

Webinar

# Leveraging Technology to Avoid Mismanagement of Corporate Subsidiaries

May 25th, 2022



# Meet the Hosts



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LCN Legal



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Athennian



Lindsay Bushong  
Athennian

# Before We Get Started...

1

You will receive an email with a link to download the full deck.

2

Recording will be available soon.

3

Connect with us on LinkedIn.



# About Athennian

## Transaction, Audit, & Compliance Ready

Athennian is a modern business entity and subsidiary governance platform that powers teams to be transaction, audit, and compliance ready. Legal, finance, and tax professionals use Athennian to automate workflows for ownership, governance, tax, and corporate compliance.



Kruger

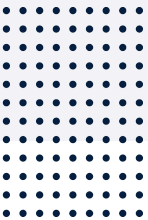


shopify



inter pipeline





“

Athennian

Legal and compliance teams have rarely been frontrunners to modernize, digitalize and automate. The pandemic has flattened staffing budgets and increased legal workloads; technology is the most obvious solution for many legal departments.



”

**Zack R Hutto**  
**Director, Advisory**

Gartner

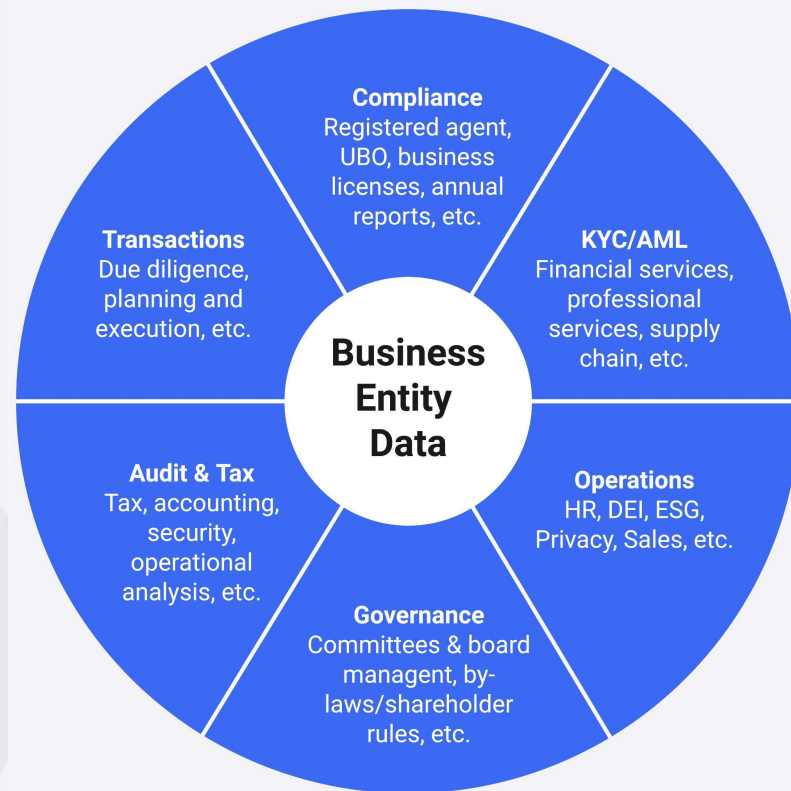
# What We'll Cover:

- 01 Why is corporate subsidiary management so hard to operationalize?
- 02 The risks of mismanaged corporate subsidiaries
- 03 Technology's role in controlling the risk and costs of corporate subsidiaries

# Why is corporate subsidiary management so hard to operationalize?



Corporate subsidiary data is **business-critical data** that makes its way into nearly every business process.



However EY data  
recently revealed:

89%

of legal department leaders  
reported substantial challenges  
with legal entity management,  
**giving concern about deal  
readiness.**

# Legal professionals see transactions delayed because:

- Up to **15% of subsidiaries are not in good standing.**
- 20% of subsidiaries have outdated appointee records.
- New subsidiaries have been formed without legal's knowledge.



# Why?

Entity management  
is a shared  
responsibility.

1

Outdated  
legacy  
software.

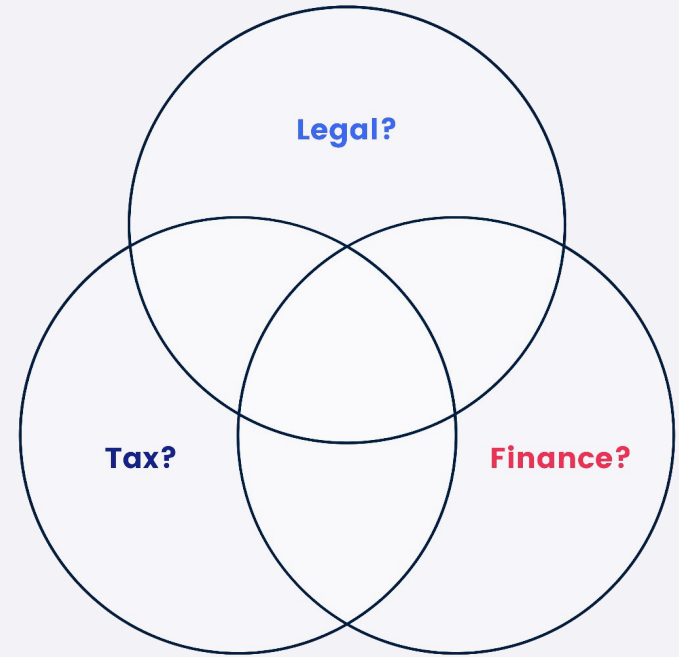
2

No centralized  
management of  
service providers.

3

# 1. Entity Management Is a Shared Responsibility

Cross-departmental collaboration is usually a substantial challenge for most large organizations that leads to **friction around ownership and responsibility**.



## 2. Outdated Legacy Software

**96%**

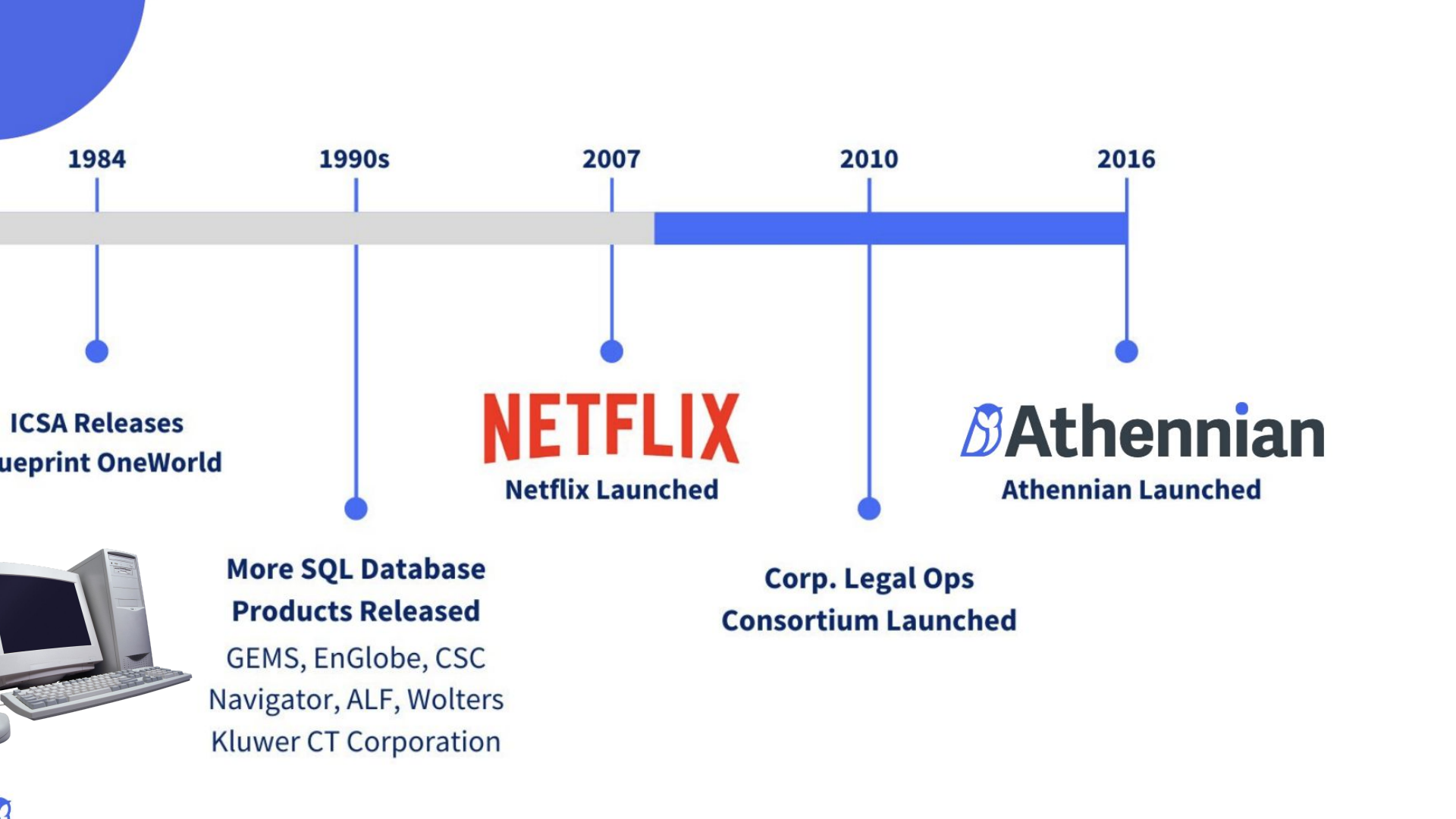
of legal department leaders  
reported issues with their  
entity management software.

**72%**

find it difficult to keep systems  
updated.

**62%**

find it difficult to track  
governance activity statuses



### 3. No Centralized Management of Service Providers

As companies grow, they tend to use a decentralized system of law firms by managing entities for basic statutory compliance.

This creates coordination and cost management challenges.



47%

of legal departments currently  
operate in this decentralized  
model.

Best Practice

# Aligning on a subsidiary governance framework





**A Subsidiary governance framework  
is a set of business principles and  
operating practices that results in  
having control over risks and costs of  
subsidiary activities.**

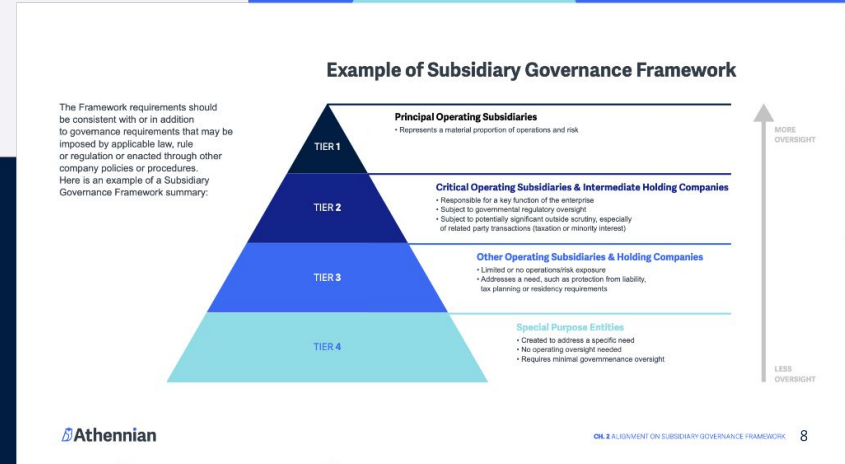
A framework provides consistency for practices such as:

- Subsidiary to parent reporting content and cadence
- Financial and regulatory controls
- Guidance about formation, composition of subsidiary boards, appointment and termination of directors, onboarding, and training
- Subsidiary director and officer training, indemnification, and signing authority.



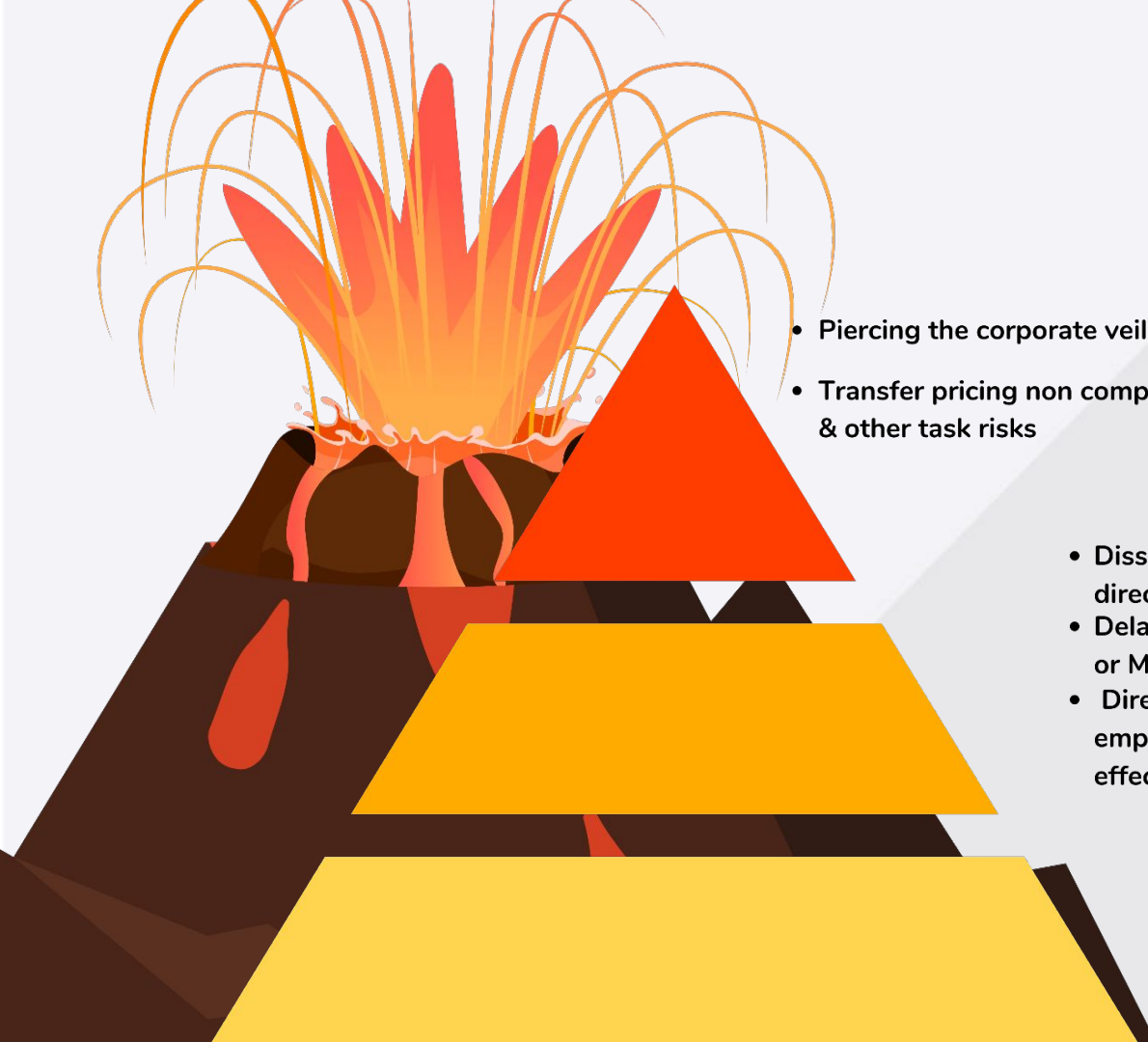
# For More Information & A Framework Example

## Best Practices in Subsidiary Management



# The risks of mismanaged corporate subsidiaries



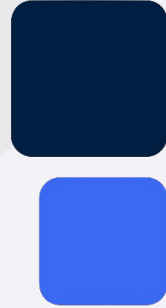
- 
- An illustration of a volcano erupting with orange and red lava. In the foreground, there is a pyramid with three visible layers: a small orange triangle at the top, a medium yellow trapezoid in the middle, and a large yellow trapezoid at the bottom. The volcano is dark brown with some red lava flows on its slopes.
- Piercing the corporate veil
  - Transfer pricing non compliance & other task risks

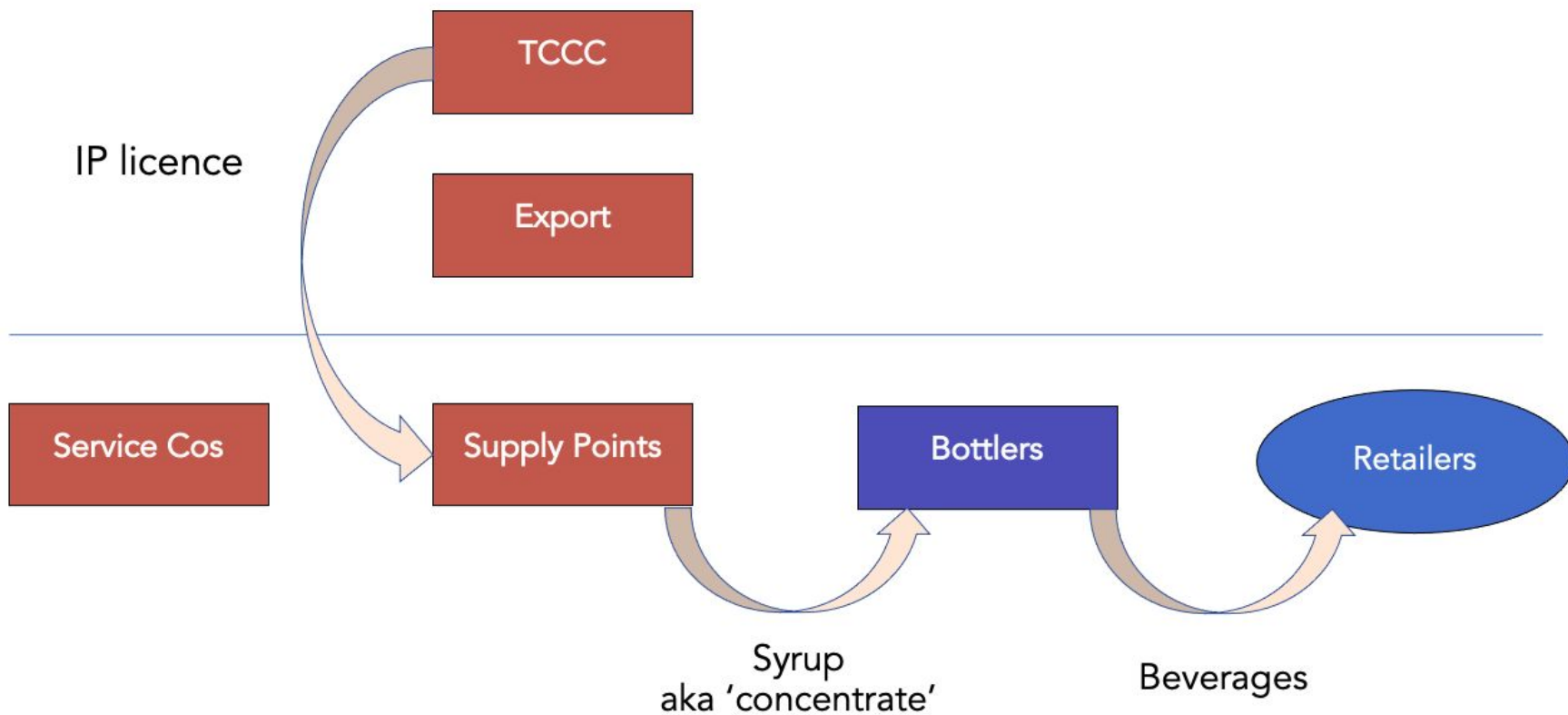
- Dissolved entities that leave assets stranded with no direct ownership link to the parent
- Delaying strategic transactions such as IPOs, financings, or M&A
- Directors appointed to subsidiary boards that are no longer employed with the company so board resolutions cannot be effectively signed

- Administrative and regulatory friction from having to retroactively fix problems that occurred from poor management

The Risk of

# International tax & transfer pricing non compliance

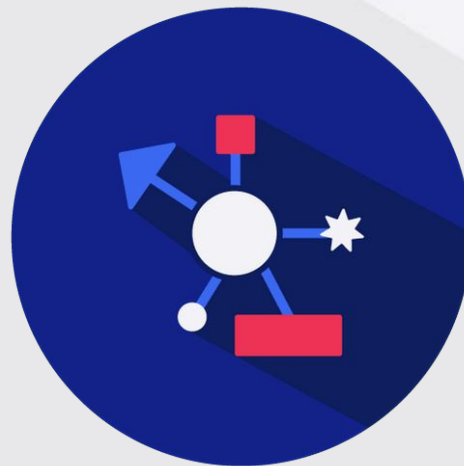




# The Need for a Single Source of Truth

Large corporates often have very dynamic legal structures, due to M&A activity, joint ventures, SPVs and ongoing legal entity reduction programs.

The tendency is for different functions to have their own 'silos' of information regarding legal entity – those silos often don't talk to each other and therefore are unlikely to be accurate at any point in time



# Corporate Subsidiary Management is Not Just Company Secretarial Compliance

Entity information is critical for stakeholders including:

- Corporate tax
- Transfer pricing
- Customs duties
- Sales taxes
- Treasury (cash management and the flow of dividends up to the topco)
- IP protection
- Asset protection
- Privacy/GDPR
- And more

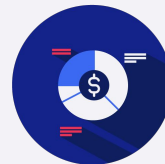


# Technology's role in controlled corporate subsidiaries

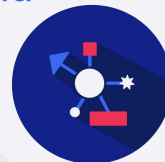


## An Entity Management Solution Should:

Reduce Financial Risk



Reduce Outside Counsel  
Spend



Facilitate Timely  
High-Level Decisions



Provide Visibility  
Across Departments



Meet Regulatory &  
Privacy Requirements



# Reduce Financial Risk

## Compliance Calendars & Operations

### Filing dates

INCORPORATION DATE

1992-02-20

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FISCAL YEAR END

DEC

▼

31

▼

Clear

☐ Floating Fiscal Year End

HOME REPORT BRING FORWARD

Month

▼

Day

▼

Clear

RESOLUTION BRING FORWARD


Month


▼

Day

▼

Clear

 CREATE COMPLIANCE REMINDER

 CREATE COMPLIANCE TASK

# Reduce Outside Counsel Spend

A screenshot of a web application interface for viewing legal documents. The browser address bar shows 'Newtab - GeneVestors Inc.'. The application has a dark grey sidebar on the left with icons for 'Documents', 'Tasks', 'Calendar', 'Contacts', 'Emails', 'Files', 'Notes', 'Tasks', and 'Documents'. The main content area displays a document titled 'Form 1 Articles of Incorporation (a-file)'. The document is a legal form with various sections and fields. A large red arrow points from the top right towards the document. The bottom right of the application window shows a 'Print' button and a language selector set to 'English'.

Automated Documents & Processes



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Search Index

Documents

File

Search

Filter

Sort by

Results

## Table of Contents

ChicagoBridge & Iron Company Ltd

Data Extract Summaries

- Business Register and Northern Ireland Chamber of Commerce Extract Summary
- Organizational Documents
- Annual Accounts
- Director Resolutions & Comments
- Shareholder Resolutions & Comments
- Statutory Registers
- Annual Report Filings
- Bank Certificates
- Shareholder Agreements
- Other Company Documents

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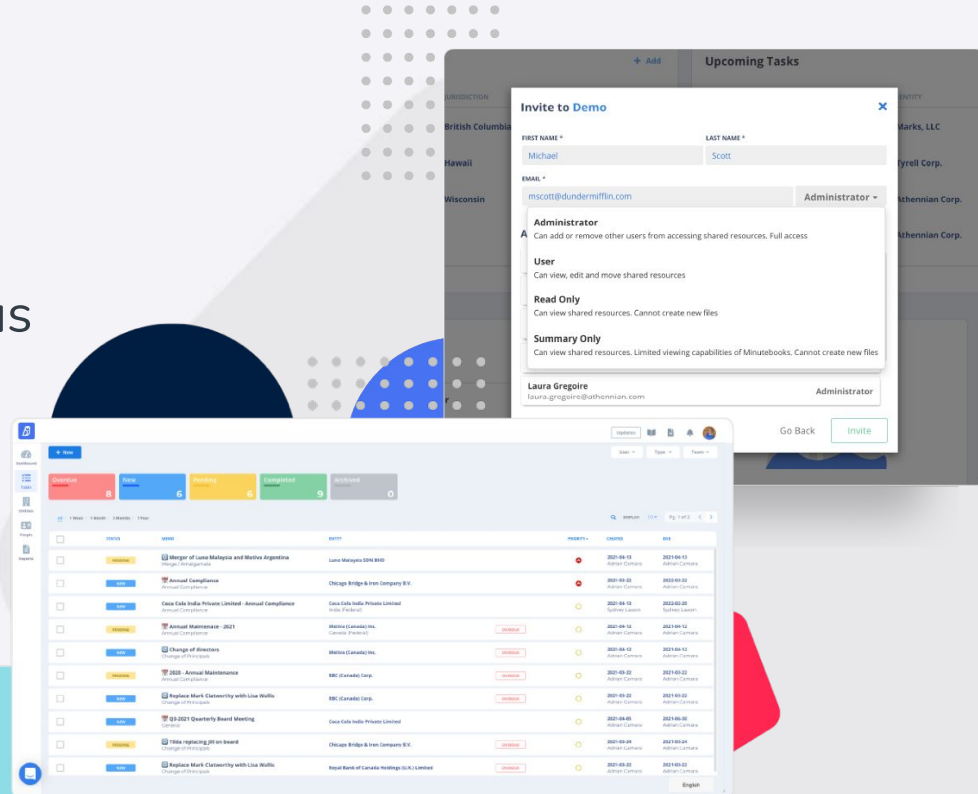
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# Provide Visibility Across Departments



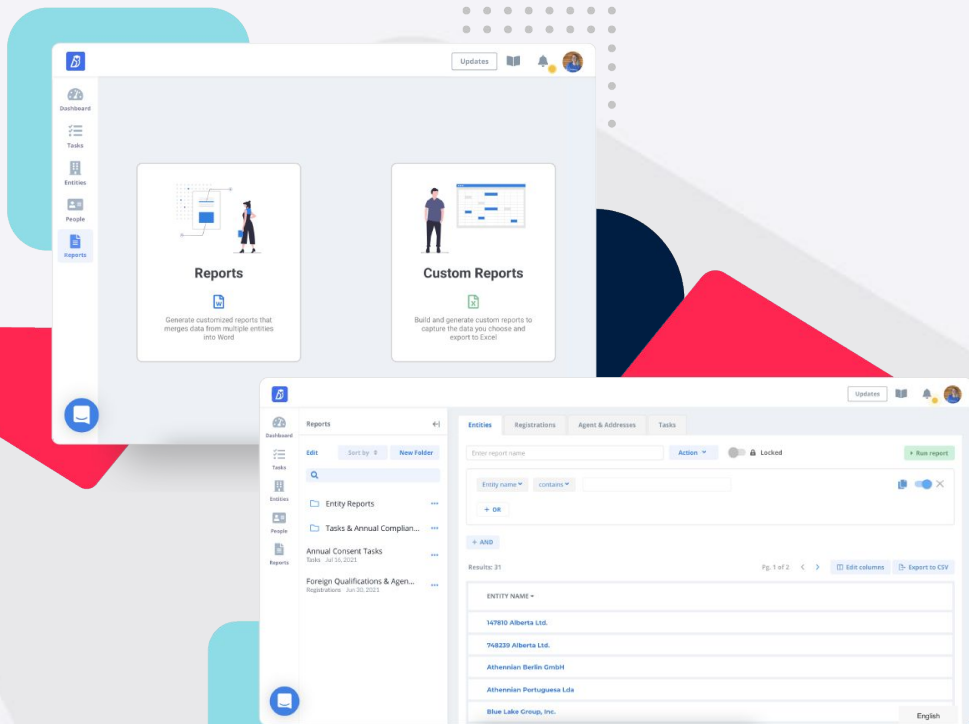
User Roles, Permissions, & Status Updates



# Meet Regulatory & Privacy Requirements

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Tracking & Custom Reporting



# What to Expect from Upgraded Corporate Subsidiary Management

## Before



### Reactive Subsidiary Management

- Missed compliance deadlines & corresponding fines
- Inability to foresee and plan for upcoming costs
- International local level is a blackbox
- Rectifying out-of-date information

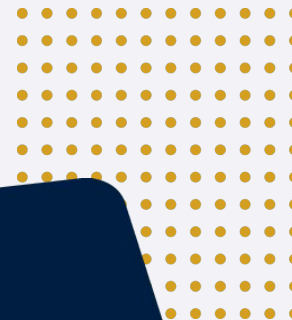
## After



### Proactive Subsidiary Management

- Control over risk & costs
- Single source of truth
- Integrated compliance calendars
- Visibility to upcoming regulatory changes
- Single source of truth
- Visibility at local level
- Clear understanding of cost-per-entity

# Questions?



# Thank You!



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