

2022

AN INSIDE LOOK AT LEGAL ENTITY MANAGEMENT PRACTICES

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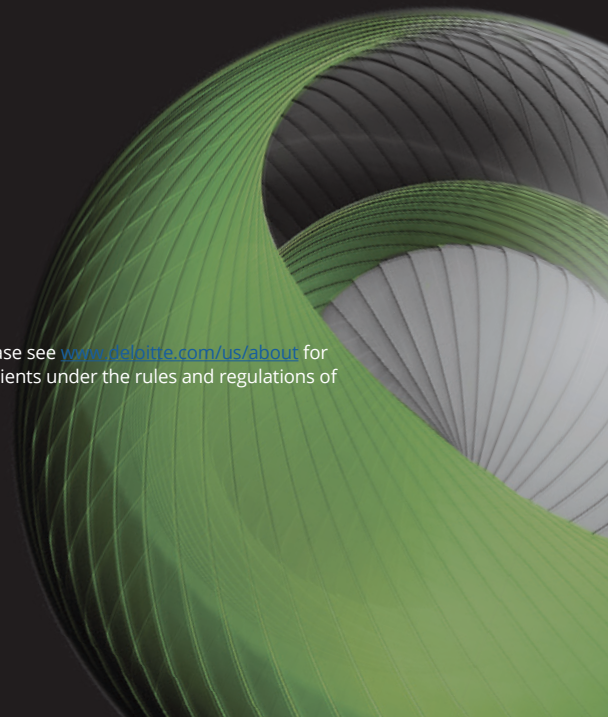


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INTRODUCTION

The Association of Corporate Counsel (ACC) in collaboration with Deloitte Tax LLP is pleased to present *An Inside Look at Legal Entity Management Practices*. Given the current global environment of heightened regulatory and reputational risks that organizations face, effectively managing legal entity governance is becoming a focal point. The rising demand to satisfy obligations across multiple jurisdictions and meet the new standards of transparency on a global scale is causing a re-evaluation of operating models and corporate governance structures. The purpose of this survey report is to improve our understanding of existing team structures, procedures, and practices that organizations have in place to manage complex compliance and regulatory obligations. The results make clear that most respondents face extensive legal entity management (LEM) challenges, employ antiquated processes, and experience a high degree of dissatisfaction with their existing technology, all leading to greater risk exposure for their organizations. This reinforces the need to better understand LEM leading practices, which will help to enable in-house resources to focus on strategic business matters and ultimately improve compliance outcomes and reduce risk.

The results highlight that competing priorities and lack of bandwidth are the main pain points faced by LEM teams in order to effectively handle entity records. Seventy-three percent of respondents are dissatisfied or neutral with their existing technology and 10 percent are exclusively using physical documents to maintain corporate records. In addition, only half of respondents are satisfied with leadership being sufficiently attuned with the corporation's subsidiary management processes. Ultimately however, the results make clear that those who implement a majority of LEM leading practices (listed later in the report) experience far superior business outcomes than those who do not.

Based on a population of 520 organizations, the results provide a broad picture of corporate entity management structures, practices, and expectations that covers 20 industries, all global regions, and companies of all sizes. As always, we intend for the results to be both educational and of practical use to ACC members and the broader in-house legal community. We would like to thank all survey participants for dedicating a few minutes of their valuable time, and especially Justin P. Klein, Executive Director of the University of Delaware's John L. Weinberg Center for Corporate Governance for his valuable feedback on the survey. We look forward to continuing to provide the in-house community with relevant, data-based resources to contribute to the high value that the legal department brings to the business.

Sincerely,

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KEY FINDINGS



THE ORGANIZATION'S FOCUS ON LEGAL ENTITY MANAGEMENT IS GROWING

Twenty-two percent of participating organizations expect the number of staff dedicated to managing corporate legal entities to increase over the next year. In addition, 39 percent of departments reported an increase in the LEM budget over the past year. About half of departments are currently satisfied with company leadership being sufficiently attuned to the organization's subsidiary management processes, indicating there is still room for improvement.



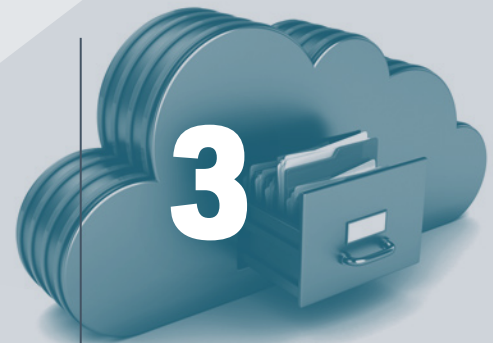
MOST ORGANIZATIONS DO NOT YET HAVE SOLID AND CONSISTENT LEM POLICIES AND PRACTICES IN PLACE

Most companies do not have specific LEM policies and practices in place and among those who do have them, one in five report not following them. Four in ten participants do not have an annual compliance calendar to track corporate entities records either. Additionally, 56 percent do not conduct any internal audits or regular monitoring for LEM practices and procedures. The silver lining is that three in four participants are at least somewhat confident in their organization's ability to track and stay in compliance with regulatory changes.

USE OF TECHNOLOGY TO SUPPORT LEM IS WIDESPREAD, BUT 73 PERCENT OF ORGANIZATIONS ARE DISSATISFIED OR NEUTRAL WITH THE OPTIONS AVAILABLE

Technology is critical to effectively manage LEM practices.

Sixty percent of participants report using an electronic database to track corporate records, but just 41 percent use a specific entity management database. Seventy-three percent of participants, however, are dissatisfied or neutral with the current technology solutions that they have in place, although only 20 percent of participants expect to make changes to their LEM platform in the next year. Four in ten list the lack of technology as one of the main challenges in successfully handling LEM in their organization.





COMPETING PRIORITIES AND LACK OF BANDWIDTH ARE THE MAIN PAIN POINTS THAT LEM TEAMS ARE EXPERIENCING

The main challenge faced by LEM teams is competing priorities within the organization, according to 71 percent of participants. The lack of bandwidth (49 percent) is also listed as one of the main hurdles for the LEM function. Forty percent of participants struggle with inconsistent processes and 31 percent indicate that their LEM processes are antiquated. The top priorities are regulatory compliance (62 percent), legal entity governance (60 percent), and legal entity rationalization (38 percent).

ORGANIZATIONS WITH SOLID LEM POLICIES AND PRACTICES DELIVER BETTER BUSINESS OUTCOMES

Companies that have solid LEM practices, such as having written policies and procedures that are followed, a single global compliance calendar, and electronically tracking corporate records with LEM technology, deliver better business outcomes. Nine in ten LEM leaders are at least somewhat confident to stay in compliance with regulators, compared to just 64 percent of organizations with the fewest LEM practices in place. Similarly, 68 percent of LEM leaders are satisfied with business stakeholders being attuned to subsidiary management processes compared to just 31 percent of those in the bottom tier. LEM leaders also experience fewer pain points than less mature LEM teams, particularly with issues regarding lack of technology, and inconsistent and antiquated processes.





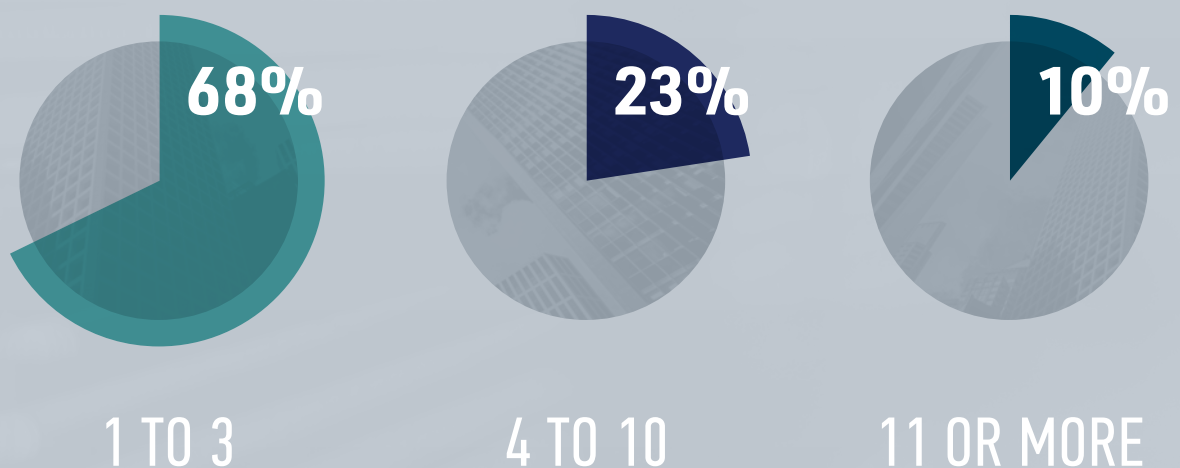
SECTION 01

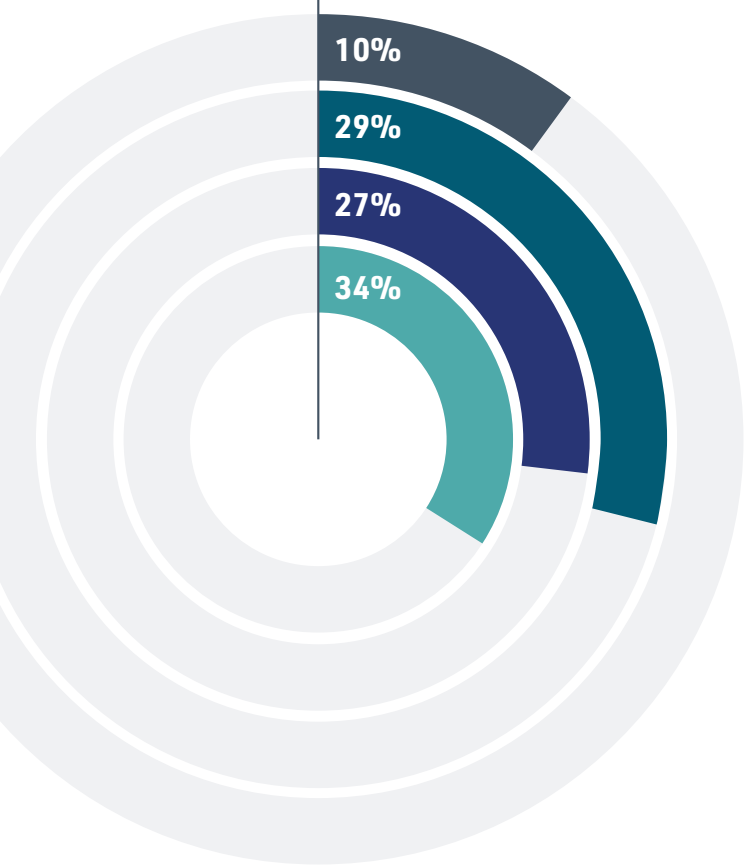
STAFFING AND STRUCTURE

Section one presents an overview of the staffing and structure of LEM teams, including their size, oversight model, and representation across business functions. We also provide insights from participants on anticipated and recent changes in staffing numbers and budget, and we summarize the geographical scope of corporate entities that LEM teams typically handle.

Among legal departments surveyed, most LEM teams consist of between one and three individuals (68 percent). Twenty-three percent reported having between four and 10 individuals, and 10 percent indicated that their team consists of 11 or more professionals. The size of the LEM team largely depends on the organization's size. While 77 percent of companies with under US\$1 billion in annual revenue report an LEM team size of up to three individuals, that percentage is considerably lower for mid-size companies with a revenue between US\$1 billion and US\$4.9 billion. Almost two-thirds (64 percent) of organizations with a revenue of US\$5 billion or larger indicate that the LEM team includes a minimum of four professionals.

How many individuals comprise your Legal Entity Management (LEM) team? If no LEM team, then how many individuals are involved with LEM processes for your organization?





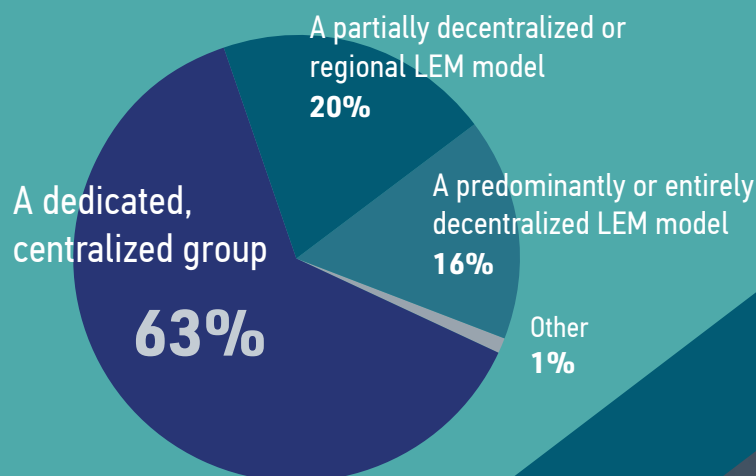
What is the average experience level of your LEM team or individuals involved in the LEM processes?

- Under 5 years
- 5 to 10 years
- 11 to 15 years
- More than 15 years

A majority of respondents (61 percent) indicate that the average work experience of their organization's LEM team is 11 years or more — with 34 percent indicating that the average experience is more than 15 years. Across small, medium, and large companies, a majority of participants reported that the average experience exceeds 10 years. Just one in ten departments reported having an average team experience of under five years.

Does the LEM function consist of ...?

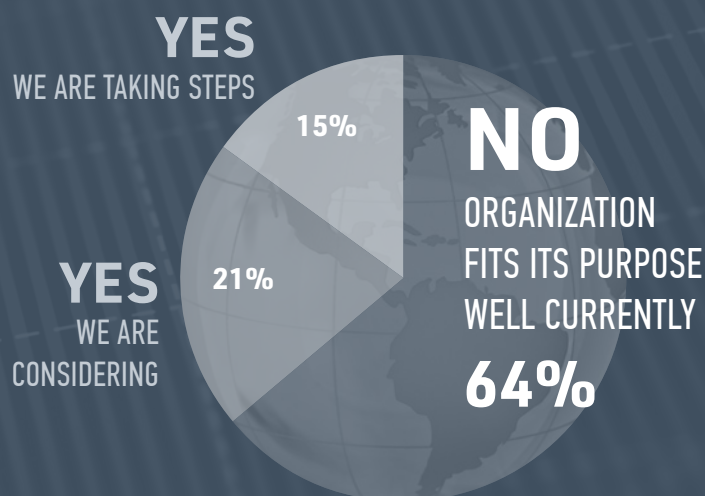
Most participants described the structure of their LEM function as a dedicated centralized group (63 percent). One in five reported a structure that follows a partially decentralized or regional model, and 16 percent implemented a predominantly or entirely decentralized LEM model. Larger companies tend to follow a more decentralized model. 68 percent of small companies and 57 percent of medium companies report a centralized LEM structure, but only 44 percent of large companies — with more than US\$5 billion in annual revenue — do so. In the latter group, practically half (48 percent) indicated that the LEM structure is partially decentralized or follows a regional model.



If your LEM function is decentralized, have you taken steps or considered centralizing your LEM function globally?

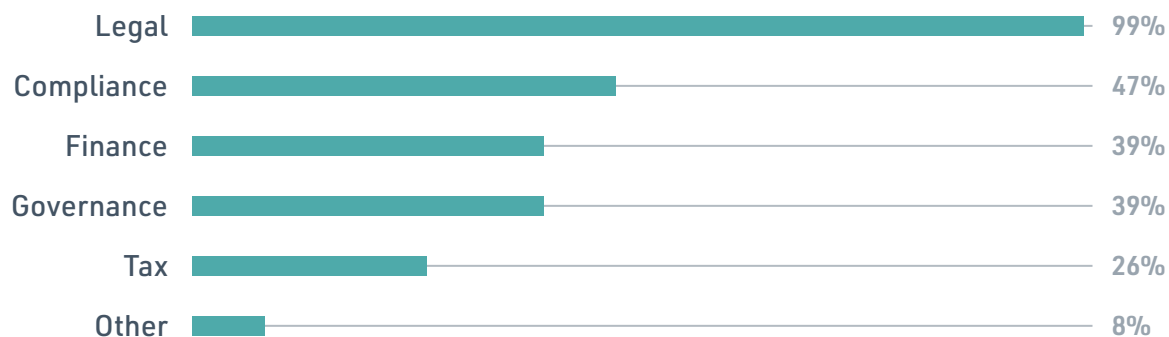
(Asked only among those who selected "A predominantly or entirely decentralized LEM model" to the previous question.)

Predominantly or entirely decentralized departments (16 percent of participants) were then asked whether they have taken steps towards centralizing the LEM function. Practically two-thirds said no, with the current decentralized LEM structure fitting its purpose well. Twenty-one percent said they were considering the change, and 15 percent reported having already taken steps toward centralization.



From which functional area(s) are employees responsible for or play a material role in ongoing enterprise and/or legal entity-specific activity? *Select all that apply.*

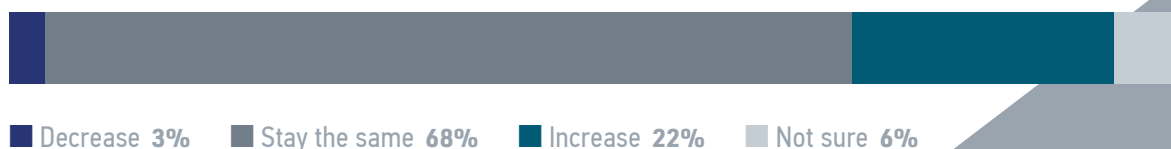
Legal staff are the crucial components of LEM teams, with 99 percent of participants stating that legal professionals play a role in entity-specific activity. Close to half of organizations (47 percent) involve compliance professionals, and four in ten also include finance and governance professionals. Tax professionals are involved in 26 percent of companies, and eight percent include a mixture of employees from other business functions, including human resources, information security, operations, privacy, and risk management.



Other functional areas reported: Administration, corporate secretary, data protection, insurance, human resources, information security, privacy, procurement, and risk management.

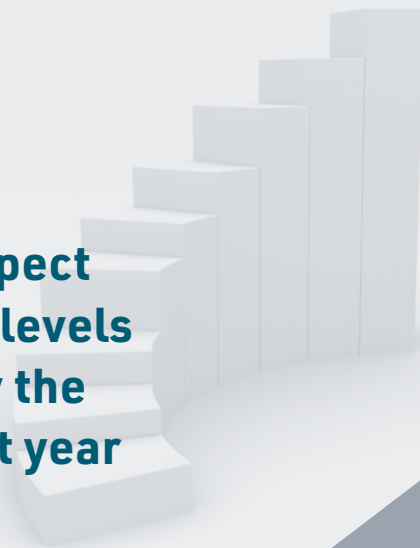
Do you anticipate your LEM staffing levels will decrease, stay the same, or increase in the next 12 months?

Seven in ten LEM teams will not experience staffing level changes over the next year according to survey participants, and only three percent reported that the team's size is likely to decrease in the next 12 months. Conversely, 22 percent of participants expected to increase their LEM staffing levels. There was also a small degree of uncertainty (six percent).



90%

of respondents expect
their LEM staffing levels
to increase or stay the
same over the next year



Why do you anticipate a decrease or increase in LEM staffing over the next 12 months?

*(Asked only among those who selected "Decrease"
or "Increase" to the previous question.)*

INCREASE

"A new subsidiary."

"Adding more contracts employees."

"Because more technology will bring more awareness and more people will be informed of the existence thus increasing the participation."

DECREASE

"Because of staff resignation and also due to management decision."

"Budget cuts."

"COVID related layoffs."

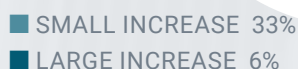
DECREASED



STAYED THE SAME



INCREASED



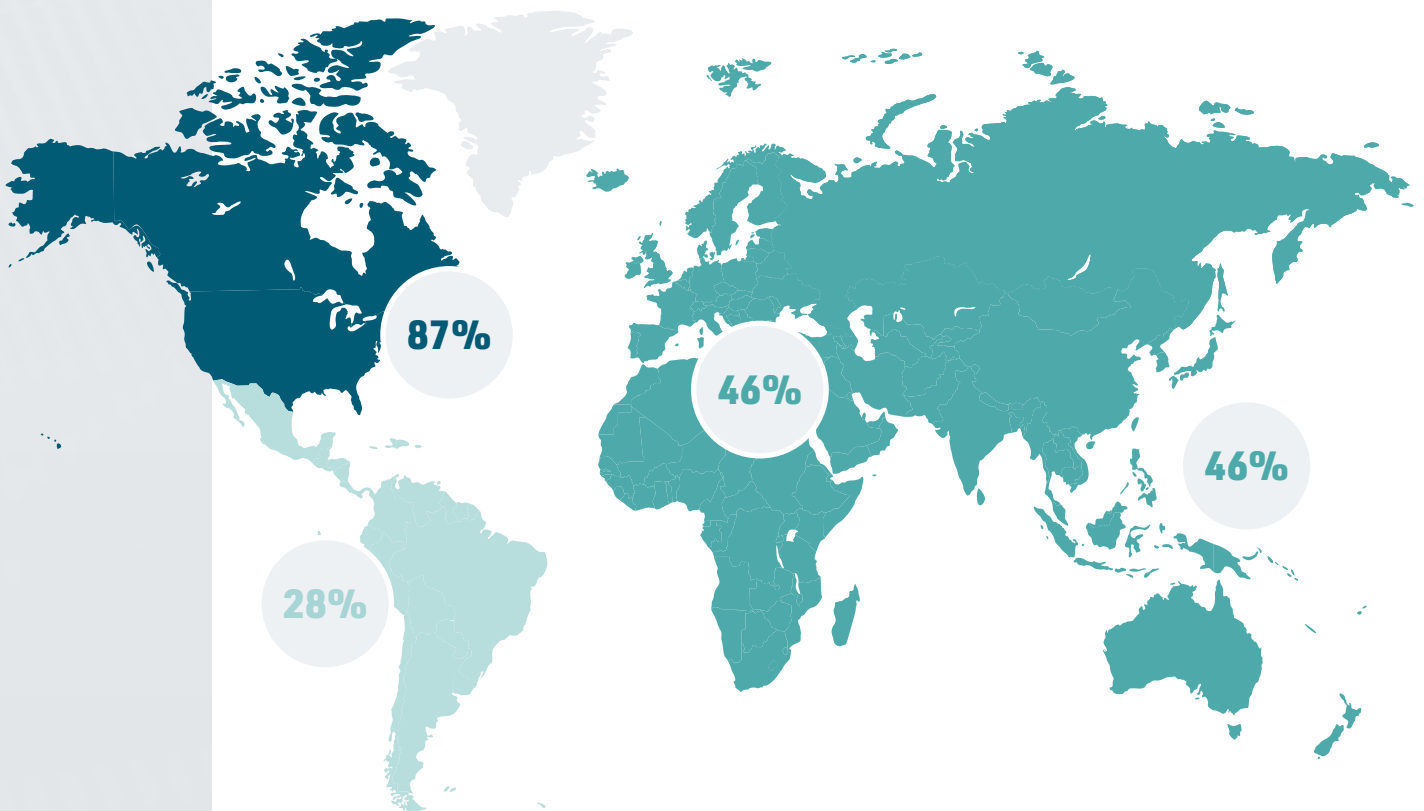
How has the budget for LEM changed over the past year at your organization?

In addition to expected changes in staffing, participants were also asked how the LEM budget changed over the past year. Thirty-nine percent reported an increased budget, with six percent saying there was a large increase. Only nine percent experienced a budget decrease, while most budgets stayed the same.

In which regions does your company have business operations? *Select all that apply.*

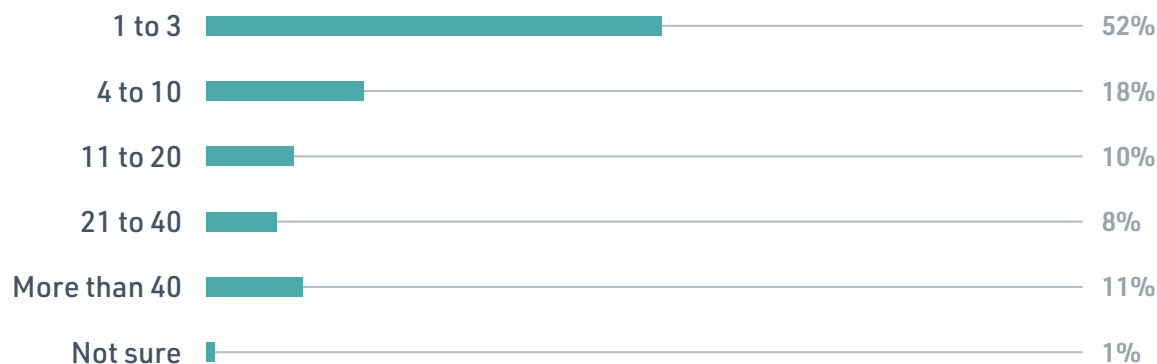
Participants were then asked to indicate in which global regions their companies have business operations. With three-quarters of respondents based in the United and Canada, it is not surprising that this region comes on top with 87 percent overall having operations in North America. Almost half of companies (46 percent) reported having operations in the Europe, Middle East, and Africa (EMEA) and the Asia-Pacific regions, and 28 percent have operations in the Latin America and Caribbean region.

Companies with under US\$1 billion in revenue typically only operate in one global region as defined by the median value, while medium-sized and large companies have business operations in three global regions – based on the four categories provided in the survey: Asia-Pacific, EMEA, Latin American and the Caribbean, and United States/Americas.



Approximately how many different countries does your organization's entity geographic footprint span?

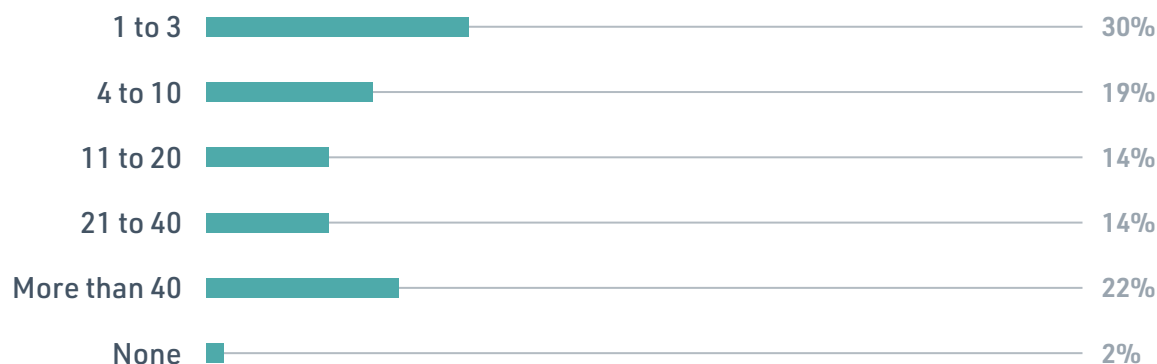
Fifty-two percent of survey participants have operations in one, two, or three countries, which is the most common geographical scope for small companies with under US\$1 billion in revenue. Eighteen percent have operations in four to ten different countries; ten percent operate in between 11 and 20; and eight percent operate in 20 to 40 countries. Eleven percent reported having operations in more than 40 countries. The median range for participating mid-size companies is between 11 and 20 countries, and the median for large organizations is also larger, between 21 and 40.



Approximately how many different US states does your organization's entity geographic footprint span?

(Asked only to those who have business operations in the "United States/Americas.")

Among respondents that indicated having business operations in the United States/Americas, 30 percent reported doing so in a limited range of U.S. states, one to three. Conversely, 22 percent operate in more than 40 of the United States' 50 states. Around half of organizations fall somewhere in between, with 19 percent operating in a limited number of four to 10 states, and fourteen percent each having business operations in 11 to 20 and 21 to 40 U.S. states. Two percent indicated that their organizations do not operate in the United States, most likely because these organizations operate in Canada, but not in the U.S.



TYPICAL LEM STRUCTURE BY COMPANY SIZE



SMALL COMPANY

LESS THAN US\$1B



MEDIUM COMPANY

US\$1B TO US\$4.9B



LARGE COMPANY

US\$5B OR MORE



LEM Team Size



Average Team
Experience

63%
10+ YEARS

57%
10+ YEARS

55%
10+ YEARS



LEM Structure

68% centralized
11% partially regionalized
19% decentralized

57% centralized
33% partially regionalized
9% decentralized

44% centralized
48% partially regionalized
8% decentralized



Most common function
represented
(OTHER THAN LEGAL)



Company operates in ...
global regions
(MEDIAN)

1

3

3



Company operates in ...
countries
(MEDIAN)

1 to 3

11 to 20

21 to 40



Company operates in ...
U.S. states
(MEDIAN)

4 to 10

11 to 20

21 to 40



SECTION 02


POLICIES AND PROCEDURES

This section reveals the key LEM policies and practices that legal departments have in place, such as using a compliance calendar, keeping an organizational chart up to date, or conducting internal LEM audits. We also explore whether LEM teams receive external support from law firms or other providers, and we report on how participants maintain and track corporate entity records.

Most participating legal departments do not have written LEM policies and procedure manuals in place to track annual compliance obligations and to keep corporate records updated. Eight percent reported having written LEM policies but admitted that they are not followed or implemented. Thus, just thirty-seven percent of respondents have LEM policies and procedure manuals and actually follow them.

Written policies are more common in larger companies with more than US\$5 billion in revenue, with 59 percent of reporting that the company has LEM policies place, and that they are followed. In small and mid-size organizations, only 33 percent and 36 percent, respectively, report having LEM policies in place and implementing them.

Do you currently have written LEM policies and procedure manuals to track annual compliance obligations and to make updates to entities' corporate records?

 **YES**
45%

 **NO**
55%

Yes, and they are followed 37%

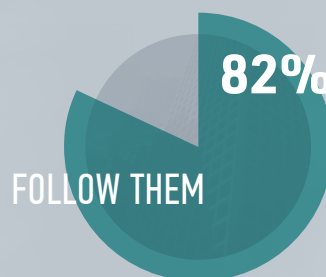
Yes, but they are not implemented 8%

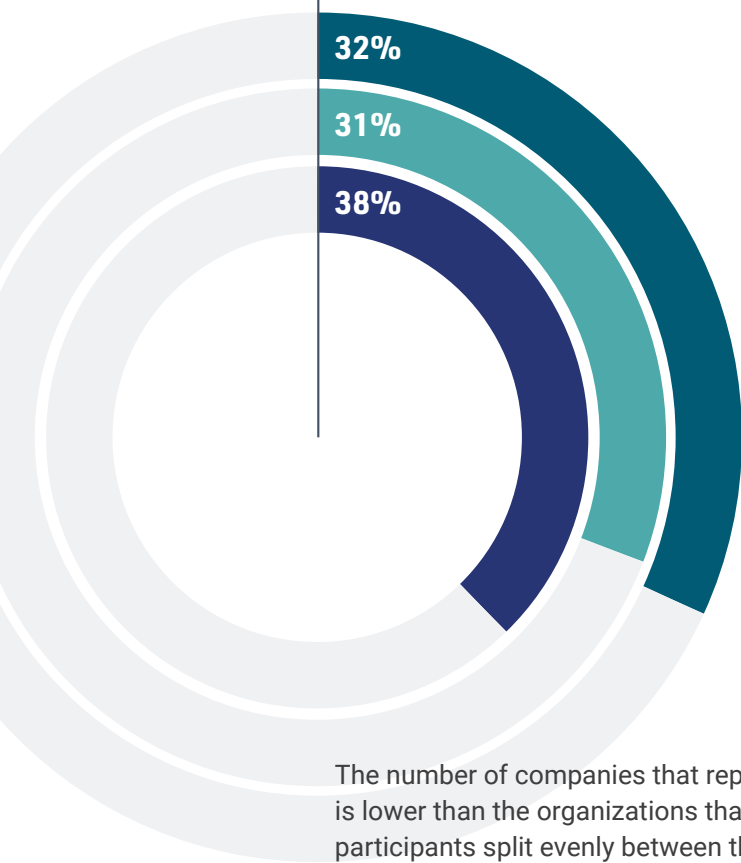
No LEM policies or procedure manuals are in place 55%

55%

of respondents
have no LEM policies
or procedure
manuals in place

Among those who have written policies...





Do you have an up-to-date annual compliance calendar?

- Yes, there is one calendar which compiles compliance obligations across the organization
- There are multiple annual calendars
- There is no annual compliance calendar in place

The number of companies that reported not having an annual compliance calendar is lower than the organizations that do not have LEM policies: 38 percent. The rest of participants split evenly between those who have one single calendar that compiles compliance obligations across the whole organization and those departments that reported that multiple compliance calendars are in place.

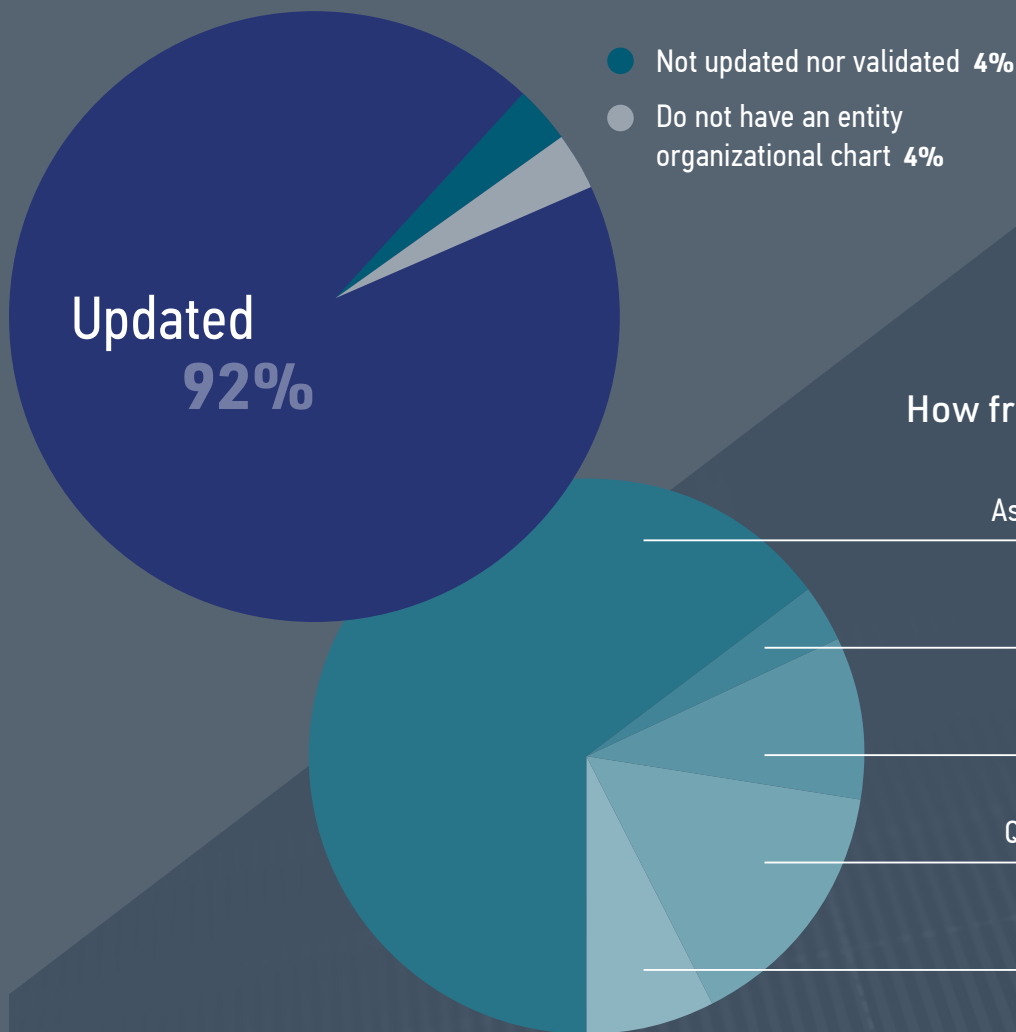
The size of the company also reveals interesting differences regarding compliance calendars. Small companies are more likely to be without a compliance calendar in place (41 percent), compared to 32 percent of mid-size companies and 25 percent of large companies. Thirty-seven percent of mid-size organizations with a revenue ranging from US\$1 billion to US\$5 billion reported having multiple compliance calendars, and just 26 percent of participants in small companies stated that this was the case in their organizations. Thirty-three percent, 31 percent, and 30 percent of small, medium, and large organizations, respectively, have a single annual compliance calendar covering all corporate entities.

38% of respondents have no annual compliance calendar in place

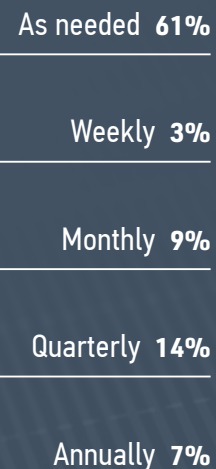
How often is the entity organizational chart updated and validated across all data systems?

An overwhelming majority of participating organizations (92 percent) update their organizations' entity organizational chart, with just four percent reporting that this is not the case in their company, or that an organizational chart does not exist. Six in ten update the entity organizational chart and validate it on an ad-hoc, as needed basis. The rest — around one-third of participants — reported updating the company's organizational chart periodically: seven percent do so once a year, 14 percent update it on a quarterly basis, nine percent do it every month, and three percent of participating organizations update the chart weekly.

Is the organizational chart updated?

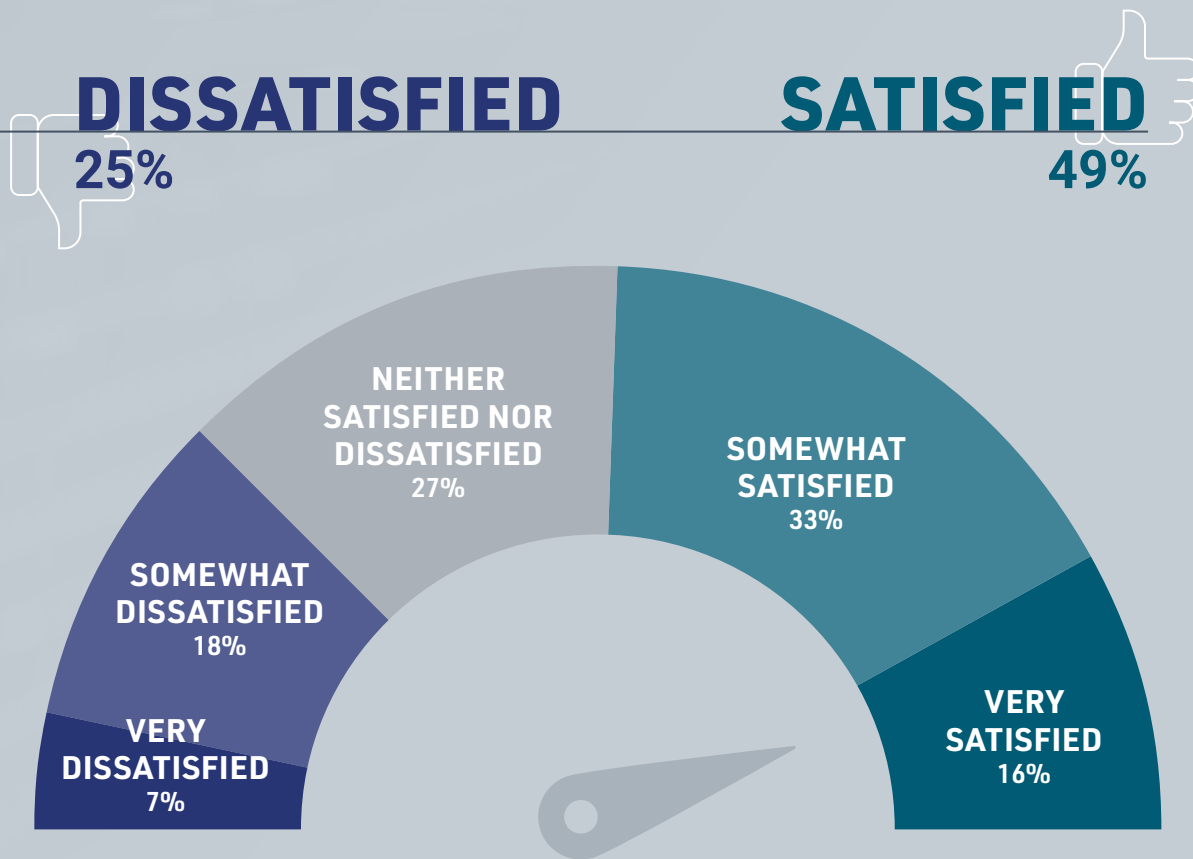


How frequently?



How satisfied are you that management and company stakeholders are sufficiently attuned to your subsidiary management processes from a governance perspective?

Just under half of survey participants are satisfied that company management and key stakeholders are sufficiently attuned to LEM processes from a governance perspective, with 16 percent being very satisfied and 33 percent somewhat satisfied. On the other hand, one-quarter of participants are dissatisfied with the company leadership's role and attitude toward subsidiary management processes — seven percent are very dissatisfied, and 18 percent are somewhat dissatisfied. Twenty-seven percent of participants adopted a neutral stand on this issue, reporting that they are neither satisfied nor dissatisfied.

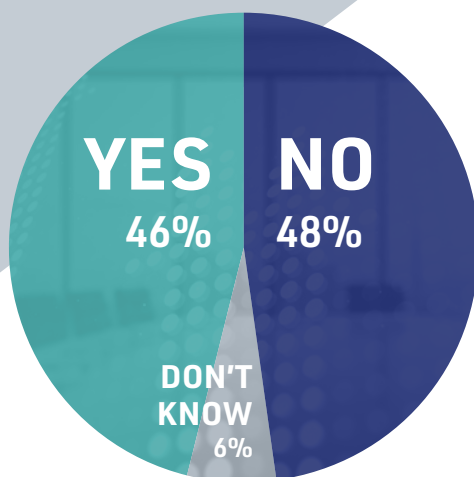
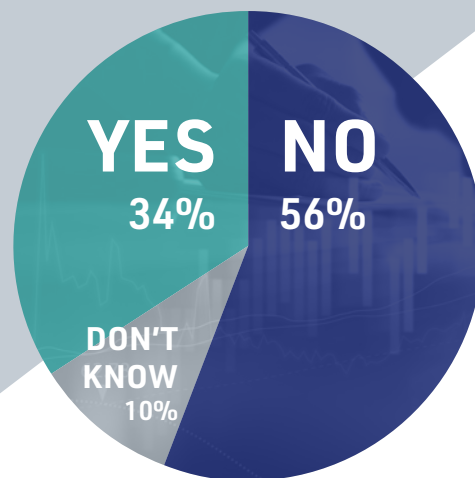


A MAJORITY OF COMPANIES DO NOT CONDUCT INTERNAL AUDITS FOR LEM



Do you conduct any internal testing, monitoring, or internal audits for LEM within the company?

One in three participants indicated that internal testing, monitoring, and internal audits are conducted within the company for LEM practices and procedures, while 56 percent reported that such controls are not implemented. Ten percent of participants did not know. Larger companies are almost twice as likely to carry out more testing and monitoring for LEM than smaller companies, with 56 percent and 29 percent of participants in these respective company revenue categories reporting that testing, monitoring, and internal audits are conducted.

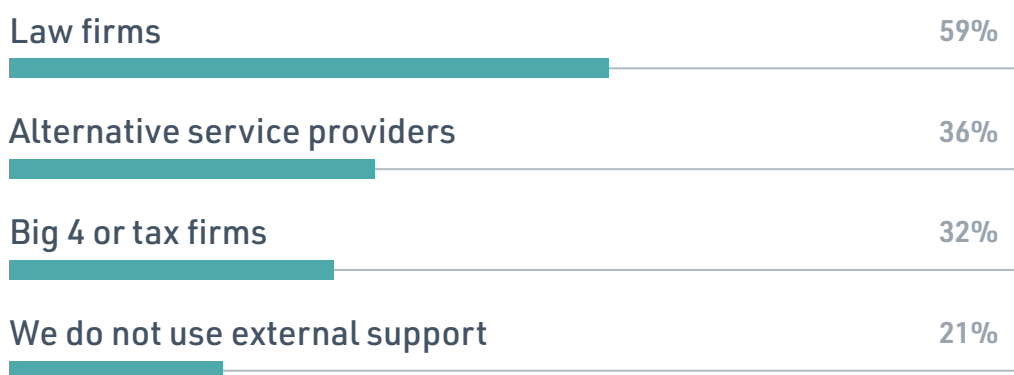


Do you have internal or external training or educational programs available for LEM employees?

Similarly, more companies do not conduct any training or provide educational programs for LEM employees than those that do provide education, although the split is practically down the middle: 48 percent do not provide LEM training and 46 percent do so. An additional six percent of participants did not know whether training and education for LEM employees was available.

If you are using external support for LEM activities, which of the following do you use? *Select all that apply.*

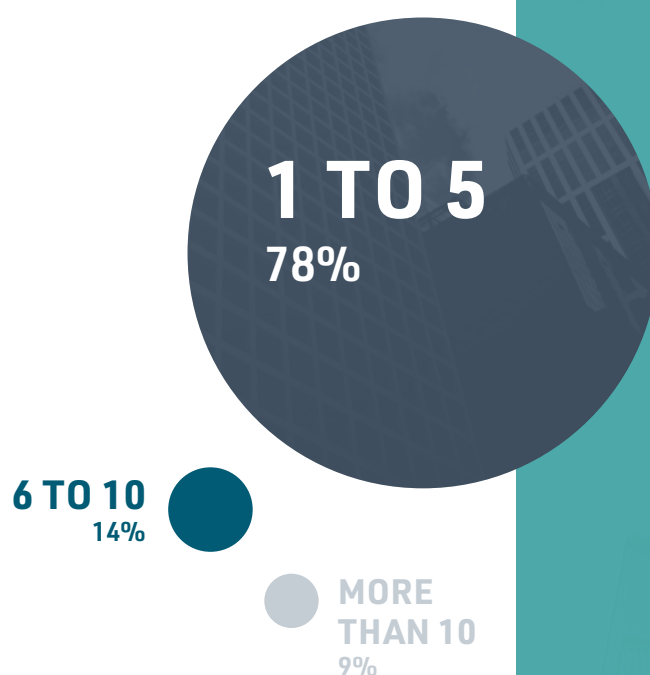
Eight in ten participants (79 percent) report using external support for LEM activities. In a multiple-choice question with three types of external providers of LEM support, 59 percent of departments reported engaging law firms to assist with LEM processes, 36 percent used alternative service providers, and 32 percent received assistance for LEM activities from the Big 4 or tax firms. Law firms are the most common external support used for LEM activities across all company sizes, while mid-size and larger companies tended to use Big 4 or tax firms.



If you are using external support, how many suppliers do you currently use overall?

(Asked only among those who did not select "We do not use external support" in the previous question.)

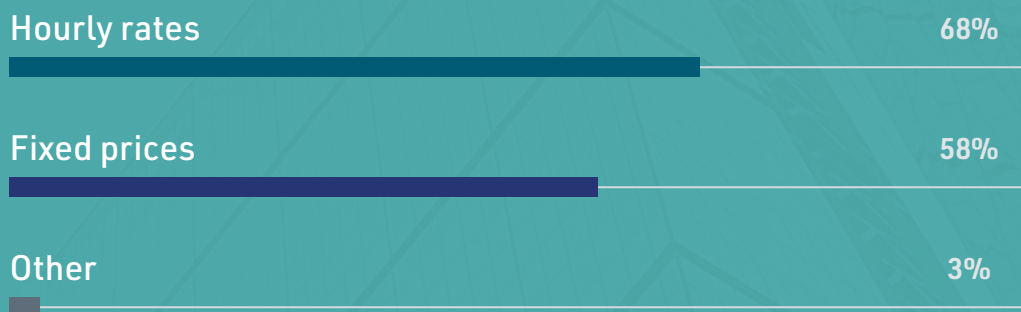
The number of suppliers of LEM support is rather limited. Seventy-eight percent of participants that use external support indicate that they use between one and five different vendors, while 14 percent reported using between six and 10, and nine percent reported using more than 10 different support suppliers.



If you are using external support, what are your external provider primary fee arrangements?

Select all that apply. (Asked only among those who reported using external support.)

In terms of the types of fees used to cover LEM external support services, both hourly rates and fixed prices are used by most organizations that do rely on external vendors to assist with LEM activities. Hourly rates are 10 points more common than fixed prices, with 68 percent and 58 percent of those who use external support using these two types of fee arrangements, respectively. Three percent reported other fee types, including contingency fees, retainer arrangements, and annual contracts or subscriptions.



**VERY
CONFIDENT**
27%

**SOMEWHAT
CONFIDENT**
51%

**SLIGHTLY
CONFIDENT**
18%

**NOT AT ALL
CONFIDENT**
5%



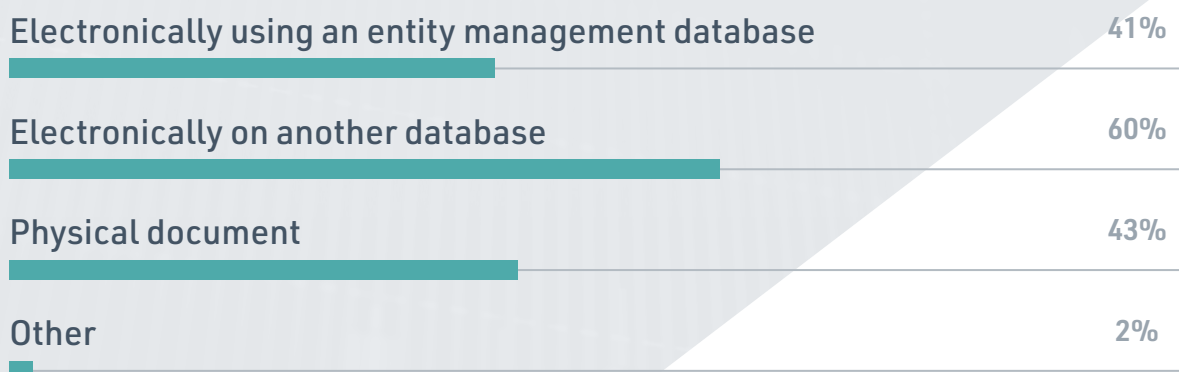
How confident are you in your organization's ability to track and stay in compliance with regulatory changes?

A strong majority of participants are at least somewhat confident in their organization's ability to track and stay in compliance with regulatory changes. Only five percent of participants admitted being not at all confident in their organization's ability to stay on track with changing regulations. Twenty-seven percent reported being very confident, 51 percent reported being somewhat confident, and 18 percent were only slightly confident. Seventy percent or more respondents across company sizes were at least somewhat confident in their organization's ability to stay on track with compliance issues, and half of respondents in larger organizations were very confident.

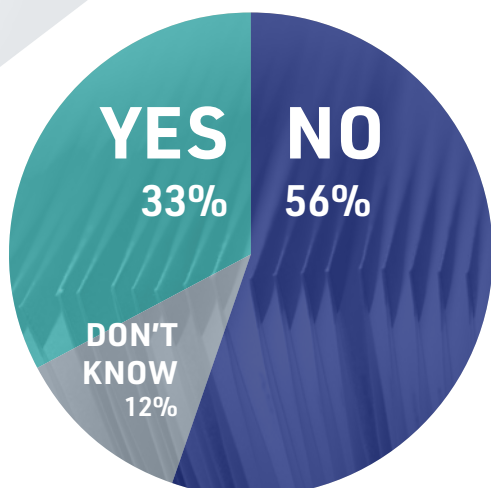
How are entities' corporate records maintained?

Select all that apply.

Four in ten organizations maintain entity corporate reports using a specific electronic entity management database, according to survey participants, while 60 percent track corporate records using another type of electronic database. Physical documents are still part of the mixture in spite of the accelerating digitalization environment, and 43 percent of participants reported that entity records are tracked using paper files. Large organizations with US\$5 billion or more in revenue are more likely to use a specific entity management database: 62 percent compared to 36 percent of LEM teams in small companies and 40 percent among those in mid-size organizations.

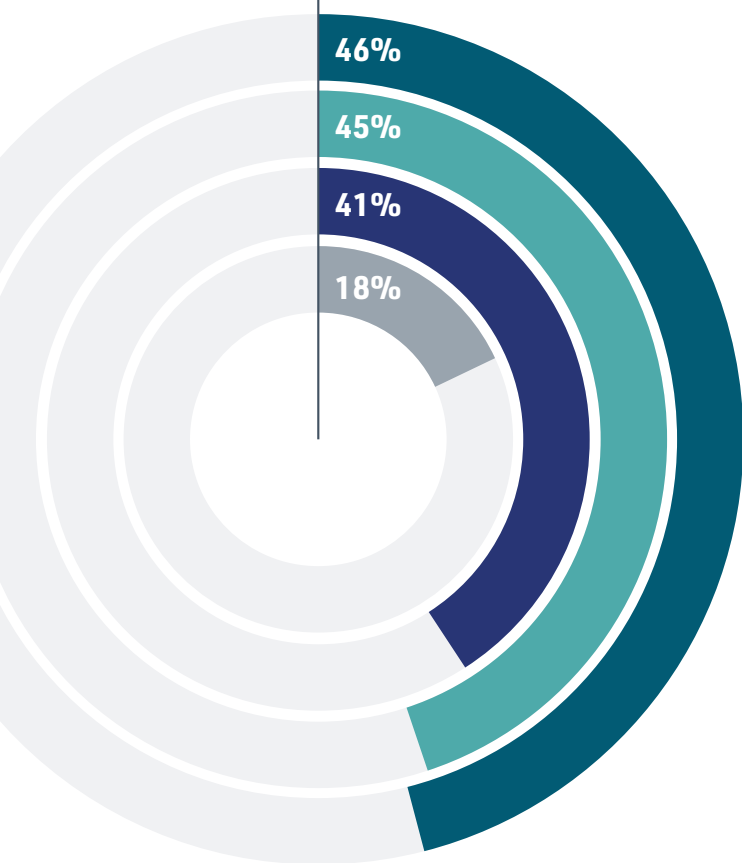


10% are exclusively using physical documents to maintain corporate records



Have updates to your entities' corporate records been delayed at any time over the past 24 months?

One in three companies was delayed in updating entity records in the last 24 months, while a majority experienced no delays. Twelve percent of participants, however, were not sure about whether any delays in corporate record updates had occurred in the last two years.



In which regions do you find corporate records the most challenging to keep up to date?

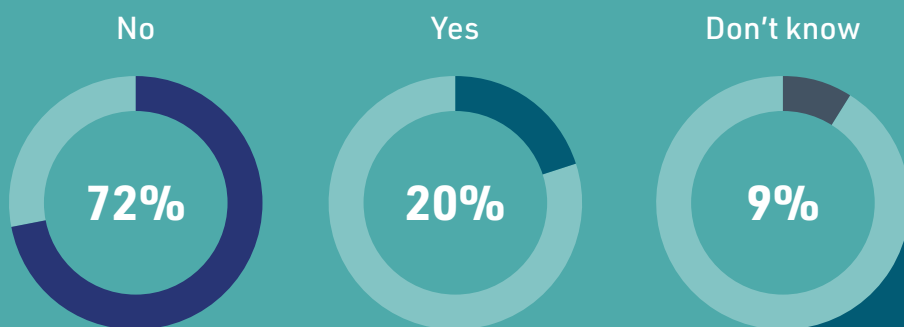
Select all that apply. (Asked only among those who have business operations across all global regions.)

- Europe/Middle East/Africa
- Asia-Pacific
- Latin America
- United States/Americas

Participants were also asked about which global region they found as being the most challenging to keep corporate records up to date. For consistency purposes, this question was only asked to participants in companies that conduct business in all four global regions, namely Asia-Pacific, EMEA, Latin America and the Caribbean, and the United States/Americas. Respondents could select any of the four regions. Forty-six percent indicated that the EMEA region was challenging, closely followed by Asia-Pacific (45 percent), and Latin America and the Caribbean (41 percent). Only 18 percent of participants found that keeping corporate records up to date in the United States/Americas was challenging.

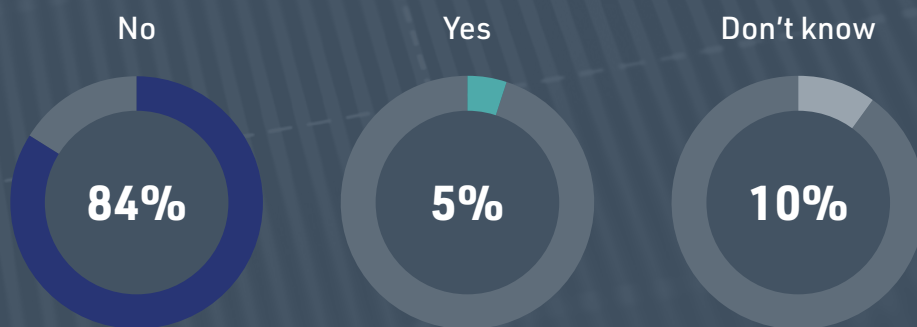
Have any entities been out of good standing with its regulators at any time over the past 24 months?

One in five respondents reported that entities had been out of good standing with its regulators in the past two years. No major differences exist across companies of different sizes.



Has a delinquency regarding an entity's status or standing with a regulator ever impacted a business transaction or strategic initiative (e.g., delayed an M&A transaction or entity rationalization effort)?

Five in six respondents reported that a delinquency regarding an entity's status or standing with a regulator had never impacted a business transaction or a strategic initiative. Five percent of participating organizations reported that this scenario had occurred. This increases to 15 percent of large companies with US\$5 billion or more. Ten percent of participants were unsure if a delinquency had ever impacted a business transaction.



TYPICAL LEM POLICIES AND PROCEDURES BY COMPANY SIZE



SMALL COMPANY

LESS THAN US\$1B



MEDIUM COMPANY

US\$1B TO US\$4.9B

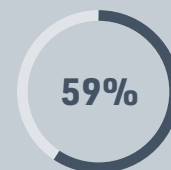
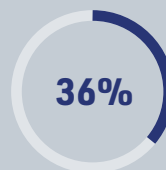


LARGE COMPANY

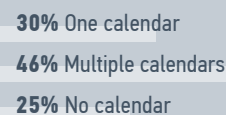
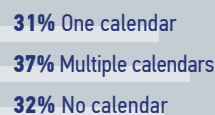
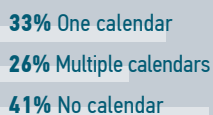
US\$5B OR MORE



Written LEM policies exist,
and they are followed



Compliance calendar



Organizational chart is
updated at least quarterly

21%

34%

37%



Satisfaction with
stakeholders being attuned
to subsidiary management

SATISFIED
49%

25%
DISSATISFIED

SATISFIED
40%

29%
DISSATISFIED

SATISFIED
53%

26%
DISSATISFIED



Company conducts internal
testing, monitoring,
or internal audits

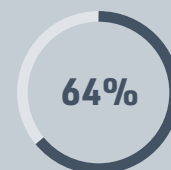
29%

33%

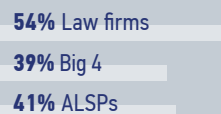
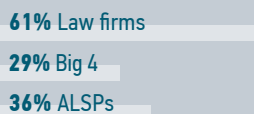
56%



Training available for
LEM employees



Use of external support
for LEM activities





SMALL COMPANY

LESS THAN US\$1B



MEDIUM COMPANY

US\$1B TO US\$4.9B



LARGE COMPANY

US\$5B OR MORE



Use 1 to 5 external
support suppliers

84%

67%

58%



External support provider
fee arrangements

68% Hourly rates

56% Fixed prices

67% Hourly rates

66% Fixed prices

70% Hourly rates

63% Fixed prices



At least somewhat
confident in organization's
ability to stay in compliance

77%

70%

82%



Corporate records
maintained using an entity
management database

36%

40%

62%



Updates to corporate
records have been delayed
in the last 2 years

33%

37%

35%



Most challenging region to
keep records up to date

52%

ASIA-PACIFIC

59%

LATIN AMERICA

55%

EMEA



Entities have been out
of good standing with
regulators in the last 2 years

21%

18%

20%



A delinquency regarding an
entity's status has impacted
a business transaction

5%

2%

15%

SECTION 03

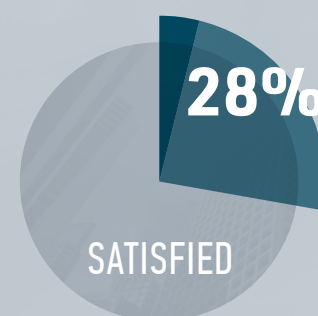
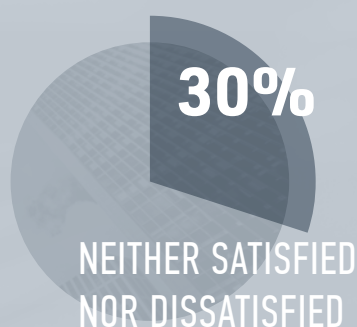
THE STATE OF THE LEM FUNCTION

In this section we cover two main areas. The first relates to LEM technology, with participants providing insights on their satisfaction with the current technology solutions that they have in place and whether they anticipate changing or updating their technology platforms in the near future. Second, we reveal pain points that participants experience with the LEM function and the top priorities for the LEM team moving forward.

Only 28 percent of survey participants declared being satisfied with the technology currently in place supporting the LEM function — 24 percent being somewhat satisfied and just four percent being very satisfied. On the other end of the spectrum, 43 percent of participants were not content with the technology used to support LEM activities — 29 percent being somewhat dissatisfied and 14 percent being very dissatisfied. The remaining respondents (30 percent) are neutral.

Dissatisfaction with LEM technology is more pronounced in small and medium companies. In small companies with less than US\$1 billion in revenue, only 24 percent are satisfied compared to 44 percent that are dissatisfied, a 20-point negative difference, while the range is reduced in mid-size companies — between US\$1 billion and US\$4.9 billion — to 14 points, 26 percent are satisfied per 40 percent who are dissatisfied. In large companies, more respondents are satisfied (43 percent) with the LEM technology in place than dissatisfied (37 percent).

How satisfied are you with the technology in place to support your LEM responsibility?

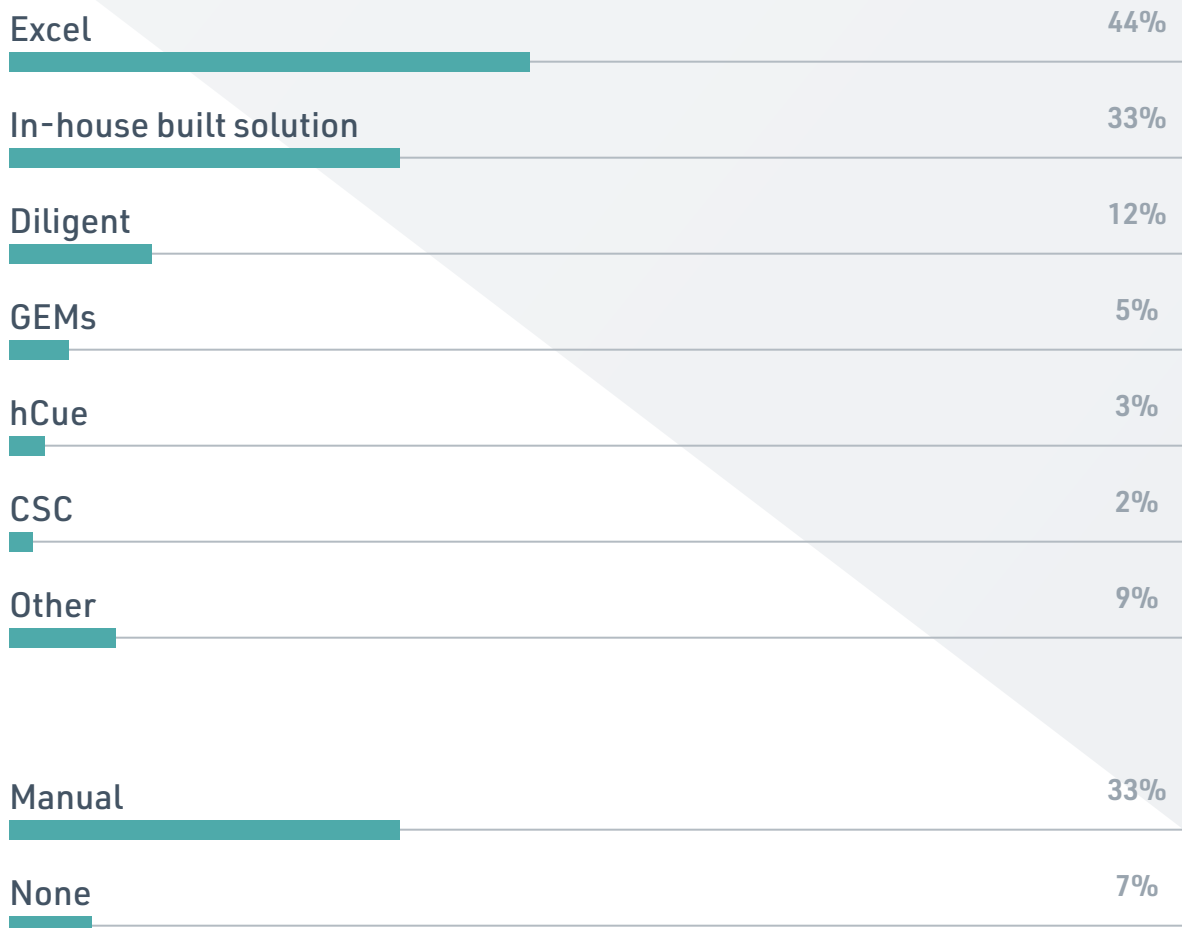


73% of respondents are dissatisfied or neutral with their existing technology

What LEM platform does your company currently use?

Select all that apply.

Microsoft Excel is the software used by a plurality of respondents to track and organize legal entity corporate records, with 44 percent using it. One in three use an in-house built technology solution to monitor LEM activities, while other platforms reported by participants include Diligent (12 percent), GEMs (five percent), hCue (three percent), and CSC (2 percent). Nine percent of LEM teams use additional technology solutions. Furthermore, 33 percent reported tracking LEM activities manually in conjunction with technology support, and seven percent reported that they do not use any LEM platform.

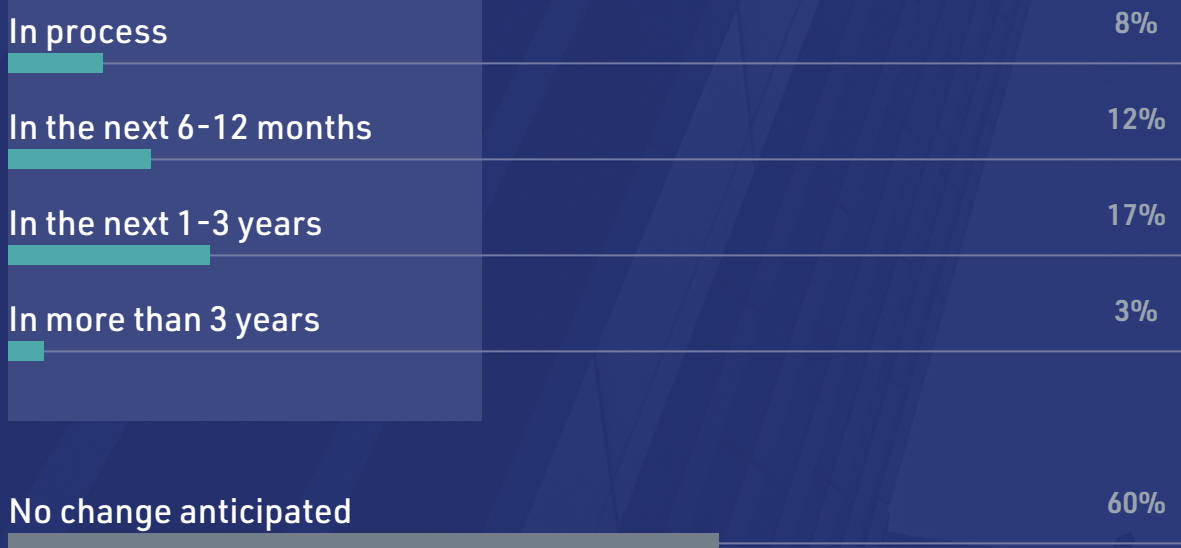


Other LEM platforms reported – Blueprint, Conga, DiliTrust, Google Docs, iManage, Legisway, SharePoint, Teams, TMF, Trello, Wolters Kluwer

When does your company anticipate making a change to its LEM platform?

Although more participants reported being dissatisfied with the LEM technology in place at their organizations than those who were content with it, 60 percent of respondents do not anticipate changing their current LEM technology platform. Among those who are considering a change, eight percent report that a platform change is currently underway, 12 percent anticipate changing the LEM platform in the next six to 12 months, 17 percent believe a change will take place within one to three years, and three percent indicate that any changes in LEM technology will not occur in the next three years at least. No significant variations exist across companies of different sizes.

Expected to change 40%



More participants reported being

DISSATISFIED WITH THE LEM TECHNOLOGY

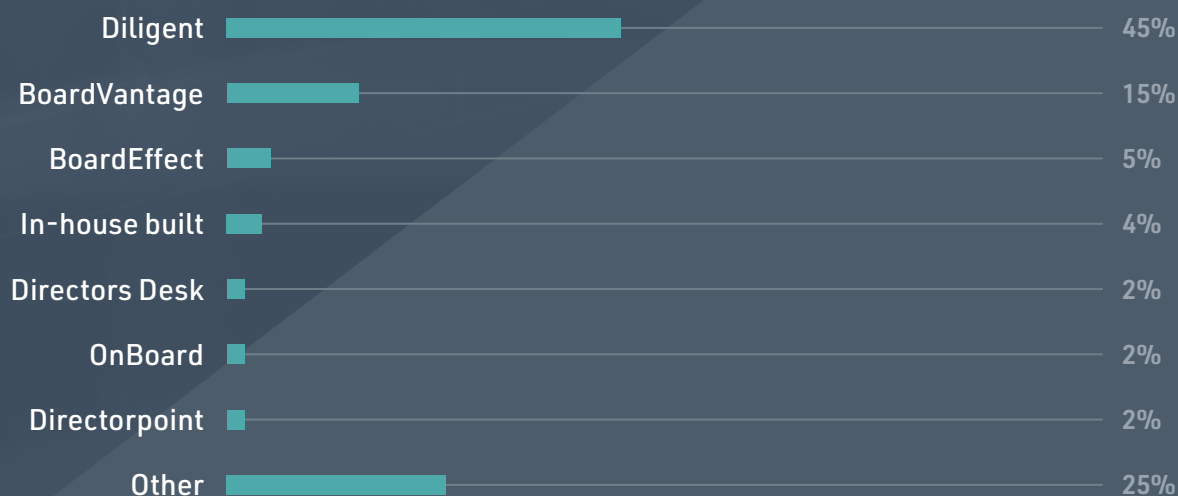
in place at their organizations than those who were content with it

Is board portal technology leveraged for board support roles and responsibilities?

On top of the technology in place to handle LEM activities, participants were also asked whether they used board portal technology to assist with board support roles and responsibilities. Thirty-one percent of participating departments indicated that they do use board portal technology, with approximately half of those (45 percent) reporting that they use Diligent. Other reported platforms include BoardVantage (15 percent), BoardEffect (five percent), an in-house built board portal platform (four percent), and Directors Desk, OnBoard, and Directorpoint (two percent each). One in four among those who reported using board portal technology listed yet another platform.

LEVERAGE BOARD PORTAL TECHNOLOGY

31%

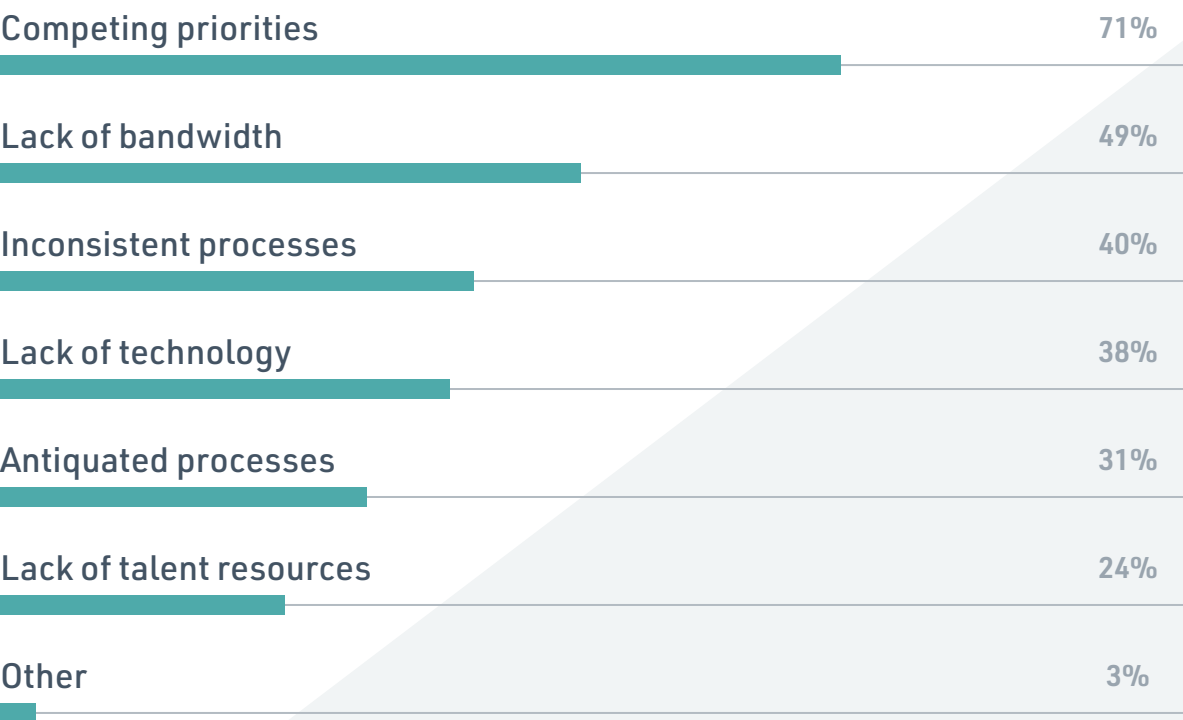


Other board portal technology platforms reported – Admincontrol, Aprio, BoardOnTrack, Carta, Convene, Dilitrust, Foresight, Legisway, Navex, SharePoint.

Please select the pain points faced by your LEM department.

Select all that apply.

Participants were provided with a list of prospective challenges or pain points faced by the LEM team in their organization that hindered its efforts to efficiently manage corporate entity tracking and reporting. Seven in ten indicated that the main challenge is having too many competing priorities, and practically half also pointed at the lack of bandwidth as a key handicap. Forty percent reported that inconsistent policies were a cause for concern in their organization, and 38 percent blamed the lack of technology to support LEM activities. Antiquated processes and the lack of talent resources were also considered relevant pain points by 31 percent and 24 percent of participants, respectively. Competing priorities and lack of bandwidth are the two main pain points regarding LEM across all three company sizes.



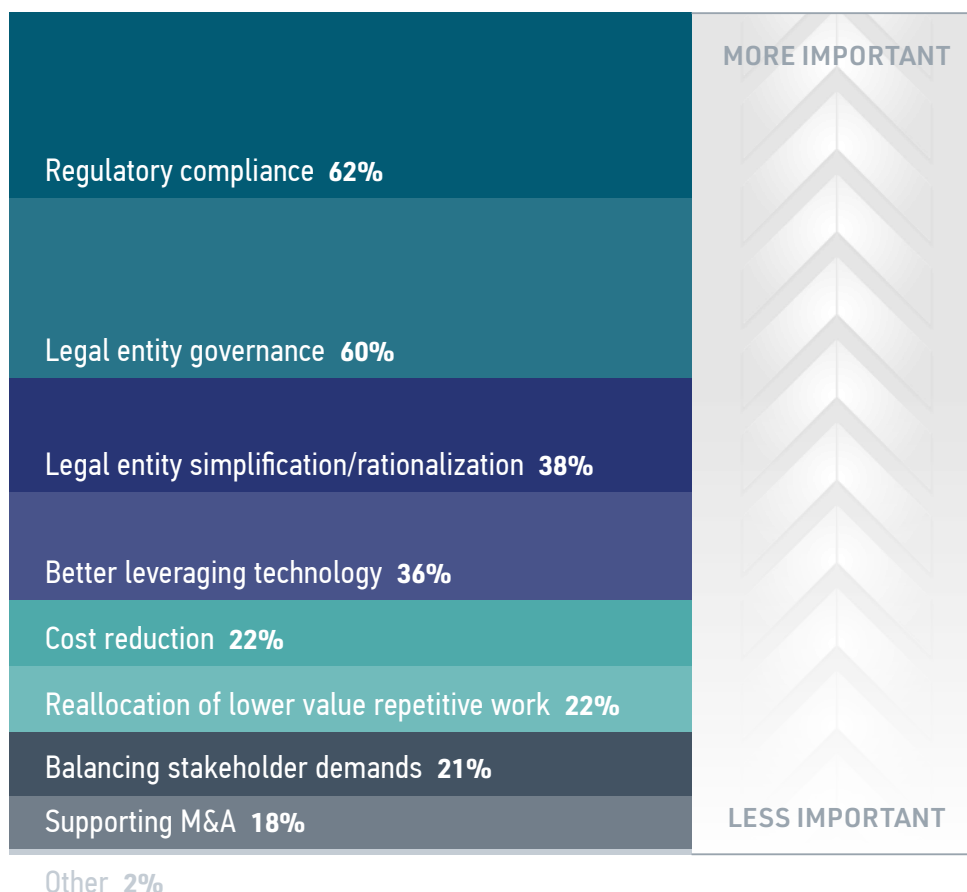
7 IN 10

indicated that the main challenge is having too many competing priorities

Please select the top three priorities for your LEM department over the next year.

In terms of the most relevant priorities in the coming year for LEM teams, participants were asked to select the top three from a list of eight options. Regulatory compliance (62 percent) and legal entity governance (60 percent) topped the list by a considerable margin and were the only two issues identified as key priorities by a solid majority of participants. In a second tier of priorities, 38 percent selected the simplification and rationalization of legal entities, and 36 percent emphasized the need to better leveraging technology for LEM activities. Finally, four items were placed in a third tier in terms of importance with cost reduction (22 percent), reallocation of lower value or repetitive work (22 percent), balancing stakeholder demands (21 percent), and supporting mergers and acquisitions (18 percent) being one of the top three priorities for around one-fifth of survey participants.

Regulatory compliance, legal entity governance, and the simplification of legal entities, in this order, were the top three priorities for LEM teams across company sizes, with no significant variation in the results observed for each of these three items for small, medium, and large corporations.

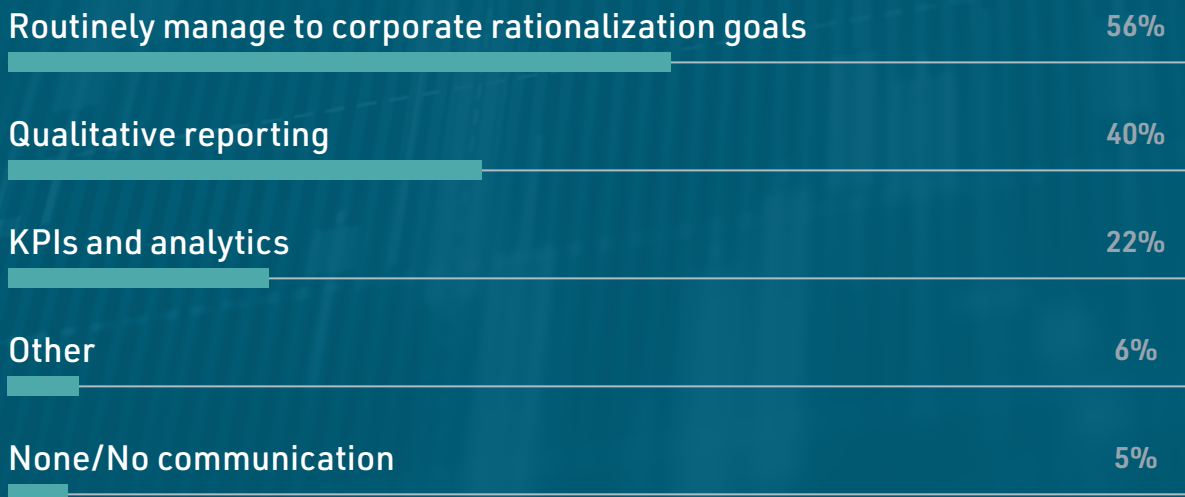


How do you communicate the value of LEM to your organization's leadership?

Select all that apply.

Lastly, participants were asked how they communicate the value of LEM to the organization's leadership and key stakeholders. A majority (56 percent) reported that they routinely manage to corporate rationalization goals. Forty percent produce qualitative reporting of the LEM function's achievements, while 22 percent track performance in quantitative terms and report based on key performance indicators and analytics. Six percent indicated other reporting mechanisms, such as informal conversations with business leaders or ad-hoc reports, while five percent of participants admitted that the value of LEM is simply not communicated to the leadership

JUST 22% of respondents
USE KPIs AND ANALYTICS
to communicate the value of LEM to their leadership



LEM OUTLOOK BY COMPANY SIZE



SMALL COMPANY

LESS THAN US\$1B



MEDIUM COMPANY

US\$1B TO US\$4.9B



LARGE COMPANY

US\$5B OR MORE



Satisfaction with technology supporting LEM activities

SATISFIED
24%

44%
DISSATISFIED

SATISFIED
26%

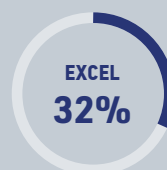
40%
DISSATISFIED

SATISFIED
43%

37%
DISSATISFIED



Most common platform used for LEM



Percentage anticipating a LEM platform change within 3 years

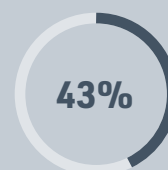
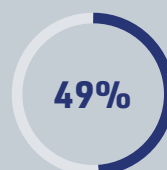
37%

38%

36%



Board portal technology is leveraged for board support roles and responsibilities



Biggest pain points faced by the LEM department

72% Competing priorities

49% Lack of bandwidth

42% Lack of technology

67% Competing priorities

52% Lack of bandwidth

44% Inconsistent processes

66% Competing priorities

42% Lack of bandwidth

39% Inconsistent processes



SMALL COMPANY

LESS THAN US\$1B



MEDIUM COMPANY

US\$1B TO US\$4.9B



LARGE COMPANY

US\$5B OR MORE



Top priorities for the LEM department in the next year

1ST: REGULATORY
COMPLIANCE

62%

61%

62%

2ND: LEGAL ENTITY
GOVERNANCE

58%

61%

61%

3RD: LEGAL ENTITY
RATIONALIZATION/
SIMPLIFICATION

36%

43%

43%



How to communicate value of LEM to leadership

ROUTINELY MANAGE
TO CORPORATE
RATIONALIZATION GOALS

53%

56%

61%

QUALITATIVE REPORTING

43%

25%

47%

KPIs AND ANALYTICS

20%

21%

32%

SECTION 04

LEM LEADERSHIP INSIGHTS

This section explores the connection between LEM practices and key business outcomes, and ultimately demonstrates that organizations with leading practices in place experience superior outcomes on average compared to those who do not have these practices in place.

First, we calculate a “leading practices score” consisting of the eight predictors listed below. Participating companies receive a score based on how many of the listed items they have in place. The leading practices score ranges from zero — none of the listed leading practices are in place — to eight — all leading practices are implemented.

LEM LEADING PRACTICES SCORE

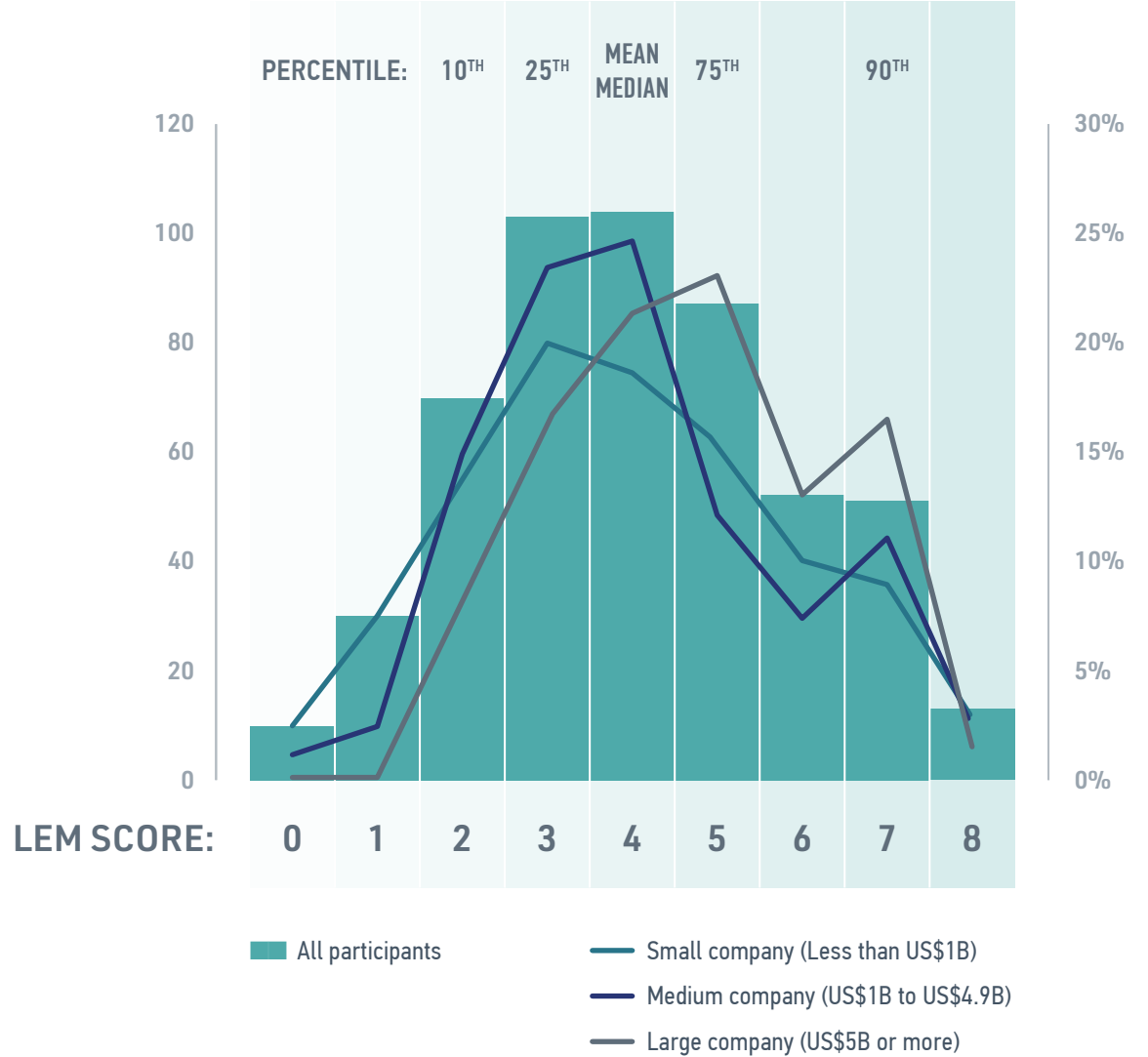
	PREDICTOR	LEADING PRACTICE
1	STRUCTURE	Centralized, dedicated group
2	WRITTEN POLICIES & PROCEDURES	They are in place and followed
3	COMPLIANCE CALENDAR	There is one compliance calendar across the organization
4	ORGANIZATIONAL CHART UPDATE	At least quarterly
5	TESTING & MONITORING	LEM testing, monitoring, and auditing are conducted regularly
6	EDUCATION & TRAINING	Training and educational programs are provided
7	TRACKING OF CORPORATE RECORDS	Corporate records are tracked electronically
8	TECHNOLOGY: LEM PLATFORM	Legal department uses LEM technology

LEM Leading Practices Score Overall Statistics

The statistical distribution of the leading practices score below shows a relatively normal distribution – most participants have a few of policies in place. In the chart, the columns report the overall results with column height indicating the number of participants that received each of the nine possible score values – from zero to eight. The median and average of the distribution are four, meaning that the average LEM team implements four of the eight policies and practices listed above.

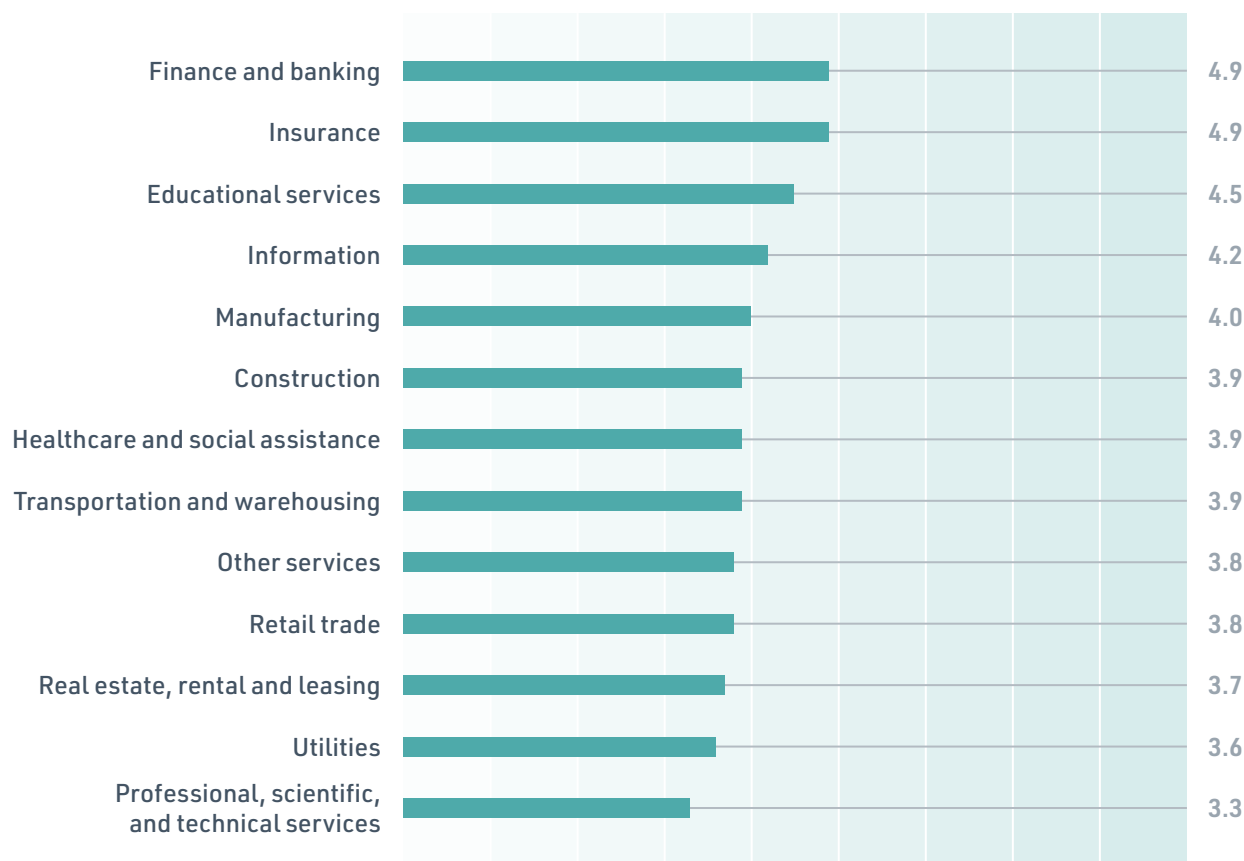
The 25th percentile is three and the 75th percentile is five, which indicates that at least half of the participant organizations have between three and five of the policies and procedures listed in place. The 90th percentile is seven, which means that the top 10 percent of legal departments have either seven or all eight practices in place.

The lines represent the distribution of respondents by company size. The percentages on the right-hand Y axis indicate the share of respondents within each revenue category that received each of the nine possible Leading Practices score. The results show that larger companies with US\$5 billion or more in revenue tend to score a bit higher than smaller companies.



LEM Leading Practices Average Score by Industry

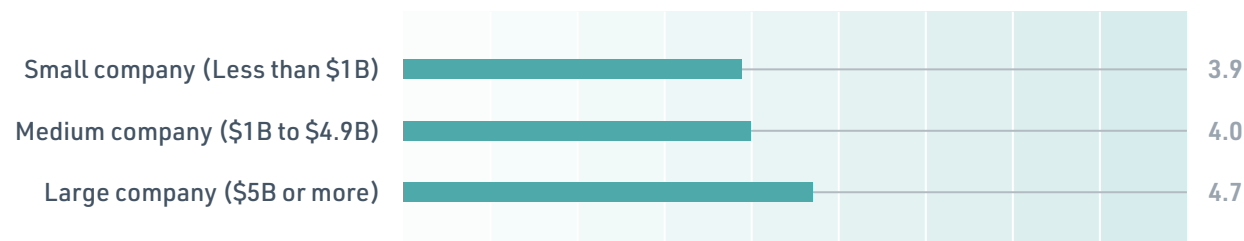
Organizations in finance and banking, and in insurance scored the highest with 4.9, meaning that on average LEM teams in these industries have about five of the eight listed policies and practices in place. Companies in educational services, information, and manufacturing reported an average value of at least four. Companies in professional, scientific, and technical services close the list with an average of 3.3.



Note: Only industries with 3 percent or more participants are included.

LEM Leading Practices Average Score by Company Size

The averages by company revenue are very similar for small and mid-size companies, with averages of 3.9 and 4.0, respectively. Larger companies, as shown above, do score higher, with an average LEM Best Practices average score of 4.7.



LEM LEADERS VS LAGGARDS

With Leading Practices scores assigned to each organization, we explore whether companies that score higher experience different outcomes, such as confidence in staying in compliance or different or lesser pain points, than companies that are less advanced in the Leading Practices score scale. We show the results for the top 10 percent of organizations, which have seven or all eight of the listed practices in place, and for the bottom 10 percent, with two or fewer of the listed practices in place. We refer to these two groups as leaders and laggards, and the cutoffs scores are the 90th percentile and 10th percentile, seven and two, respectively.

The results of this comparison show that LEM leaders are more confident in their organizations' ability to stay in compliance and are more satisfied with stakeholders being more attuned to LEM processes and practices. Leaders are also less likely to have experienced delays in entities' corporate records and to have entities out of good standing with regulators, and they also report a lower impact of the listed pain points on LEM activities.

LEADERS

TOP 10TH PERCENTILE

Companies above the 90th percentile in LEM Leading Practices score — satisfy **7 or all 8** available predictors

LAGGARDS

BOTTOM 10TH PERCENTILE

Companies below the 25th percentile in LEM Leading Practices score — satisfy **2 or fewer** of 8 available predictors

OUTCOME



LEADERS

TOP 10TH PERCENTILE



LAGGARDS

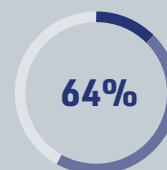
BOTTOM 10TH PERCENTILE



Confident in organization's ability to stay in compliance with regulators



■ VERY CONFIDENT
■ SOMEWHAT CONFIDENT



■ VERY CONFIDENT
■ SOMEWHAT CONFIDENT



Satisfied that stakeholders are attuned to subsidiary management processes



■ VERY SATISFIED
■ SOMEWHAT SATISFIED



■ VERY SATISFIED
■ SOMEWHAT SATISFIED



Updates to entities' corporate records have been delayed in the past 24 months

24%

42%



Entities have been out of good standing with regulators in the past 24 months

16%

25%



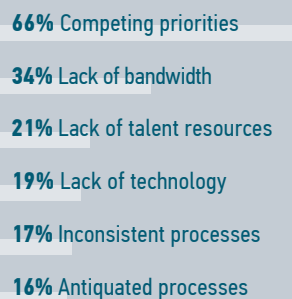
A delinquency regarding an entity's status has impacted a business transaction

8%

7%



Pain points



Number of different pain points selected

MEAN
1.7

1
MEDIAN

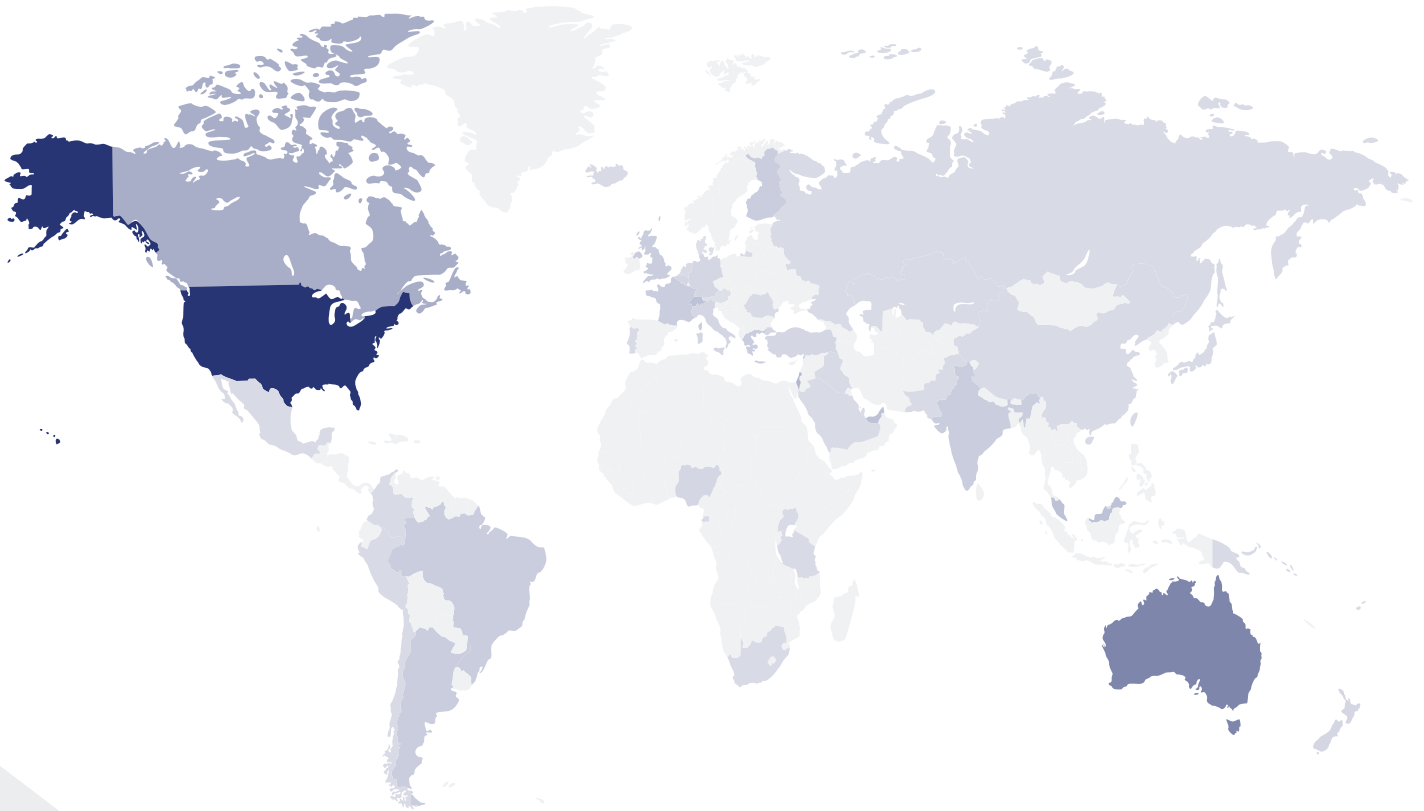
MEAN
3.0

3
MEDIAN

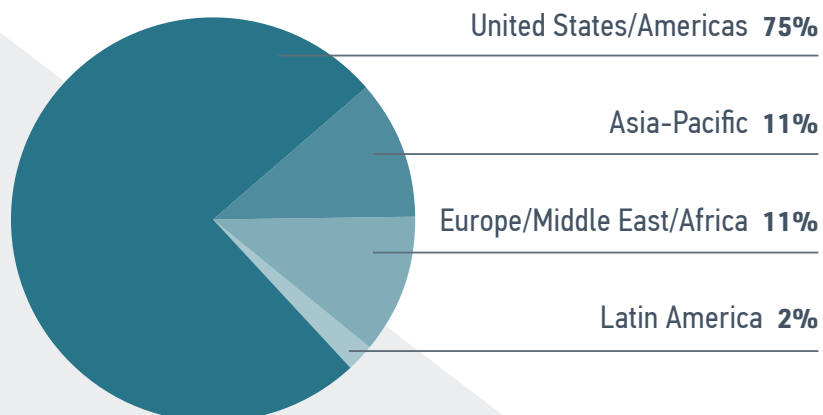
DEMOGRAPHICS

In which country do you primarily work?

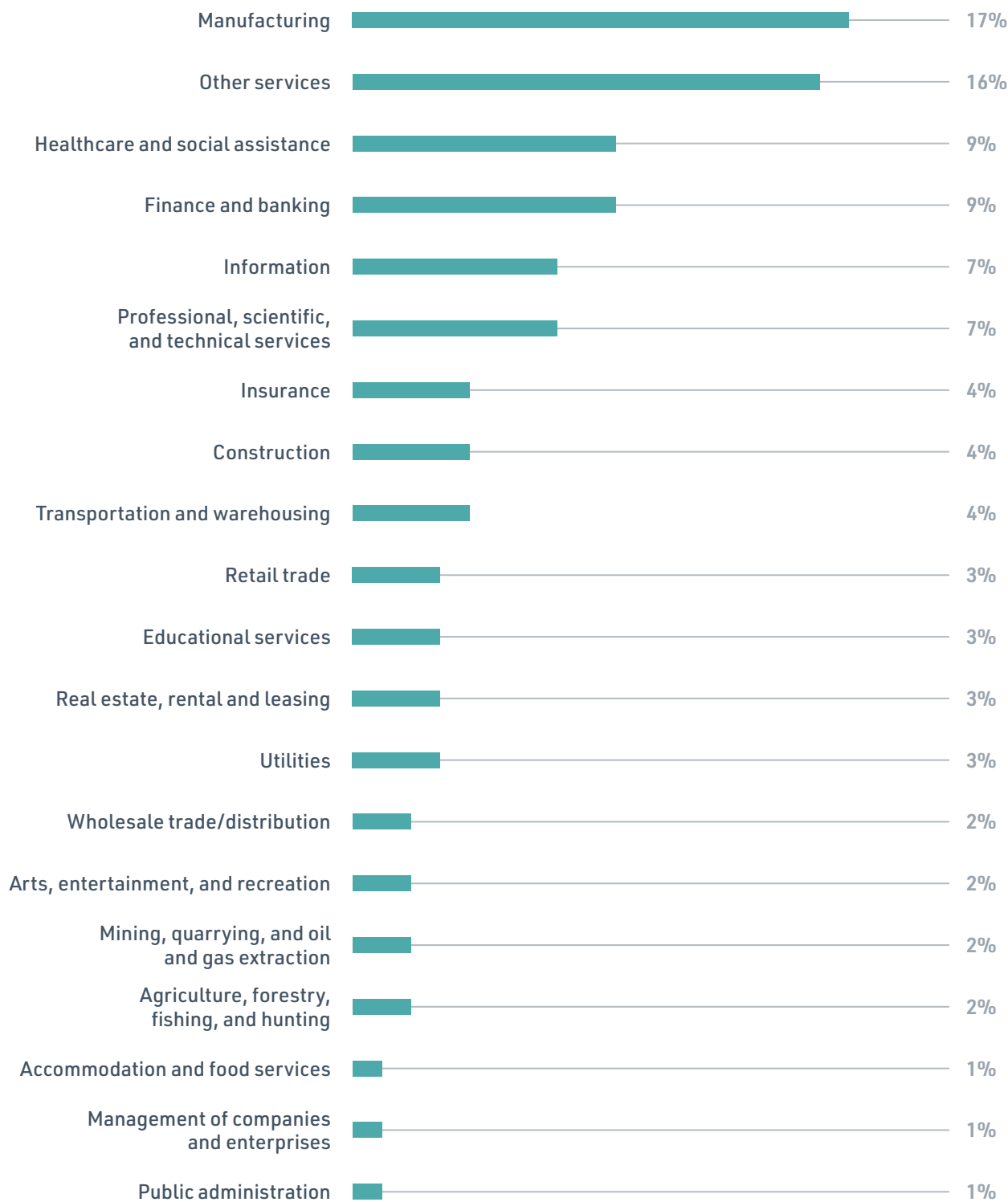
Countries Represented



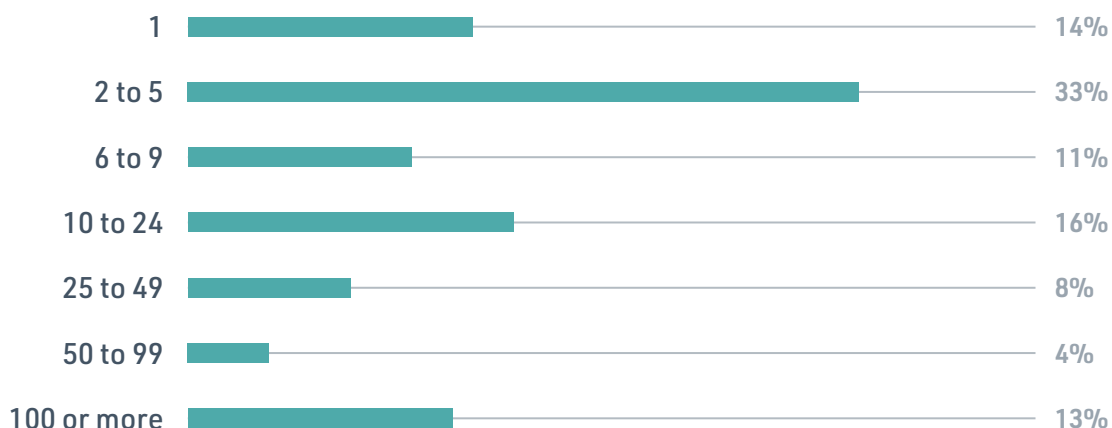
Global Regions Represented



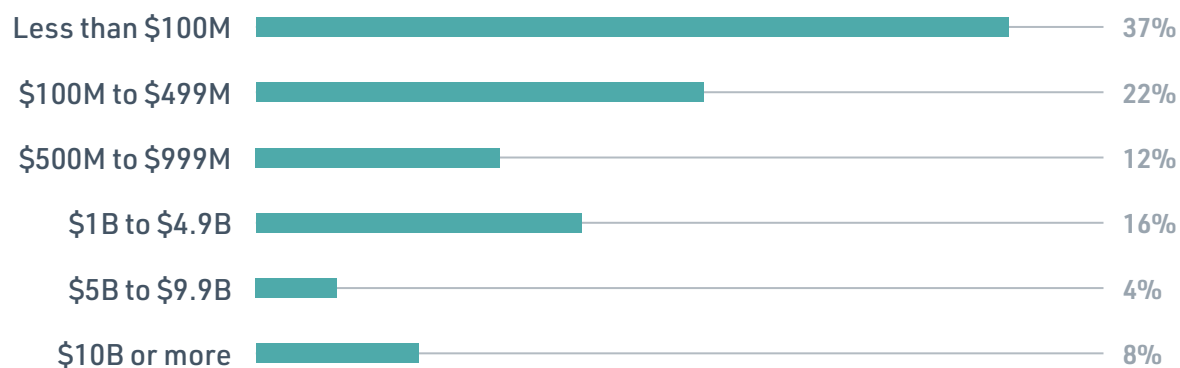
What is your employer's primary industry?



What is the total number of employees in your law department, including all locations?



Please select the category that represents your organization's worldwide total gross revenue for the last reported fiscal year in US dollars.



SURVEY DETAILS

SURVEY INSTRUMENT

The survey questionnaire was offered through an online survey platform. Personalized survey links were sent by email to the target population, which allowed participants to save their responses and fill out the questionnaire in more than one sitting, if needed.

FIELDING PERIOD

The survey opened on November 3, 2021 and closed on December 17, 2021. Reminder emails were sent weekly.

TARGET POPULATION

We targeted ACC members worldwide. To further expand our reach, we also sent participation invites through other ACC partner organizations.

PARTICIPATION

A total of 520 legal professionals participated in the survey. Apart from targeted email messages, opportunities to participate were also sent through LinkedIn campaigns.

ANONYMITY

Survey responses were completely anonymous. No information is linked in any way to an individual respondent. The results are provided only at the aggregate level.

DATA ACCURACY

Not all respondents answered all questions. The percentages provided are based on the number of valid responses received for each individual question. Many survey questions offered the opportunity to select multiple response options. In those cases, percentages may not total to 100 percent.

OPEN-ENDED RESPONSES

Some survey questions required open-ended responses. Many of the quotes and citations from participants that we present throughout the report were shortened or edited due to space or style needs, or to remove any identifiable information related to individuals or their organizations, if necessary.

STATISTICAL TERMINOLOGY

Mean: The values of each observation are summed together and divided by the total number of observations (also called the average).

Median: This is the middle value of all observations ordered from low to high (also called the 50th percentile).

Percentile: This is a value that divides a population according to a distribution of observations. It allows us to know the percentage of observations that fall above or below a particular value. For example, if we find that the 25th percentile of the LEM score is three, we then know that 25 percent of departments have a score of up to three points, while the other 75 percent of departments have a score of three or higher.

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