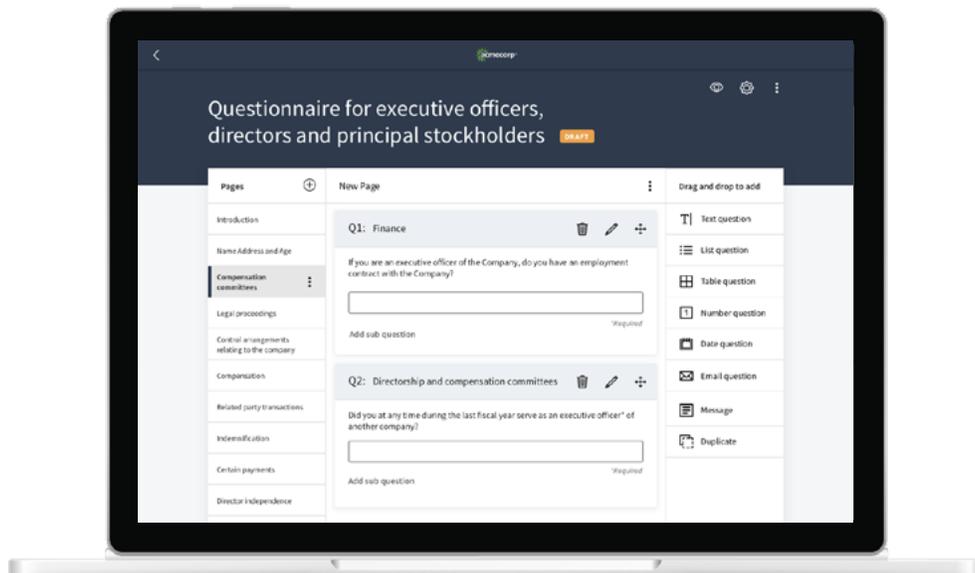
BEST PRACTICES FOR D&O AND BOARD EVALUATIONS IN A VIRTUAL WORLD

As boards acclimate to a virtual world, so must governance practices. Over the last several months, governance professionals have implemented new technologies and processes at a rapid clip. Not only are these new efficiencies welcomed by directors, but in many cases, they're long overdue. Chief among these are board evaluations and D&O questionnaires.

While these two governance processes serve a different purpose, their methods — and pain points — are largely the same. Governance professionals often struggle with:

- **Engagement:** Chasing down responses from board members
- **Security:** Ensuring disclosed information stays protected
- **Inefficiencies:** Navigating manual or paper-based processes that waste valuable time
- **Benchmarking:** Staying abreast of how leading organizations are evolving their practices, particularly with board evaluations

In this guide, we outline best practices and key considerations for the months ahead.



BOARD EVALUATIONS



Security Requirements for Virtual Governance Software

- Client data should be encrypted at rest, in transit and on users' devices, with at least 256-bit encryption.
- Software providers should be able to show clean annual SOC-2/SSAE 18 audits and ISO 27001 certifications for security.

Board evaluations (also called *board assessments*) are typically conducted on an annual basis. Often a requirement for listed companies, the board evaluation process can run the risk of becoming a check-the-box exercise if board leadership fails to set the right tone. Governance professionals must ensure their boards don't miss the opportunity for valuable feedback, learning and growth.

- **Ensure your next evaluation accounts for COVID-19 challenges:** 2020 has been anything but ordinary. As organizations navigate a global pandemic, many aspects of board composition, board processes and committee structure have been put to the test. How is your board taking this opportunity to reflect and improve? What questions need to be added to account for the unique challenges of COVID-19? High-performing boards use the assessment process as an opportunity for growth.
- **Collect feedback on new virtual governance processes:** As boards have transitioned meeting formats and processes to a virtual setting, many have discovered new conveniences and efficiencies. Which of these processes have made the board more productive? Which ones should be integrated even after health/safety restrictions are lifted? Governance professionals should work with board leadership to ensure they collect feedback on new virtual meeting formats and processes — particularly those that save time and have the power to impact board performance.
- **Secure board evaluation data:** Effective boards take the annual evaluation process seriously — which means they often enclose very candid and sensitive information as part of their evaluation. Governance professionals must make sure this information stays protected in a virtual evaluation process. If companies are using digital tools to complete director evaluations, they should ensure each adheres to top security requirements (listed at left).



Q&A WITH GEORGE ANDERSON, SPENCER STUART

Anderson leads Spencer Stuart's Board Effectiveness Practice in North America



Q: In the wake of COVID-19, how will boards assess their composition, practices and performance differently?

A: The stakes will be higher and the need for meaningful assessment even greater. Some companies' very existence hangs in the balance; others enjoy transformational opportunity. Almost none can afford to do business as usual. This makes the board's work even more important and assessment critical. There's greater urgency around ensuring the right people are in the boardroom, the structures are in place to work most effectively and the board is performing at the highest level.

Q: What recommendations do you have for boards on their next board evaluation?

A: Boards will benefit from taking a deeper look at their composition, structures and practices in a post-pandemic environment. For example, when we can go back to in-person board meetings, how can we preserve some of the efficiencies we have gained from virtual meetings? If we continue to hold some board meetings virtually, how will we ensure the board has sufficient exposure to management and leadership succession candidates?

D&O QUESTIONNAIRES



Technology Considerations for D&O Questionnaires

- Select a software provider that allows directors and executives to access their D&O questionnaire from any device.
- Ensure the software can pre-fill each user's answers from the year before.

Prior to an initial public offering or annual proxy filing, the D&O questionnaire collects information from board directors and executive officers that is required for company disclosure. The pain points of D&O questionnaires are often procedural or administrative, which means that governance professionals should aim to automate the process wherever possible.

- **Review and update questionnaires for 2020:** While there are typically few changes to D&O questionnaires from year to year, the need to incorporate new information must still be assessed. For example, as conversations around diversity have come into sharper focus, a company may plan to collect and disclose voluntary information about directors' diversity characteristics. The D&O questionnaire would be one such way to gain directors' consent.
- **Streamline manual parts of the process:** Consider your current process for D&O questionnaires. What are your top frustrations or inefficiencies? Chances are they can be solved by technology. Governance technology providers like Diligent offer tools specifically designed to streamline the D&O process, from building questionnaires to collecting responses and exporting results. Top governance teams are automating manual tasks like D&O questionnaires, so more time can be spent on strategic responsibilities.
- **Consider the director and executive experience:** Amid a director or officer's busy schedule, completing D&O questionnaires can feel like a distraction. Thus, making the process as efficient and painless as possible is the best way for governance professionals to get quick and accurate results. An effective D&O process leverages technology that allows for contingent questions and even pre-fills each director's or officer's answers from the year before.

HEAR FROM GOVERNANCE PROFESSIONALS WHO HAVE DIGITIZED EVALUATIONS AND D&O QUESTIONNAIRES



“When it comes to our year-end director and officer questionnaire timing, the process is simple. I’m able to roll things forward from the previous year. [Diligent] makes it easier for our directors and senior officers to submit that information in a timely manner, not waste their time.”

Matt Muller

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

“Having the tool to be able to do it on an iPad is a really big step forward. And then the way that Diligent analyzes it and produces a report for the board to then discuss, is really useful and saves me a lot of time.”

Rebecca Sheppard

Global Head of the Company Secretariat,
First State Investments

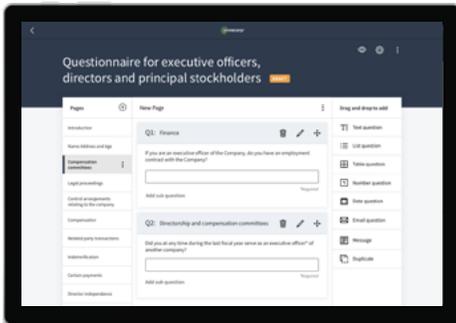


DILIGENT'S PREMIUM QUESTIONNAIRES SOLUTION

Organizations routinely need a way to facilitate feedback and data collection from their directors and leadership teams. Diligent enables easy collection and analysis of survey and questionnaire data, like D&O filings and board evaluations - all within the security and ease of Diligent Boards.

Diligent's Premium Questionnaires Solution Key Benefits

- ▶ Create questionnaires for a variety of procedural purposes that can align with your existing questionnaire or new formats
- ▶ Provide an intuitive workflow for board members by having all board related materials in Diligent Boards
- ▶ Easily export the data into excel or word formats for analysis and reporting
- ▶ Eliminate manual or paper process to ensure business continuity and efficiency
- ▶ Save time for respondents with flexible answer formats, including pre-fill from previous surveys



Features & Functionality

- Multi-device access
- Prefilled questions
- Duplicate answers
- Visual graph reporting
- Digital signatures Instant appendices
- Easy export to word or excel
- Drag & drop to duplicate a question
- Submit responses anonymously
- Various question types including: text, list, tables, dates, and email



Common Use Cases

- Declarations / D&O
- Virtual Meeting Preparation and Feedback
- CEO or Executive Evaluations
- Reviews and Polling of Directors
- Board Member Onboarding Surveys
- Conflict of interest
- Board Evaluations



Award-Winning Support

- 98% of all issues resolved by the person answering your call
- 24/7/365 concierge-level support
- Calls answered by a Diligent employee within five seconds
- Unlimited training – for all



Additional D&O Support Services

- Leverage Diligent professional services to easily bring your existing D&O processes, frameworks and data into the questionnaires platform
- Expedite questionnaire set-up
- Streamline your initial questionnaire

To learn more about Diligent Questionnaires, contact us today:
Email: info@diligent.com | Call: +1-877-434-5443 | Visit: diligent.com