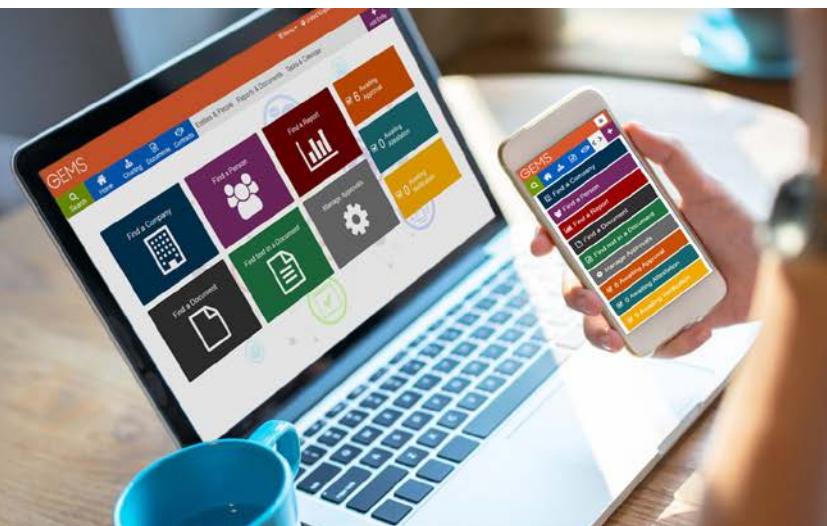


THE EVOLUTION OF SUBSIDIARY GOVERNANCE

- Andrew J. Moore



A look at the history of the subsidiary governance landscape demonstrates the increasing importance of a robust set of practices and the growing value of technology in supporting them.

THE FIRST WAVE

The first wave of external focus on your subsidiaries came in the post Enron and MCI WorldCom era at the turn of the century. In the wake of those failings and others like them, company secretaries scrambled to establish accurate records on what subsidiaries the company had, where they were, who was running them and exactly how much was owned in them. If you weren't in the workforce then, you may be thinking that shouldn't have been too difficult a task to achieve. But this was still a largely paper-based world, with pockets of interaction across various stakeholders such as company secretary, tax, legal and treasury. Management was largely siloed and certainly, the bigger you were, the bigger the challenge.

In addressing that new paradigm, technology solutions played a pivotal part in establishing a clearer path towards better compliance and oversight for legal entities within an organization. If you invested in an entity database, you were instantly better positioned to answer those

seemingly innocuous questions, which many had struggled to respond to. It didn't matter if you were a single team in one location, or spread across the world; you had a way to demonstrate the "single version of the truth" demanded by everyone, internally and externally.

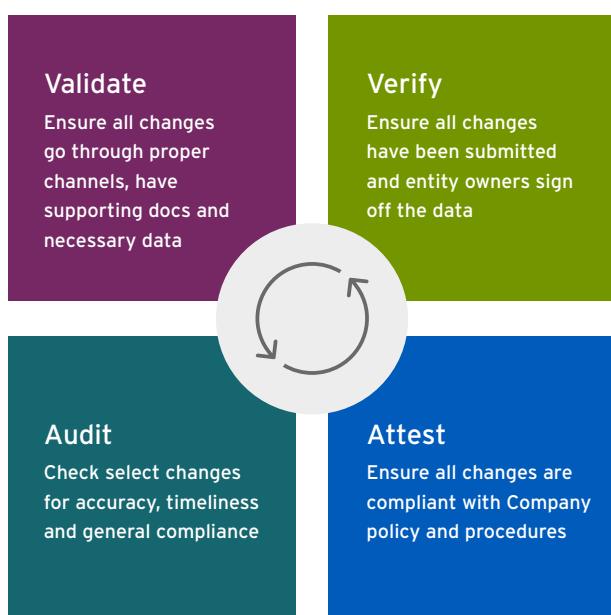
THE SECOND WAVE

Since that time, the focus on your entities has continued and intensified. Regulators, legislators, registry bodies and other stakeholders have strengthened their demands for a deeper understanding of your organizational structure. Disclosure of beneficial ownership, inter-company relationships, insiders and more is at an all-time high and the expectation is that it will continue to grow.

In some sectors, the requests go beyond just the raw information. Regulators are seeking insights into exactly how you administer your entities to gain a better understanding of the internal governance controls you have in place around them.

The good news is, once again, technology is here to help. Properly implemented, irrespective of whether you are managing your entities centrally, regionally or outsourcing, you can show the full governance framework with clear processes for approval, verification, attestation and audit. You will be ready to answer this new wave of inquisition:

- › Who can create new subsidiaries?
- › Who determines the board composition?
- › How you demonstrate that changes are justified?
- › How do you ensure entity "owners" attest to all changes that have been submitted and that they have been submitted on time?
- › How do you ensure compliance with all local laws?
- › How do you audit all of the above?



LOOKING AHEAD

It's hard to imagine anything more than a continued growing interest in your legal entity activities. Commitments by the G7, the G20 and the OECD have placed greater transparency on legal entity ownership at the top of their agendas. The use of tax haven entities post Panama Papers is under increased scrutiny. Indeed, the shifting global tax landscape and race to secure tax dollars by all jurisdictions is only just beginning. Also, if you are a global company and conduct business largely on the internet, you already know you are firmly in the crosshairs of many governments looking for more cash.

The only answer is continued investment in your processes, policies, people and technology. Without knowing the exact nature of future demands, we can still safely predict that technology will be there to assist. Be it the incorporation of blockchain for immutable records that can be more easily distributed, artificial intelligence to better help process compliance needs, or something else entirely, history has shown us that the need will be filled come what may.



Andrew Moore has been at the forefront of international governance and compliance technology markets for over twenty years. Over that time, Andrew has been a recognized influencer in subsidiary governance, entity management software, board portals and other compliance technology matters in both North America and Europe.

As head of Computershare's Governance Services (CGS) global divisions, Andrew heads up the international teams responsible for maintaining the compliance technology solutions for over eight hundred global companies. Computershare is the largest provider of subsidiary governance solutions in the market today.

Andrew is based out of Computershare's Jersey City offices. Computershare is a publicly held company, listed on the Australian Stock Exchange (ASX:CPU).

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