

Research Report

Entity Management

Adapting through a challenging
year

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Introduction

An inside look at how entity management teams are responding to challenging times, managing resources and deploying technology



Introduction

Entity management is a core corporate function that can help the company avoid regulatory problems, improve its efficiency, reduce costs and help ensure M&A and other transactions go smoothly. Professionals working in the field are continually proving themselves to be creative and adaptive in overcoming new challenges and keeping up with continually evolving regulations and deals. The past year in particular has raised serious questions about issues such as the resources available for teams, use of technology and new work practices.

In this special report we present data based on a survey conducted among in-house entity management professionals – such as general counsel and corporate secretaries – to give important insights into this key function and how teams are adapting to changing conditions.

Questions posed to respondents:

- Which department is responsible for overseeing entity management at your company?
- How has the budget for entity management at your company changed over the past year?
- How has the size of your entity management team changed over the past year?
- How has the use of technology for entity management at your company changed over the past year?
- In which areas are you making greater use of technology?
- What are your priorities in terms of entity management?
- Do you use external advisers/service providers for entity management work?
- Have you made any changes to your entity management work as a result of the Covid-19 pandemic?
- Will you keep in place changes made to your entity management work as a result of Covid-19?

Key findings

- Legal teams are most likely to have responsibility for entity management, followed by the corporate secretary's office, with the general counsel's office and compliance some way behind. Larger companies are more likely than smaller companies to assign responsibility to their legal departments and/or their corporate secretary's office.
- Over the past year, more than a third of respondents have seen an increase in the use of technology for entity management. At mega-cap companies, 69 percent have seen an uptick in technology use.
- The most commonly cited areas where technology is being used more widely are regulatory reporting, legal entity tracking and subsidiary compliance.
- Despite economic conditions, 53 percent of respondents say their entity management budget has remained the same over the past year. Almost a third of respondents at mega-cap firms have seen a small or large increase in budget.
- Almost six in 10 respondents say the size of their entity management team has stayed the same over the past year.
- Respondents' most commonly cited top priority is compliance, followed by efficiency of corporate structure and consistent governance across the corporate structure.
- Fifty-seven percent of respondents use external advisers for certain matters. Around a quarter (23 percent) do not use external advisers at all.
- Just over a fifth (21 percent) of respondents say they have made changes to their entity management work as a result of the pandemic. Almost two thirds say they have not.

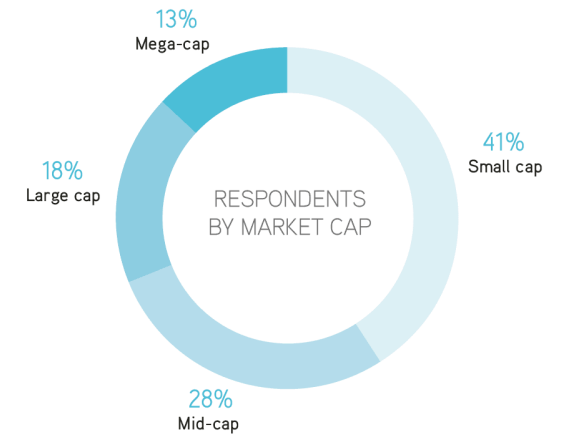
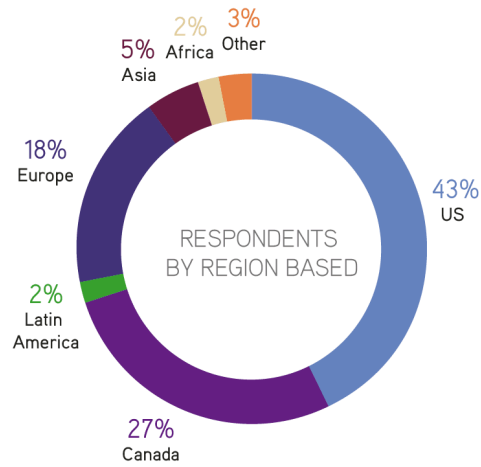
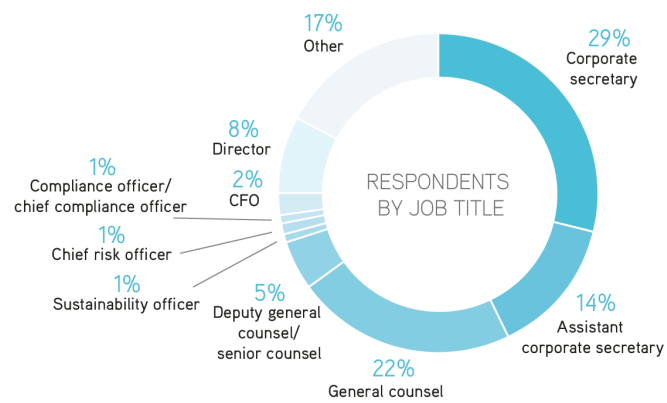
Respondents

Survey demographics



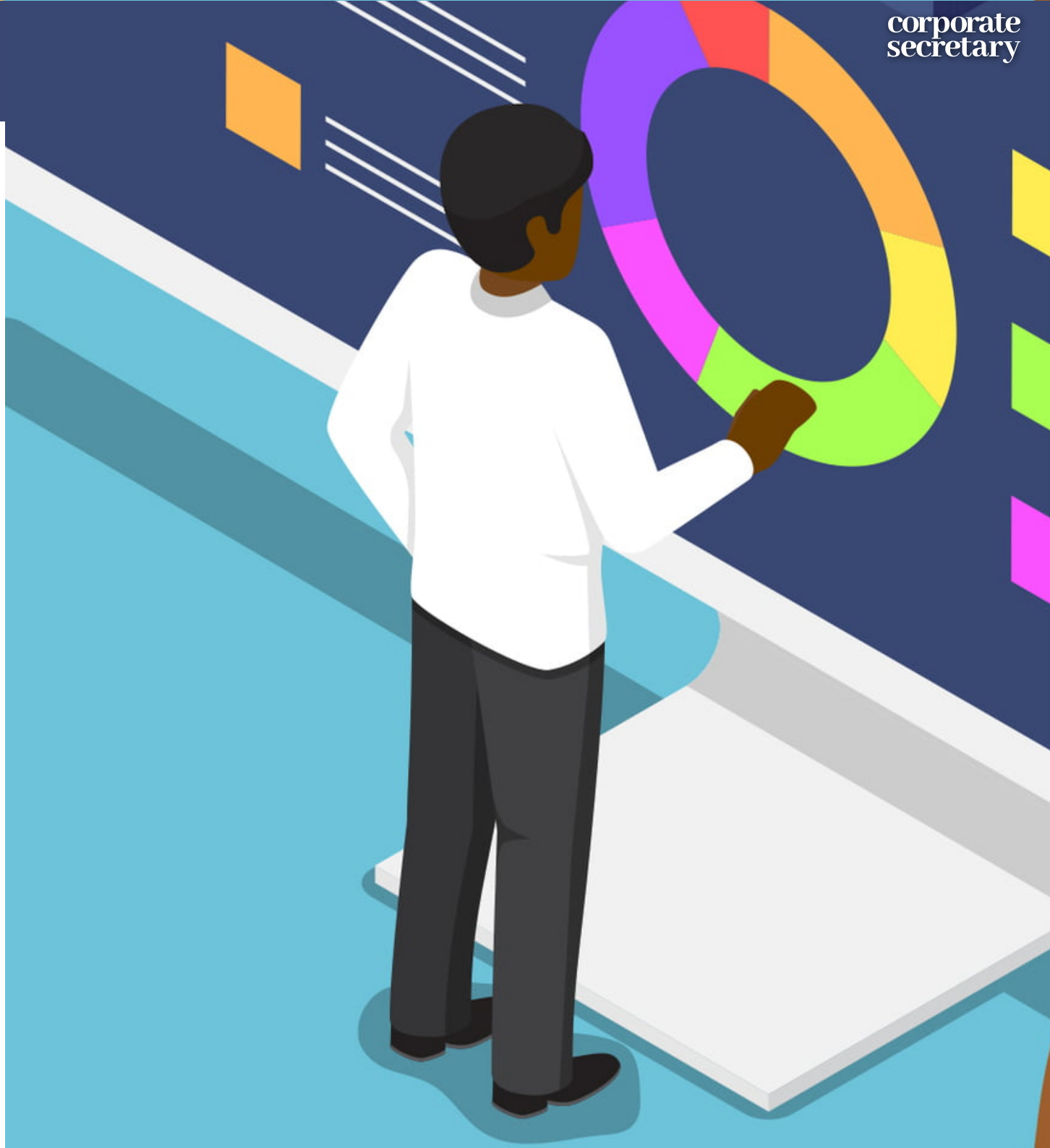
Respondents

This report is based in the findings from an online survey conducted between March 2021 and May 2021. In total, 199 people responded.



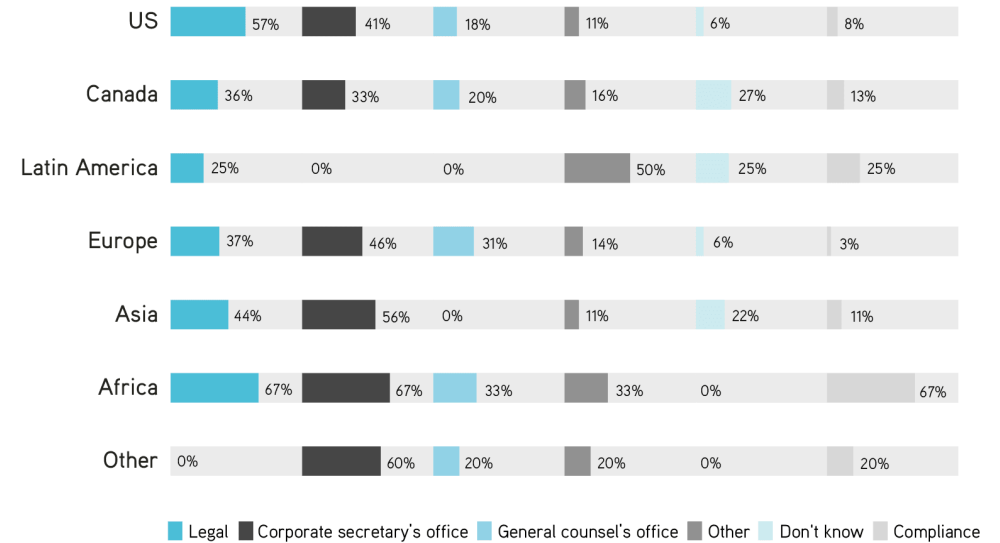
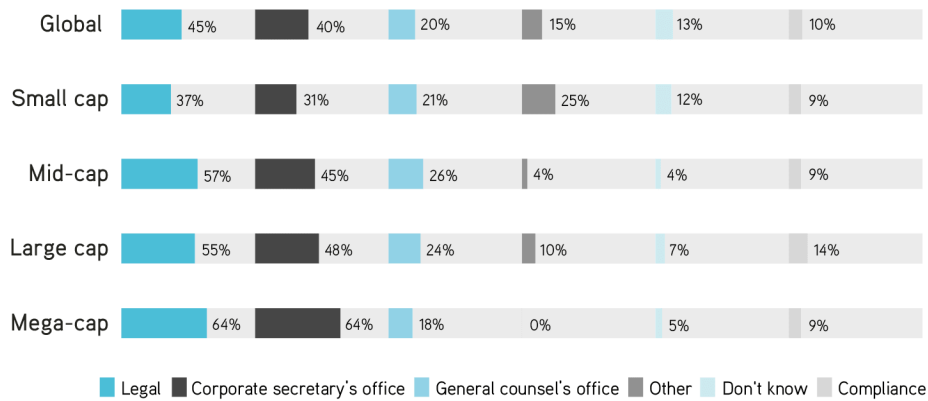
In charge

Who ensures entity management is taken care of?



In charge

Which department is responsible for overseeing entity management at your company?



It's clearly important to know who is responsible for making sure entity management is taken care of properly for the company – failure to do so could lead to gaps being left in the

program or duplications of effort. Encouragingly, however, only 13 percent of respondents are uncertain where the responsibility lies within their company.

Among the rest, the most common answer is legal (45 percent) followed by the corporate secretary's office (40 percent), the general counsel's office (20 percent) and compliance (10

percent). Among those who say some other function is responsible, some cite the board, the CEO or human resources. Respondents are able to pick multiple answers.

Entity management oversight at larger companies is more likely to be located in the legal department and/or corporate secretary's office.

At small cap-companies, 37 percent of respondents say legal has responsibility and 31 percent say it lies with the corporate secretary's office. This rises to 57 percent legal and 45 percent corporate secretary's office at mid-caps, and to 64 percent legal and 64 percent corporate secretary's office at mega-caps.

There is a greater level of certainty about which department is responsible at mega-cap companies, where just 5 percent of respondents don't know, compared with 12 percent of those at small-cap companies.

Among US respondents, legal is the most frequently cited (57 percent). This compares with 36 percent of respondents in Canada and 37 percent

of those in Europe. Respondents in Europe are more likely to point to the corporate secretary's office (46 percent) than are those in the US (41 percent) or Canada (33 percent).

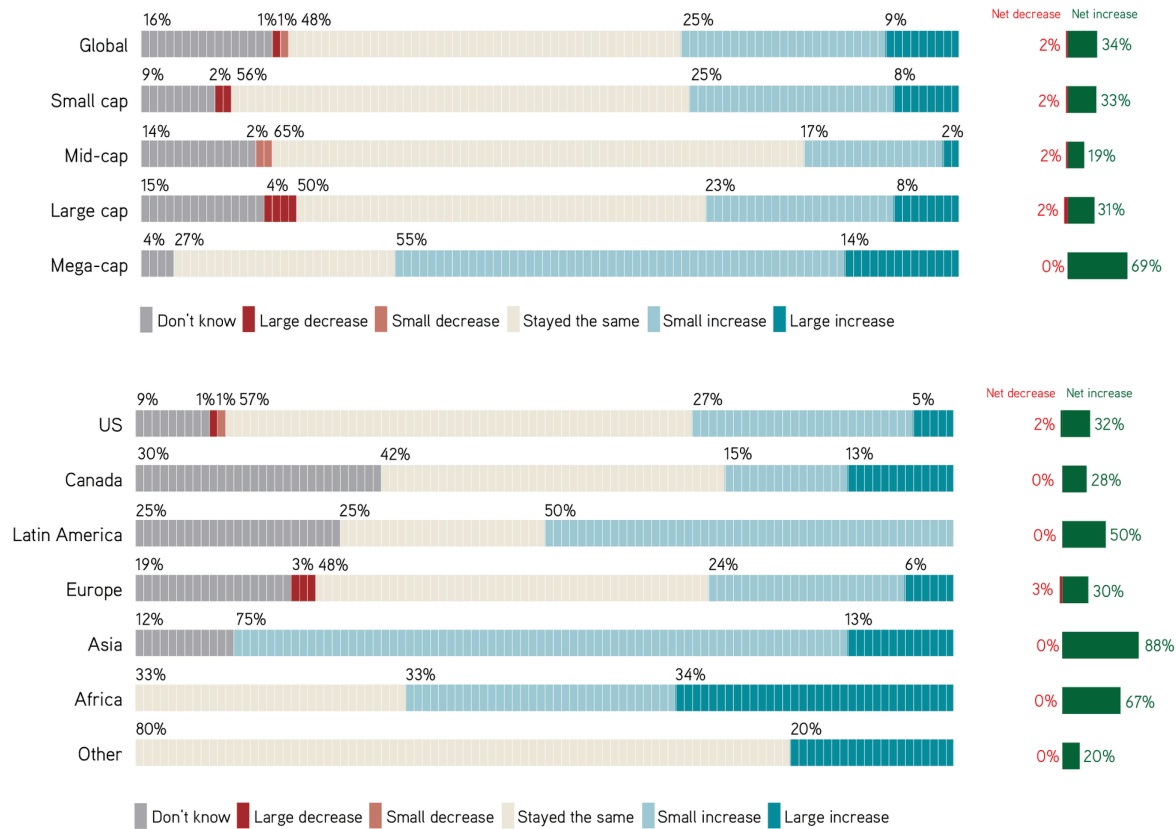
Impact of past year

Growing use of technology



Impact of past year

How has your company's use of technology for entity management changed over the past year?



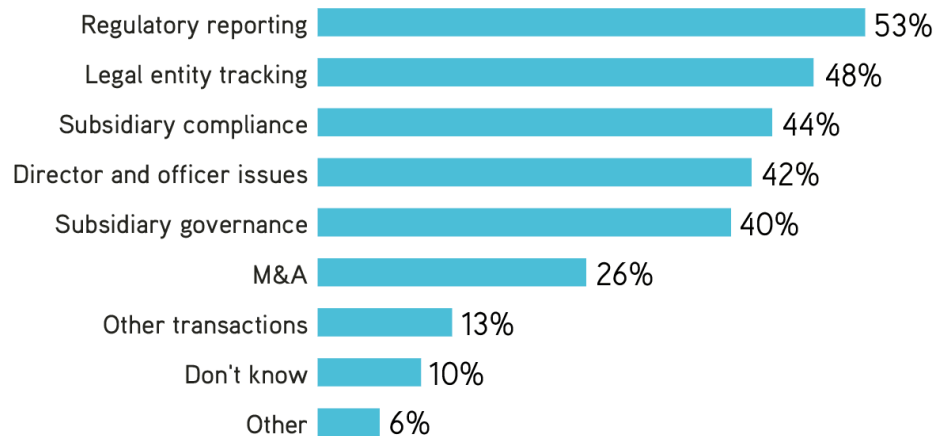
The past year has seen companies hit by the fallout from the Covid-19 pandemic and associated economic turmoil and uncertainty. The impact has been highlighted by a greater use of technology as many people have worked remotely and found new uses for tools or turned to new functions.

Mega-cap companies have seen the greatest uptick in technology use for entity management, with 55 percent of respondents reporting a small increase and 14 percent a large increase. Overall, 25 percent of respondents have seen a small increase and 9 percent have seen a large increase in the use of technology for entity management. Just 2 percent saw a decrease of any size in the use of technology.

Respondents also report increasing use of technology for entity management at small caps (33 percent), mid-caps (19 percent) and large-cap companies (31 percent). The prevalence of reported increases is broadly similar between the US (32 percent), Canada (28 percent) and Europe (30 percent).

Fifty-three percent of respondents say regulatory reporting is an area where they are making greater use of technology. The next most frequently cited area is legal entity tracking (48 percent of respondents), followed by subsidiary compliance (44 percent), director and officer issues (42 percent), subsidiary governance (40 percent), M&A (26 percent) and other transactions (13 percent).

In which areas are you making greater use of technology?



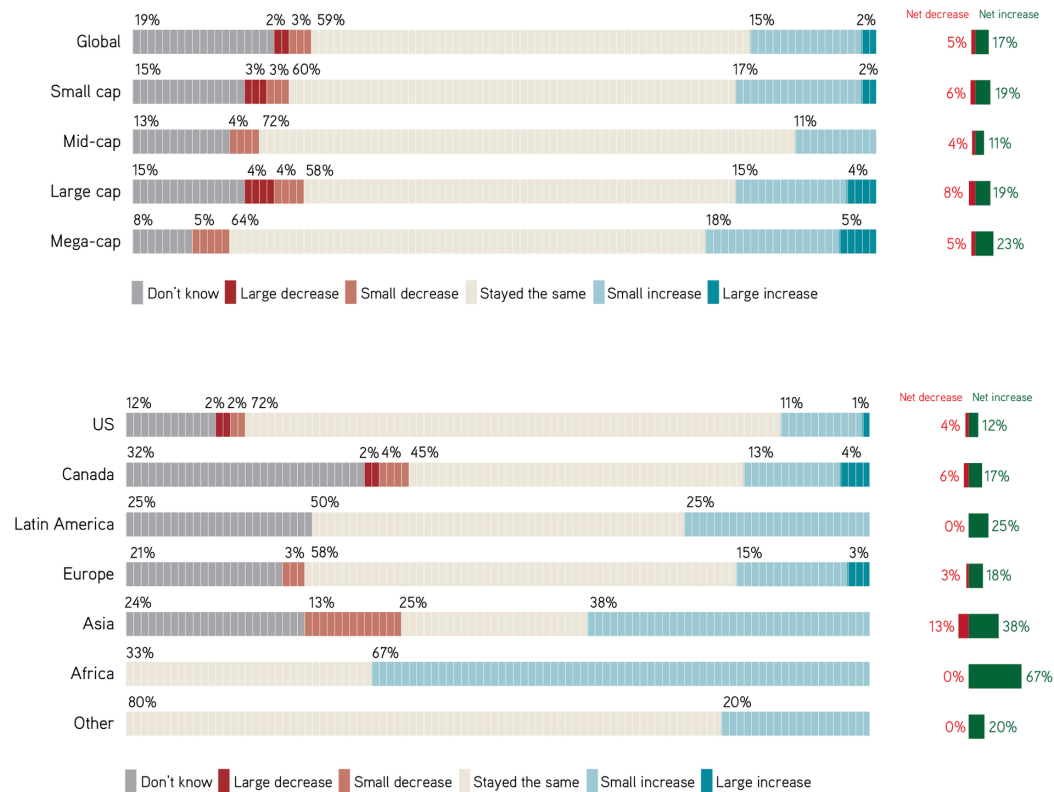
Resource levels for entity management

Budgets and staffing stay broadly
constant



Resource levels for entity management

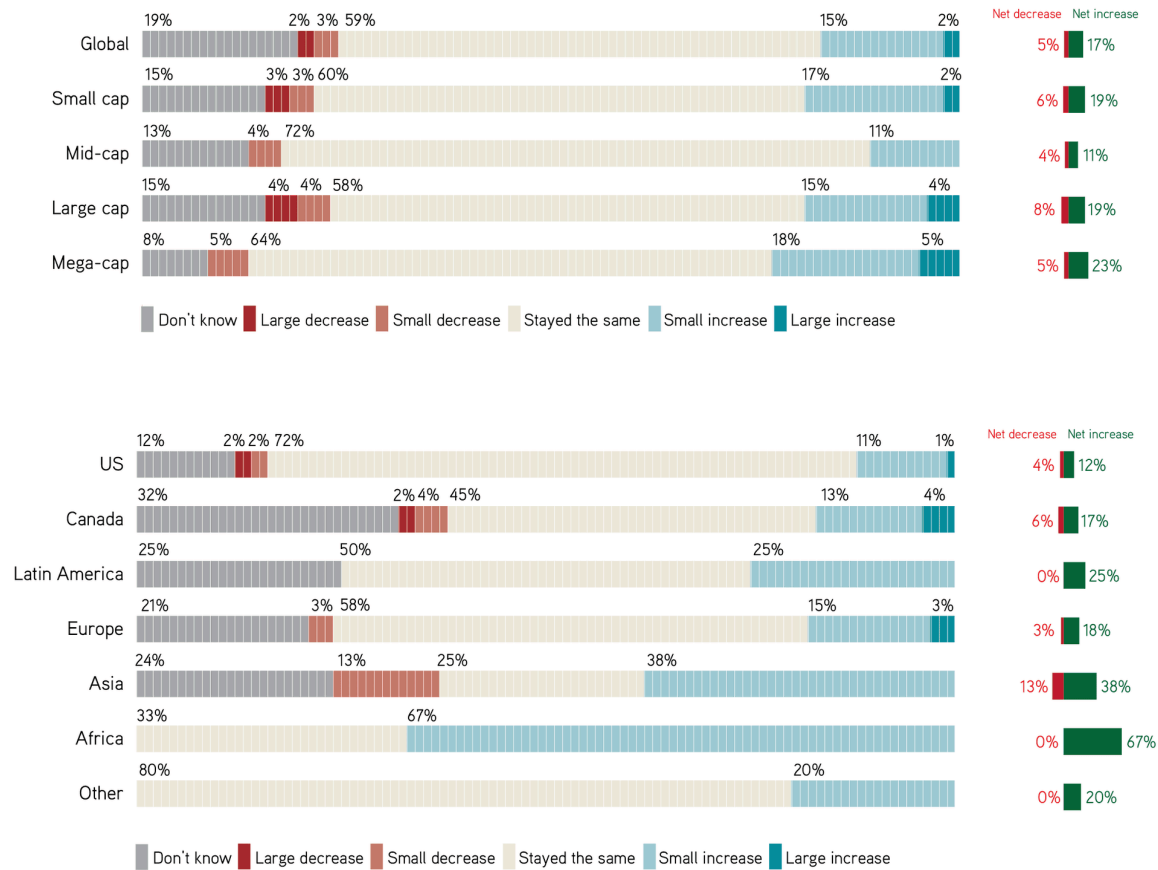
How has your company's budget for entity management changed over the past year?



Despite widespread financial uncertainty in many parts of the economy since the outbreak of the pandemic, entity management budgets at respondents' companies have broadly remained untouched. Overall, 53 percent of respondents say their entity management budget has remained the same over the past year. Some have seen a small (13 percent) or large (4 percent) increase. A smaller number say they have seen a large (2 percent) or small (6 percent) decrease. The remaining respondents say they don't know.

The most positive news on budgets is seen at mega-cap companies, where 23 percent of respondents have seen a small increase in budget, and 9 percent a large increase. Fourteen percent report a small decrease, and none report a large decrease. Budgets are most likely to have stayed constant at mid-cap companies (63 percent), compared with small caps (57 percent), large caps (54 percent) and mega-caps (36 percent).

How has the size of your entity management team changed over the past year?



Headcounts remain similarly constant. Overall, 59 percent of respondents say the size of their entity management team has stayed the same over the past year. Seventeen percent have seen a small or large increase in team size, and just 5 percent have seen a small or large decrease.

Among mega-cap respondents, 23 percent have seen a small or large increase, while 19 percent of their counterparts at large-cap companies have seen an increase. The total numbers seeing an increase in the US, Canada and Europe are 12 percent, 17 percent and 18 percent, respectively.

Priorities

Compliance and beyond



Priorities

Which of the following are priorities in terms of entity management?



It is crucial for any company to ensure it avoids the risk of penalties, wasted management time and reputational risk that accompany a failure to follow the rules.

These risks may be multiplied where a company has entities located in a variety of jurisdictions, either internationally or within its own country. This issue is reflected by respondents, with 64 percent saying compliance with local laws and regulations is a priority.

The next most frequently cited priorities for entity management are efficiency of

corporate structure (61 percent of respondents), ensuring consistent governance across the corporate structure (50 percent), minimizing entity costs (37 percent) and supporting M&A (23 percent). Respondents have the option to name multiple priorities.

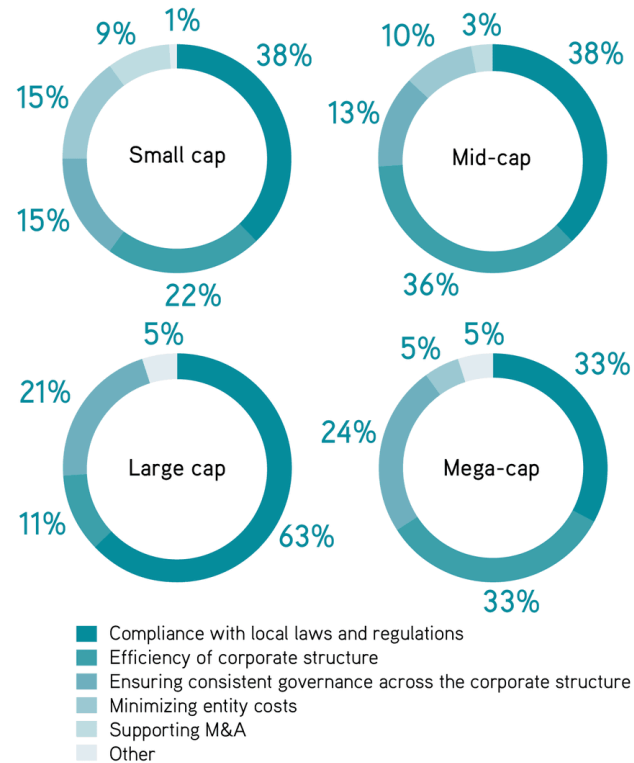
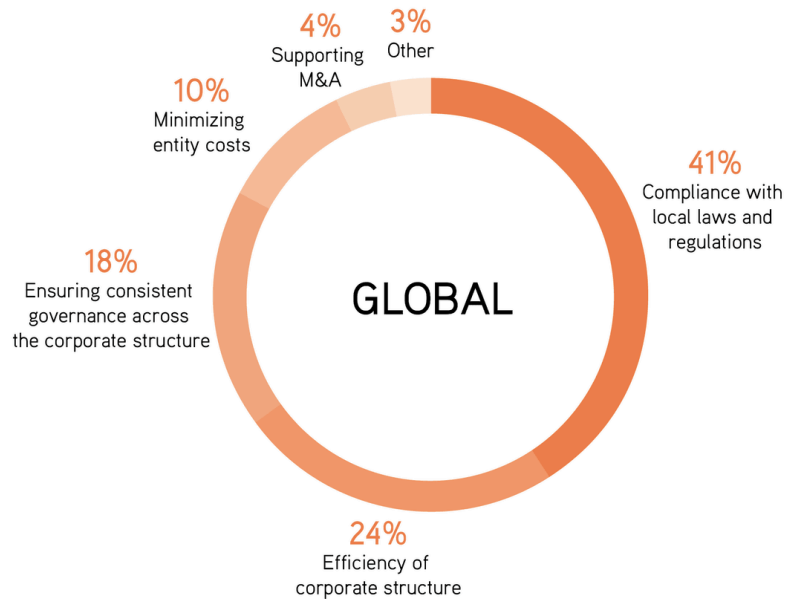
That ranking of priorities is broadly the same across different company sizes, though efficiency of corporate structure is more important to mid-cap respondents (74 percent) than compliance with local laws (65 percent). Similarly, efficiency of corporate structure (86 percent) is cited more often

than compliance with local laws and regulations (73 percent) by respondents at mega-cap companies.

Among respondents in the US, there are almost identical figures for compliance with local laws and regulations (70 percent) and efficiency of corporate structure (69 percent). In Europe there is more of a distinction between these two priorities (66 percent and 53 percent, respectively).

Respondents in Europe are also most likely to cite ensuring consistent governance across the corporate structure (59 percent).

Which is the main priority in terms of entity management?



If respondents are allowed to pick only one main priority, the same ordering is evident but compliance with local laws and regulations takes a stronger lead, being cited by 41 percent. Efficiency of corporate structure comes next (24 percent of respondents) followed by ensuring consistent governance across the corporate structure (18 percent), minimizing entity costs (10 percent) and supporting M&A (4 percent).

Seeking outside help

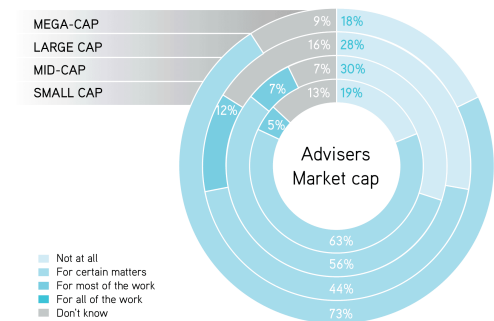
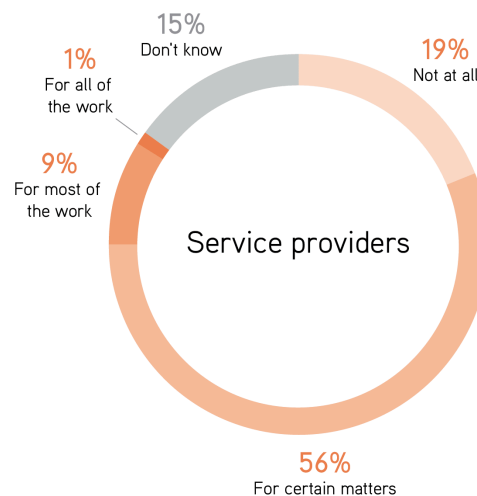
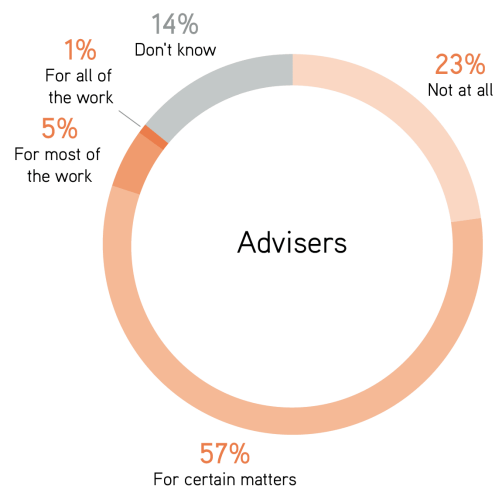
External advisers and
service providers



Seeking outside help

Do you use external advisers/service providers for entity management work? (Global)

Do you use external advisers/service providers for entity management work?



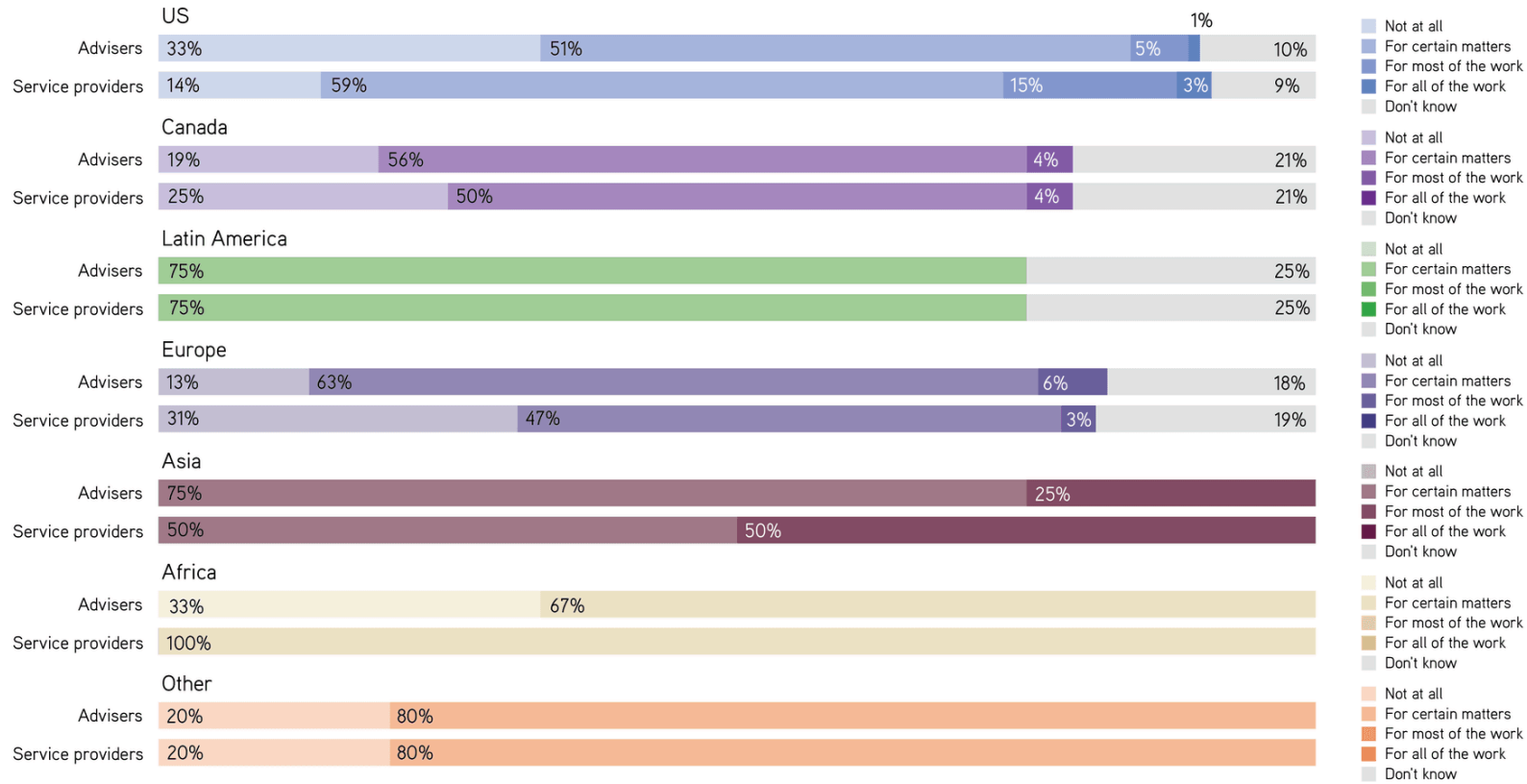
Most respondents look outside their company for at least some assistance in terms of entity management work: 57 percent of professionals in the survey say they use external advisers for certain matters, while 5 percent say they use advisers for most of the work and 1 percent use them for all the work. Around a quarter (23 percent) do not use external advisers at all.

The results are similar in terms of using service providers: 56 percent turn to them for certain matters, 9 percent for most of the work, 1 percent for all the work and 19 percent don't use service providers at all.

Respondents at mid-caps (30 percent) and large caps (28 percent) are least likely to use external advisers, but respondents at large-cap companies are still more likely than those at any other cap size to use external advisers for the majority of their entity management work, at 12 percent.

Respondents at mega-caps are more likely to turn to outside advisers or service providers for certain matters, with around three quarters (73 percent and 77 percent, respectively) saying they do so.

Do you use external advisers/service providers for entity management work?



Regionally, US respondents are more likely to avoid using external advisers altogether (33 percent) than those in Canada (19 percent) and Europe (13

percent). But fewer US respondents (14 percent) say they never use service providers than do respondents in Canada (25 percent) or Europe (31 percent).

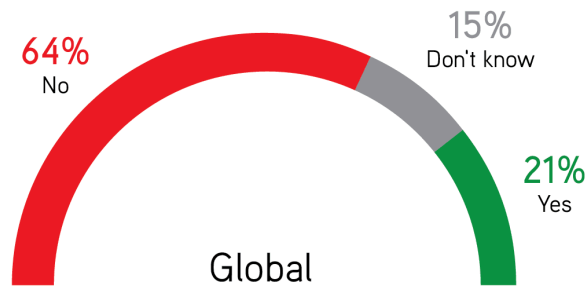
Impact of Covid-19

Many stay on course

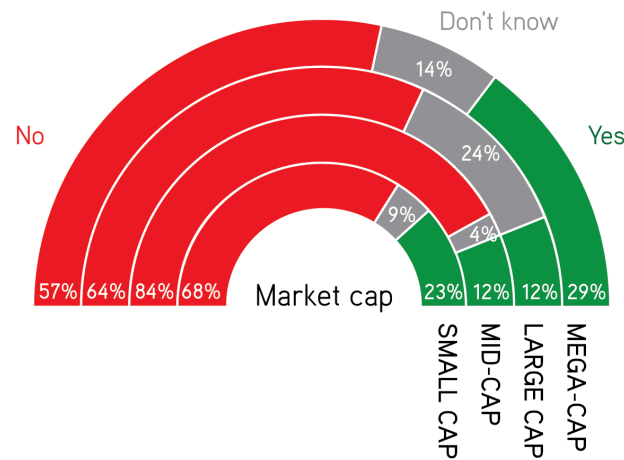


Impact of Covid-19

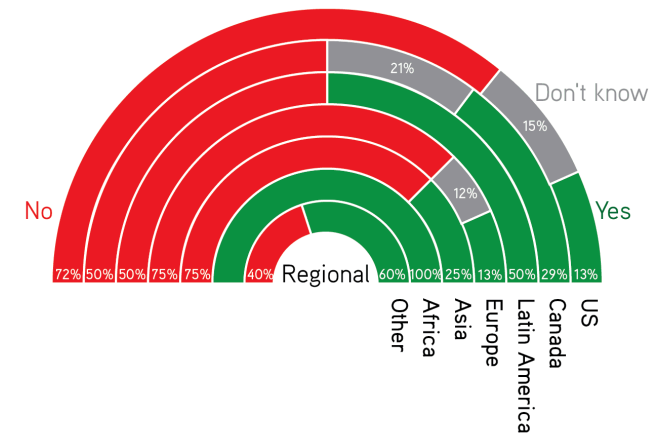
Have you made any changes to your entity management work as a result of Covid-19?



The Covid-19 pandemic has made a noticeable difference to many professionals due to factors such as travel restrictions, delays at some regulatory bodies and remote working. But those changes have not translated to widespread shifts in entity management programs, according to the research. Overall, around one fifth (21 percent) of respondents say they have made changes to their entity management work as a result of the pandemic. Around two thirds (64 percent) have not made any changes and 15 percent don't know.



Respondents at small caps (23 percent) and mega-cap companies (29 percent) are more likely to have changed their work due to the crisis than those at mid-caps and large-cap companies (both 12 percent). Regionally, almost a third (29 percent) of respondents in Canada have changed their entity management work as a result of the pandemic, compared with 13 percent of those in the US and 13 percent of those in Europe.



Asked whether they will continue with changes to their entity management work as a result of Covid-19, several respondents say they will. Specific comments include:

- “ We have moved to using DocuSign for signatures for all consent resolutions, inter-company agreements, and so on, rather than manual signatures. We will continue to do this where permitted by local law ”
- “ More virtual work ”
- “ Possibly retain certain work-from-home protocols ”
- “ Yes: more use of e-signatures and delegated authority levels ”
- “ Not sure; most have been adaptive, but may go back to normal operations once we return to the office ”
- “ Too soon to answer ”

- “ Online maintenance of signed or filed documents, rather than paper ”
- “ Unsure ”
- “ Yes, use of online platforms for meetings and training ”
- “ No ”
- “ Yes, the business continuity plan was activated and remote working has come to stay for now ”
- “ Yes, the whole area of managing remote working ”
- “ Electronic signatures ”
- “ Don't know yet ”
- “ Flexibility on working from home, although our intention has been clearly communicated that we will return to the office ”

- “ All my team and I work from home and it works well – everyone was sent home to work at the beginning of March last year as I recognized this was going to be a long and difficult situation. Home working is going well and the office is closed to the public ”
- “ High reliance on technology to track governance issues. Virtual/digital correspondence with regulators ”
- “ E-signatures ”
- “ Outsourced service providers ”
- “ Working from home ”
- “ More online engagement ”
- “ Yes, continued leverage of new technologies ”
- “ Remote working option ”

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Sponsor's statement

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