Building the Boardroom of Tomorrow

How to improve collaboration, governance and decision-making, and achieve an entirely new level of effectiveness.

Most, if not all, **industries are in the midst of large-scale disruption.** As a result, board members are tasked with doing far more than simply reviewing financial results and projections. Today, directors are expected to exhibit extreme knowledge of these disruptions and truly engage and collaborate to help plot the organization's path forward.

Disruptions impacting your organization, of course, vary based on your industry, your product or service offering, and the competitive climate. However, there are new realities that extend across all industries.

NEW REGULATIONS

In 2008, Norway was the first European country to mandate board diversity, requiring 40% of directors for listed organizations be female.[1] A decade later, California passed a bill mandating major companies put female directors on their boards.[2]

CYBER RISK

The fear of cyberthreats looms large, expanding now to include cryptojacking, supply chain attacks and mobile malware. Attacks have become more sophisticated and exposure points have increased partly from the growing array of connected devices, systems and networks.

GLOBAL DYNAMICS

As we enter a new and unsettling geopolitical environment, global risks are intensifying. Corporate executives and private equity investors expect merger and acquisition (M&A) activity to accelerate, and this consolidation will impact markets.[3]
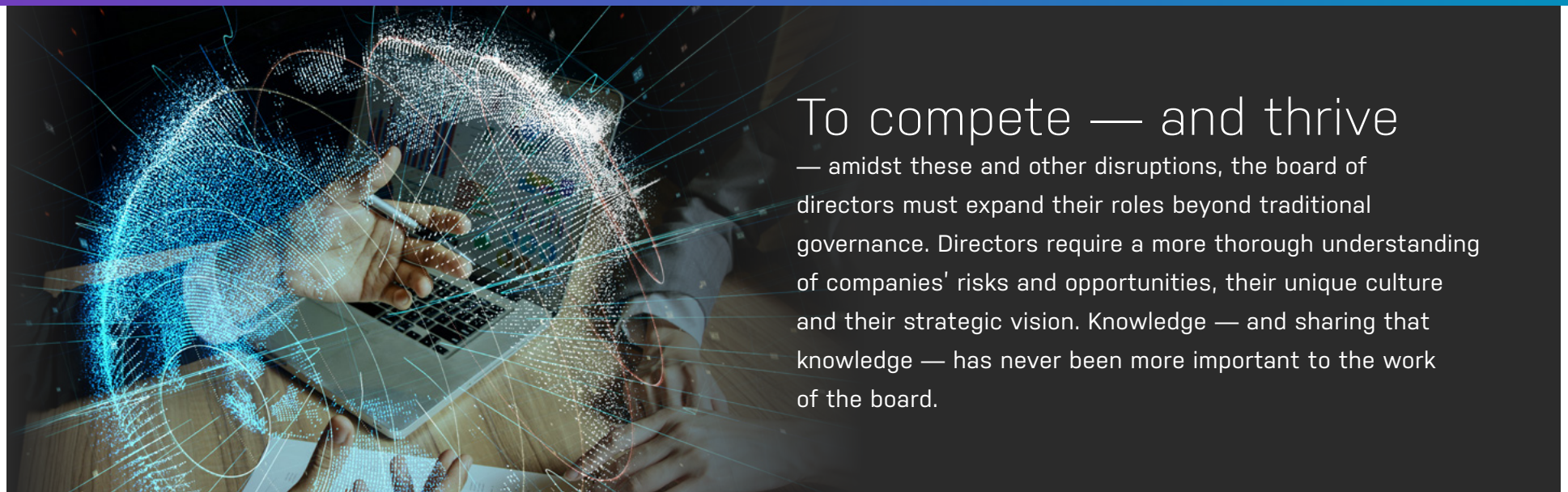
To compete — and thrive

— amidst these and other disruptions, the board of directors must expand their roles beyond traditional governance. Directors require a more thorough understanding of companies' risks and opportunities, their unique culture and their strategic vision. Knowledge — and sharing that knowledge — has never been more important to the work of the board.

[1] The Economist, "Ten years on from Norway's quota for women on corporate boards," Feb. 17, 2018. [2] Wall Street Journal, "California Becomes First State to Mandate Female Board Directors," Sept. 30, 2018.
[3] Deloitte, "The state of the deal: M&A trends 2019," 2018.

4 Must-Haves for the Modern Boardroom

The efficiency, collaboration and alignment of the board has a direct impact on an organization's ability to compete, enter new markets, enhance profitability and deliver shareholder value. Although introducing a paperless board book is an excellent first step in creating a digitally infused, modern boardroom, there are greater, more innovative opportunities that extend far beyond digitizing static PDFs.

Companies need a digital governance and collaboration platform that supports the modern boardroom with multiple layers of security and integrated communications that increases daily efficiencies and operations.

After all, board governance isn't just what happens during those annual or quarterly get-togethers. There's much collaboration and sharing of information that takes place before and after, often on short notice, with much of this communication needing to happen wherever board members may be.

There are four critical requirements that a modern boardroom governance and collaboration platform must deliver in order to support this ongoing communication, productivity and efficiency between the corporate secretary, board of directors and the executive team:

01

EFFICIENCY

A governance framework that establishes and administers the board structure, principles and practices.

02

COLLABORATION

A secure portal that facilitates collaboration, increased security and ongoing knowledge exchange.

03

ALIGNMENT

Board and CEO performance evaluations that uncover new ways to better collaborate and develop ideas that improve business performance.

04

SECURITY

Multi-level security to help protect the confidentiality, integrity and availability of data.

01

Governance that Improves Board Efficiency and Results

Board governance goes beyond adhering to corporate guidelines. A focus on board governance can also improve the efficiency of the board by streamlining administrative functions and improving information accuracy and transparency.

After all, good governance requires that board members have the most up-to-date information and feel empowered to communicate freely, using their unique perspectives and experiences to drive the company forward.

A modern, best-in-class board portal can help build a strong governance foundation, allowing Corporate Secretaries to:

Schedule board meetings based on established executive and director availability

Efficiently develop and share meeting agendas, along with comprehensive board books

Seamlessly upload and share relevant reports and information as it's released

Alert directors when information should be flagged for review or when a new task is assigned

Share meeting minutes for review and approval in advance of meetings, so meetings are spent on other tasks that can help drive the business forward

Develop and assign board-directed action items, while doing consistent check-ins to confirm progress

Organizations can empower governance with tools that support collaboration and decision-making. Board members can focus on establishing a governance framework that can include fostering a culture of integrity and establishing more effective corporate governance structures, principles and practices.

02

Collaborative Tools that Improve Board Engagement

Exchanging information efficiently and within the platform's added layers of protection will encourage greater collaboration between board members and senior leadership, both during the onboarding process and ongoing collaboration. This collaboration is critical to building trust in the boardroom and forging stronger relationships between directors — and between directors and the executive team.

ONBOARDING

How quickly and thoroughly a new director acclimates to the board has a significant impact on boardroom dynamics and can allow a director to become a meaningful contributor at their first board meeting. New directors need granular information about the company's culture, operating environment, corporate strategy, risks, financial performance and opportunities. They also need to get up to speed on the board's culture and meeting protocols. They can gather this information through face-to-face meetings, an orientation program, and required reading of board meeting minutes, investor presentations and analyst reports. The board platform is where they can access all pertinent information, at any time.

KNOWLEDGE RETENTION

Organizations must constantly evolve in order to meet new competitive requirements and stand out within their industry. The board is extremely involved in this evolution, assessing past performance and meeting with the executive team to develop a proper plan of action. The portal is a central place for all reports, meeting minutes and action items that help build an organization's future. Therefore, it will be an extremely valuable resource for board members as they assess organizational performance and discuss areas of improvement and investment.

REAL-TIME COLLABORATION

To carry out their fiduciary responsibilities, board members need to quickly share information across internal and external teams in an environment protected by multiple layers of security. The news cycle is accelerating, and there are always new developments that could serve as valuable fodder for the board — even when they're not in a meeting. However, boards must also be able to not only share information, but communicate in real time. Two-way interactive capabilities improve decision-making by allowing directors to communicate back to the general counsel and executive leadership in real time. Both directors and general counsel can annotate documents with notes and highlights.

Regardless of whether board members are at the beginning of the onboarding process or are long-time directors, one thing remains the same: They need quick and seamless access to information and conversation. And mobile technology is the catalyst for supporting these new real-time imperatives. A governance and collaboration platform must be mobile-optimized to allow access via a web browser, tablet app or smartphone app and allow directors to download, read and annotate materials from anywhere. These materials must be consistently kept in sync, so directors can see and react to identical documents that may be subject to instantaneous updates.

Quick Tips for Improving Board Relationships

When it comes to board dynamics, the reality is, technology can only do so much. Any well-rounded board includes people from a variety of backgrounds and areas of expertise. That means their beliefs and opinions vary greatly, as well. Below are the critical, yet oftentimes overlooked practices that help forge board relationships and keep them aligned on one core goal: your business.

Set rules for how discussions (and disagreements) should be handled in board meetings. If you don't set and adhere to communication guidelines, you may be deterring other board members from speaking up.

Rotate boardroom seating so directors can network with people they may not know well. This helps prevent a "clique culture" from developing, which could lead to internal conflict.

Develop seed questions and add them to meeting agendas, so board members can brainstorm ideas and conjure up some preliminary thoughts. The end result is a more vibrant conversation that includes more diverse opinions and perspectives.

Continue the conversation by having executive leadership reach out to directors that may be silent during meetings or are particularly passionate about a specific subject. One-to-one outreach shows the board that the executive team appreciates their contribution and respects their input, which will ultimately increase their engagement in meetings.

03

Performance Evaluations that Ensure Alignment

Regulations such as Sarbanes-Oxley, Dodd-Frank and Markets in Financial Instruments Directive 2 (MiFID II) have led to an increase in annual evaluations. But that's not the only reason to evaluate board member performance.

Assessing board performance can result in significant improvements in company performance, as well as serve as a catalyst to increase the alignment between the board and organizational leadership. A board portal can help your organization better prioritize board effectiveness and accountability, allowing you, your board and executive team to:

Evaluate the current performance of board members.

Analyze if board members possess the skills and expertise to take the company through its future multi-year strategy.

Assess whether the board's composition aligns with the organization's long-term strategy.

Improve alignment between the board and CEO, facilitating two-way communication that promotes deeper interactions, builds stakeholder confidence and provides diversity of opinion and more forward-looking insight.

Provide an open, yet private forum for the board to evaluate CEO performance.

04

Multi-layered Security

The information resting in board documents and director communications is highly confidential. Using traditional channels, like email and chat, may present a number of risks. Cyber criminals are becoming savvier, and their attacks more sophisticated. Organizations and their boards need to go through a thorough assessment process for all tech they implement and use to share this sensitive information.

To enhance your security protocols, you may need:

Constant monitoring of security defenses as well as methods to disseminate information efficiently, purge documents centrally and exchange comments and messages all in one place.

The board portal service is SOC 2 Type II audited and the Information Security Management System (ISMS) that governs the information assets, business operations and physical locations for the board portal service conforms to ISO 27001 requirements and is ISO 27001 certified.

Permission-based access to individual documents and/or reports within your board portal.

**Proper security protocols** and approval processes for mobile device usage.

Widespread adoption of strong password best practices, such as long passcodes and password encryption.

Most of all, organizations may want to ensure that their board portal supports e-discovery and retention policies by keeping all content under the control of the administrator. At the end of a set time period — perhaps at the end of the quarter or when minutes are approved — the general counsel or corporate secretary can then remotely purge board member devices. The remote purge should work even if devices are offline, out of Wi-Fi range, or if a device is lost or stolen.

5 Cyber Risk Realities Boards Must Know

For many years, cybersecurity was only something that IT, Information Governance and Information Security teams would touch. But the attack on large public brands and even highly regulated facilities has changed the landscape forever. Cyber risk has now become a board issue.
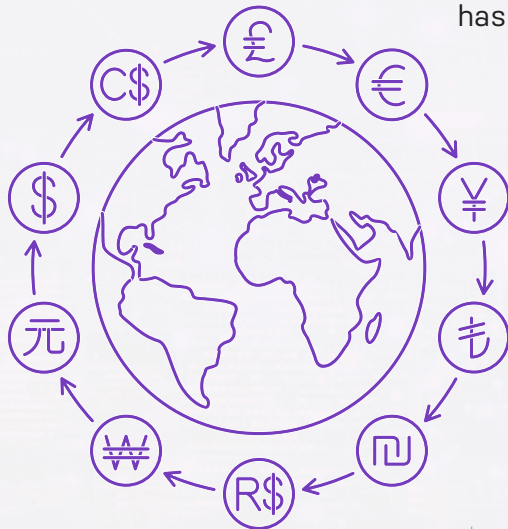
Global cybercrime now tops almost $600 billion[4] annually and the cost of a breach costs the typical company about $3.86 million.[5]

71% of executives say they don't know how cyberattacks are going to affect their organization.[6]

52% of executives said their companies experienced a ransomware attack in a 12-month period.[7]

64% of Chief Information Security Officers (CISOs) now report directly to the CEO or board.[8]

54% of executives said negligent employees, including senior-level executives, were the root cause of a data breach.[9]

[4] Center for Strategic and Internal Studies and McAfee, "The Economic Impact of Cybercrime—No Slowing Down," February 2018. [5] Ponemon Institute, "2018 Cost of Data Breach Study," July 11, 2018. [6, 8] Accenture, "Gaining ground on the cyber attacker," April 10, 2018. [7, 9] Ponemon Institute, "The Third Annual Study on the Cyber Resilient Organization," March 2018.

Can Your Technologies and Platforms Support the Modern Boardroom?

You may already have a board management and document collaboration platform in place. Or, you may still be using disparate tools and realizing it is time for an upgrade. Regardless of where you are in your journey, there are a few key tasks/areas of corporate governance that you should be able to digitize. Add a point for each of the below items you've already addressed and see where your organization stands.

◯ Paperless board book

◯ Reference library

◯ Board member communications in one central platform

◯ Attendance tracking

◯ Agenda approval

◯ Director orientation library

◯ Resolutions and voting

◯ Changes to committee charters

◯ Document retention and eDiscovery

◯ Director & Officer questionnaires

◯ Other questionnaires or surveys
(e.g. Conflict of Interest questionnaires)

◯ Board evaluations

◯ CEO assessments

◯ Digital signatures

SCORE

LESS THAN 5 Your board management and [file sharing] platform provide the basic governance tools needed. However, there may be hidden flaws in your tools and practices that may impact productivity and data security. Learn how **Nasdaq Boardvantage** can bring your team's productivity to new heights — without leaving sensitive company data up for grabs.

5–10 It seems like you have a progressive board and are ready to go further in your digitization journey. See how **Nasdaq Boardvantage** can help you amplify collaboration and productivity inside and outside of the boardroom, while embracing intuitive, cutting-edge technology.

10–14 Congratulations. Your board is taking governance to the next level, with tools that enhance the effectiveness of meetings, collaboration and board decision-making. But keep in mind, there are always new trends, risks and best practices emerging, so you must constantly assess and refine your practices. A best-in-class solution like **Nasdaq Boardvantage** can help streamline communication and collaboration, no matter how your business evolves.

Create Your Organization's 'Boardroom of Tomorrow'

With disruption impacting every industry, organizations need to become more strategic, nimbler and adaptable to the fast pace of change. The board can play a key role in preparing organizations for the future if its members can expand their roles beyond traditional governance.

A modern board management and document collaboration platform can facilitate this boardroom transformation and organizational innovation, allowing directors and senior executives to collaborate to achieve an entirely new level of effectiveness.

For more information on how Nasdaq Boardvantage helps make every aspect of board meetings and collaborations among directors and leadership teams simpler and easier to manage, visit business.nasdaq.com/boardvantage.

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