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It's a Small World and Getting Smaller

Managing the Global Legal Department

August 26, 2009

Presented By:

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Business Value of Legal Operations Management

- Streamline and standardize global business processes
- Transparency into global spend, risk, and matter portfolio
- Enable compliance with local regulatory requirements and supports local currencies, languages, and business practices
- Centralize data and information and enhances communication among an international legal team
- Empower better business decisions on a global scale
- Capture, control, and reduce global legal spend

Technology

- *Hosted vs. behind the firewall – Consider local data storage policies, as well as scalability and performance requirements*
- *Single vs. multiple application instances – Ideally a solution supports multiple geographies, currencies, etc. with a single application instance*

Compliance

- *Tax issues – VAT regulations, credit notes, LEDES formats that support VAT*
- *EDI and Digital Signatures – which is acceptable in the relevant jurisdictions; a solution that supports both may offer greatest flexibility*

Business Process

- *Data privacy laws – Safe Harbor and the EU Data Protection Directive*
- *Different business processes – e.g. can't make traditional adjustments to a VAT invoice and differing outside counsel guidelines across global business units*

Application Capabilities

- *Internationalization and localization*
- *Multi-dimensional reporting across geographies, global business units, multiple currencies*

Vendor Capabilities

- *Experience managing global deployment projects and local staff in market*
- *Global support – ability to provide support during global business hours; tools and experience to implement and support global law firms, agents, and vendors*

Change Management

- *Internal communications and training – educate on the benefits of the system to gain buy-in*
- *Law firm onboarding and training*
- *Awareness of cultural differences with respect to doing business – managing relationships, technology use and acceptance, etc.*

Local Regulatory Compliance Support – VAT in Europe

- The EU VAT Directive (EU Directive 2006/112/EC) requires any e-billing solution to meet specific standards with respect to invoice content, authentication, and integrity

Invoice Content

- Specific data fields must be captured in an e-invoice file to satisfy the definition of an invoice under the EU Directive

Authentication and Integrity

- May be satisfied by use of Electronic Data
 - Interchange (EDI)
 - Digital Signatures
 - “Other” Methods”

Local Regulatory Compliance Support – VAT in Europe

Archiving and Storing

- Sender and recipient are each required to archive the electronic invoices
- Each may decide the location of electronic storage, so long as available to VAT authorities for review
 - Some countries specify where the original e-invoice data must be stored or how e-invoice data must be presented to VAT authorities
- Each EU member state decides the required retention period

Local Regulatory Compliance Support – VAT in Europe

EU Member State Regulations

- May impose stricter requirements
- May interpret the EU VAT Directive differently
- May modify that interpretation over time
- EU VAT Directive does not apply to non-member states (Switzerland)
- Software Escrow

Local Regulatory Compliance Support – VAT in Europe

Credit Note Support

EU VAT audit requirements constrain corporate legal from adjusting invoices containing VAT, instead, a correcting document (credit note) must be issued along with a revised invoice

The Credit Note feature automates the process between the corporate client and its vendor of requesting and issuing a credit note and revised invoice

Issued credit notes should be automatically linked to the original invoice, allowing for easy tracking and reporting



Key Value to Global Business

Provides an automated process for “adjusting” a legal invoice while maintaining compliance with VAT audit guidelines

Local Regulatory Compliance Support – Data Privacy

EU Data Protection Directive (EU Directive 96/46/EC) – regulates processing and storage of personal data in the EU

Personal data may only be transferred to countries outside the EU if that country provides an adequate level of protection.

- US data privacy laws are not deemed to provide “adequate protection.”
- Electronic invoices could include such personal data

US Department of Commerce Safe Harbor Certification program

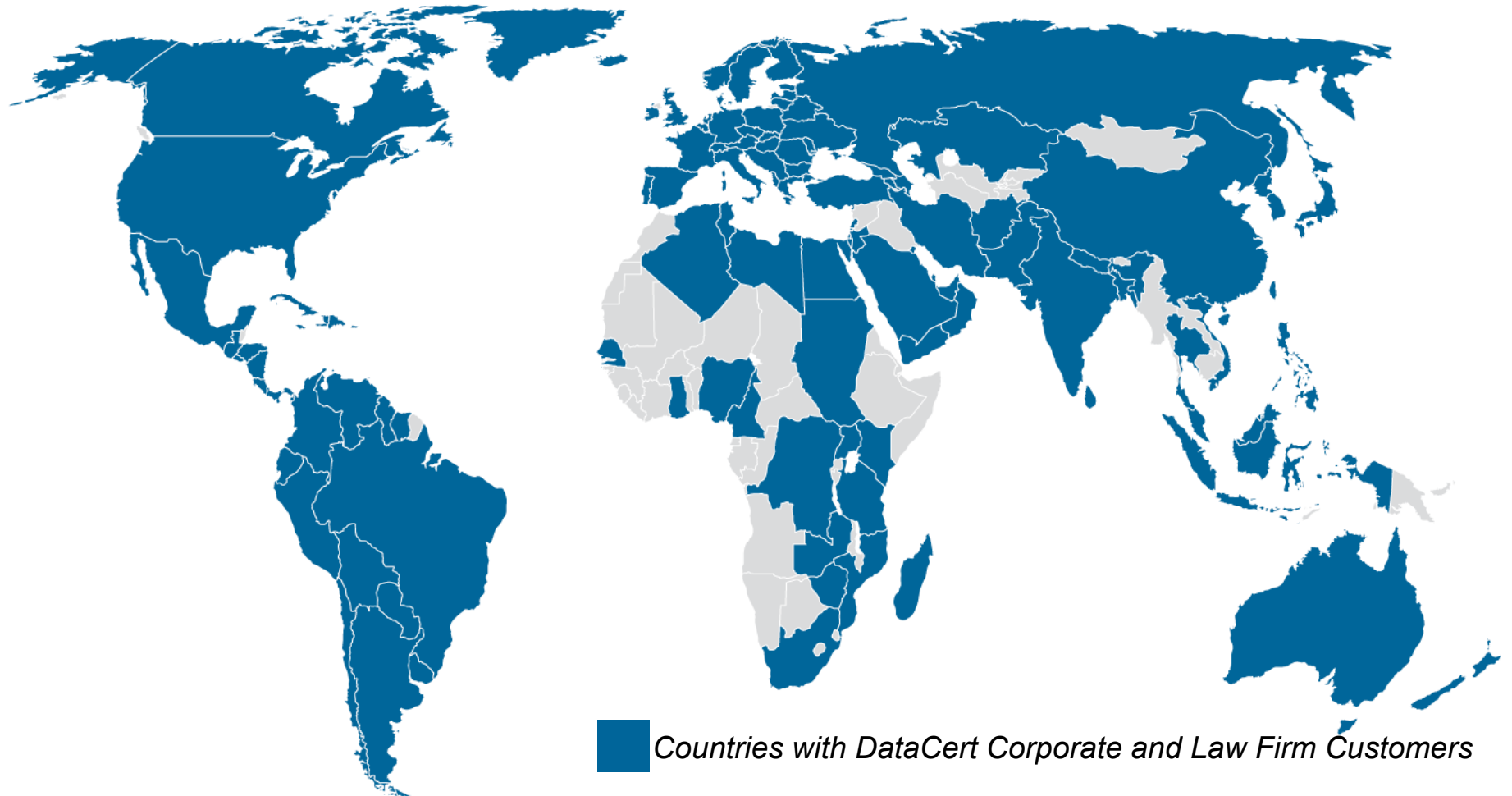
DataCert is a Safe Harbor-certified vendor



Key Value to Global Business

Supports customer’s compliance with EU data privacy laws

Global Customer Base



Today's Presenters

- George Miller, Novartis Services
 - Lessons learned from implementing a global legal spend management solution
 - Technical and business considerations in choosing a solution
- Andrew Dey, Barclays
 - Horizontal vs. Vertical e-billing solutions
 - Unique challenges in the EU around change management

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Managing the Global Legal Department

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Presented By:
George Miller, General Counsel, Novartis Services

Novartis – Background

- The Novartis Group of companies research, develop, manufacture, sell and distribute innovative healthcare products.
- Headquartered in Basel, Switzerland.
- Operating in 140 countries, through 4 Divisions: Pharmaceuticals, Vaccines & Diagnostics, Sandoz and Consumer Health
- Significant stand-alone Global Research Group
- 2008 sales \$42 billion
 - 100,000 employees
 - Market Cap \$84 Billion

Novartis – Background

Legal Spend

- Significant outside counsel spend split roughly equally between:

General Legal

Litigation/Investigations

M&A

Other

Intellectual Property

Litigation

Applications/Annuities

Opinion work

- 350 professionals working in 30+ countries
- 1000+ law firms - >70,000 invoices annually
- Highly decentralized organization

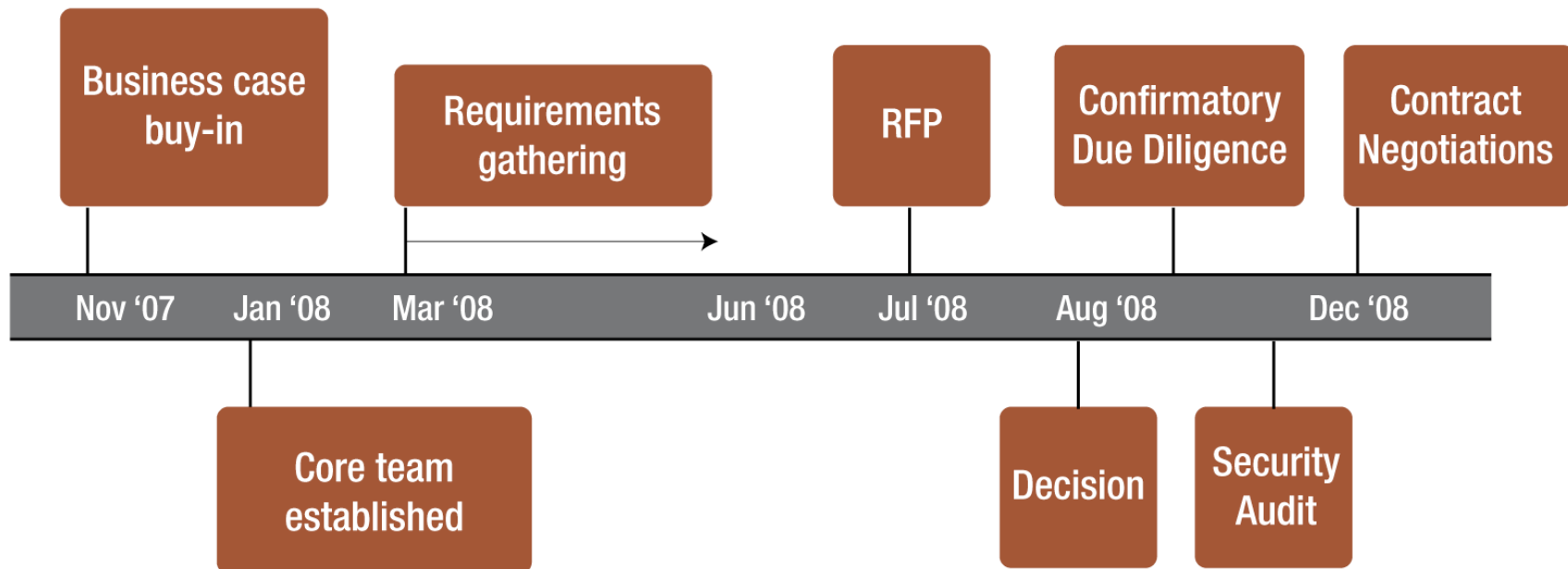
Global Rollout Plan

- Seek to Cover 90% of Total Spend
 - 80% General Legal
 - 100% IP
- All 4 Divisions + Research to Participate
- Aggressive Staged Rollout
 - Start Jan 2009 – end June 2010 – 18 month rollout plan
 - US – 8 entities
 - Switzerland – 5 entities
 - Germany – 2 entities
 - Austria and Slovenia – 1 entity each

Vendor Selection

Part I

- Significant preparatory work to learn the field
- High level buy-in for business case
- Created high-level multi-functional team to lead project
- Timeline:



Vendor Selection

Part II

- Requirements Gathering
- RFP – Key criteria:
 - Commercial
 - Functional
 - Technical
 - Cost
 - Risk
- Post-selection Confirmatory Due Diligence
 - Information security audit
 - RFP confirmatory review

Commercial Requirements

- Global presence
- Significant number of top global companies as customers
- Required certifications (Safe Harbor, SAS 70)
- Hosting alternative

Functional Requirements

Matter Data Tracking

**Workflow and Business Rule
Functionality**

Flexibility and Configuration

Alternative Fee Arrangements

Invoice Audit Rules

Invoice Review & Approval

Cost Allocations

Payment Process

Accounting Conventions

**Global Capabilities and
Multiple Currency Support**

Tax/VAT

Special Billing Situations

Budgeting

Report Features

Management Reporting

Administrative Tools

***Reversing Erroneous Approvals/
Payments***

Audit Trail

Multi-Lingual Capabilities

Technical Requirements

Performance

Remote Access

Systems Integration Capability

Data Integrity and Technical Security

Software as a Service

Security Incidents

Flexibility/Configurability

System Specification

Database Design

Project Information

Implementation Capability

Project Organization



Implementation Challenges

Part I

- Coordination
 - Decentralization and multiple countries – standardization limited
 - Legal and IP separate
- Project organization
 - Need strong leaders for each team
- Buy-in
 - ‘Not invented here’ syndrome
 - Need support of Finance (SAP and A/P teams) and IT
- Complexity of SAP system
- EDI and VAT issues ex-US

Implementation Challenges

Part II

- Integrating systems
 - Some legacy systems pose special issues – think ahead
- Matter management systems
 - Only 1 Division and IP have matter management systems – a real handicap
- Get the groundwork done first
 - Billing Guidelines
 - Project Plan
 - Appoint eBilling Admin
 - Get on project plans of other functions
 - Identify competing projects that impact timeline
 - Risk Assessment

Success Factors

How Can We Meet and Manage Expectations

- **Communication**
 - Status Meetings
 - Collaborative Workspace
- **Alignment**
 - Novartis and DataCert Resources
 - Project Methodology
 - Project Governance
- **Roles & Responsibilities**
 - Clearly Defined
 - Local Points of Contact
- **Deliverables**
 - Required Documentation
 - Executable Project Plan
 - Prototype
 - Quality Tested Application and Database
 - Trained Users
 - Fully Deployed Solution
- **Adherence**
 - SAP Upgrade Project Timeline & Freeze Requirements
 - Novartis Technical Standards

It's a Small World and Getting Smaller

Managing the Global Legal Department

Andrew Dey
Head of Operations, Legal & Compliance
Barclays

Agenda

- Barclays overview
- Generic vs. legal e-billing
- LEDES in the UK
- Law firm on-boarding and change management
- A checklist for e-billing in the UK
- Lessons learned

Barclays

- Listed in London and New York, a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services
- International presence in Europe, United States, Africa and Asia
- Strong long-term credit rating and over 300 years of history and expertise in banking. Operate in over 50 countries and employ over 156,000 people. 48 million customers and clients worldwide, Pre-tax profit in 2008 £6,077 million
- Large Legal department of which approx 250 staff in scope for legal e-billing, plus 100 business staff

Our 1st step: a Generic e-billing system

- Purchase Orders raised in e-Procurement System:
 - No enforcement of the use of Panel firms
 - Not intuitive to find a law firm using the standard generic procurement system interface
 - No way to match Purchase Order number with the matter number
- Invoice Authorisation:
 - Invoices only contain summary information
 - Does not allow for review of invoice detail – lawyers still need to request detailed paper breakdowns
 - Difficult to ensure billing guidelines are adhered to
 - Often delays in payment
 - Outside counsel rules not automatically enforced
- No simple visibility of legal spend across the businesses

Our 2nd Step: a “Legal” e-billing system

- Use of generic system helped demonstrate shortfalls and the need for a “Legal specific” e-billing system:
 - Control and visibility of spend
 - Can capture, analyse and report
 - A better business partner – more efficient, faster, more cost effective
- Worked with Procurement to integrate SAP with AIMS & CLD

***Control/Visibility
of Spend***

***Risk
Management***

***Management
Information***






Is e-billing in the UK/EU different

- It's new – to both law departments and law firms
- We were instrumental in creating LEDES98bi to cater for VAT (with LITIG in 2004), but many firms still need to update their systems
- It's new to fee earners – they don't all use UTBMS
- Less of our work is Litigation, so we make more use of the revised Project code set
- We can't adjust invoices in the UK!

What is LEDES98bi

- Based on the well known LEDES98b standard
- 2004: LITIG (The Legal IT Innovators Group) in the UK proposed changes to the LEDES98b standard to support e-billing in the UK (creating LITIG98bi)
- 2005: The LOC (LEDES Oversight Committee) approved a beta international version of LEDES98b
- 2006: The beta format was revised and ratified by the LOC membership as LEDES98bi (no longer in beta form)
- 2008: Minor modifications were made to enhance the use of this standard in the EU

Which LEDES file?

Legal Dept	Law Firm	Currency	Recommended LEDES File
USA	USA	USD 	LEDES98B
USA	UK	GBP 	LEDES98Bi
UK	UK	GBP 	LEDES98Bi
UK	France	EUR 	LEDES98Bi
UK	USA	USD 	LEDES98B or 98Bi

Law firm on-boarding – How?

1. Replicate the approach used in the US, or
2. Follow the lead of UK in-house legal departments, or
3. Create a new strategy for on-boarding law firms in the UK

On-boarding – our approach

- Worked with a small number of ‘Phase 1’ firms
- Initial workshop – attendees included Barclays, our e-billing provider and billing teams / relationship partners from firms
- Monthly meetings to resolve questions and billing issues



On-boarding – our approach

- ALL firms had to enhance their systems and change their working practices
- We produced a 60 page guide (in addition to our existing Law Firm Guidelines)
- Took longer than 6 weeks for firms to be ready!
- Phase 2 firms took 3 months



Checklist for e-billing in the UK

- Can the e-billing system accept LEDES98Bi format files?
- Will the e-billing integrations work with LEDES98Bi files (e.g. tax posted to the Payments system)?
- Are new validation rules/workflows required to prevent adjustments on UK/EU invoices?
- Will new custom fields and/or changes to business processes be required?
- Have the implications of additional currency codes been considered?

Checklist for e-billing in the UK

- Can the law firm create LEDES98Bi files?
- Do the firms understand the implications of LEDES98Bi
- Are they aware of the legal and compliance issues relating to the submission of electronic invoices instead of paper invoices?
- Have the tax implications of receiving invoices electronically been considered (e.g. electronic signatures and/or archiving obligations)?

Lessons learned

- Engage key stakeholders early and often:
 - Internal customers – lawyers and the business
 - Other functions (including IT and Finance)
 - Law Firms and vendors
- Don't under estimate the time this can take
- Change management – accept resistance but expect collaboration

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