

## IN THE PRESS



Following are excerpts from an article printed recently in the *ABA Bank Directors Briefing Newsletter* with **TWO DILIGENT BOARDBOOKS CLIENTS: Theresa Cornish from Sandy Spring Bancorp and Steven Philpott from Umpqua Bank**—regarding their experiences with online digital boardbooks.



### THE ELECTRONIC BOARDROOM

## SO, YOU'RE THINKING ABOUT A "BOARD PORTAL"?

Directors have more and more material to get through to make their meeting time productive. Yet most board packages get produced and delivered the same old way. But some banks have started using internet-based "board portals."

### Should you "plug in" your board of directors?

Adopters of "board portals" find increased efficiency and time savings, but decision requires attention to security. Theresa Cornish faces that bane of bank board secretaries every month—getting the board books set up and into directors' hands in time for them to digest a huge amount of information prior to their meetings, full board or board committee.

It's no mean feat for corporate secretaries to make this regular project happen month after month, not only for their main boards, but also for board committees, some of which, such as Audit, have come under increasing pressure in the wake of the Sarbanes-Oxley Act and renewed emphasis in general on corporate governance. The sheer volume of information to gather is daunting. Cornish serves as vice-president and assistant corporate secretary at Sandy Spring Bancorp, Inc., a \$2.9 billion holding company based in Olney, Md. The 14-director board's regular book runs upwards of 200 pages. Other banks' books can run even longer. Cornish says that Sandy Springs' governance team generally aims to have the complete book for a board or committee in members' hands a week in advance of regular meetings. This can be a challenge, with financials and other documents and reports some-

times delayed, sometimes replaced with updated or revised versions, and the invariable surprises or changes to agendas. (Some banks provide board books solely on their premises and don't permit directors to have the materials offsite at all).

### Taking the electronic route

About two years ago, Sandy Spring's management and board began using an alternative approach to the traditional paper book sent via mail or express services, a category of product broadly called "board portals." **Like most of the products in this category, the one that Sandy Spring chose—Diligent Boardbooks, from Diligent Board Member Services, New York—is centered on a secure website where directors can go to access confidential company data from anywhere they can reach the internet.**

Nowadays, instead of waiting for an entire paper book to be completed and ready for shipping, Cornish and the bank's team upload portions of the board book to the site as each is ready. Directors get more lead time this way.

In a time when directors have more to do than ever, this factor by itself has proven a tremendous advantage, according to Cornish.

“Our board has converted over to this approach without a lot of push back,” Cornish says. (Most electronic portals reviewed for this article provide on-screen books that look pretty much like their original paper-based antecedents.) Only one director still insists on receiving a full, printed board book. “There was a learning curve,” Cornish elaborates. “We consider ourselves technically savvy,” but it took some time for the staff and the board to get used to the new approach.

## More productive meetings

Boards today have more and more ground to cover, and devoting precious meeting time to matters that could be addressed by pre-meeting reading wastes having the directors together.

“We assume—and they know this—that each director who sits on a board committee has reviewed every page in their books before the meeting,” says Steven Philpott, executive vice-president and general counsel at Umpqua Holdings Corp., Eugene, Ore. Umpqua is the holding company for \$7.3 billion-assets Umpqua Bank. “We don’t regurgitate anything from that book in the meetings.” Umpqua has been using Diligent Boardbooks for about two years.

To Philpott, board and committee meetings should be devoted to director discussions of strategy based on what they have been told of, and an opportunity for them to ask questions. Umpqua board meetings can be pretty high-tech affairs. Each of the bank’s directors accesses reports and other materials through the portal using either home or office computers, or laptops that the bank has issued to them all. The bank doesn’t provide printed books at the meeting. Directors who want access to their “papers” bring their laptops, or printouts they’ve made. The electronic board book section relevant to discussion is projected on a boardroom screen.

**“We don’t spend any less time in our meetings,” says Philpott, “but the time we spend in the meetings is spent on more important discussions.”**

At Umpqua even examiners use temporary access to the bank’s secure site for reviewing board min-

utes, policy documents, and board books. A key function of most portal products is an archiving function of just about anything a director would ever need by way of a historical or current tool, document, or file. Search technology built into portals can help directors check on past discussions to jog their memories, which facilitates review of proposed policies and other drafts. Some institutions even set up portals to allow between-meeting votes and online approvals of certain matters.

## Tip of a trend

These banks, and others contacted for this article, are pioneers in the industry, indeed, all industries, at this time. “At best we can tell this is a tiny market, at the moment,” says Geoff Loftus, spokesman for the Society of Corporate Secretaries & Governance Professionals.

In 2006, the trade organization released its annual benchmarking survey from among several hundred of its members. Banking and finance company representatives made up 11.5% of the survey respondents. One out of three use some electronic method of delivering board materials to their directors, ranging from simply e-mailing materials as attachments to delivering electronic board books to using proprietary board portals developed in house or vendor-provided portals. When questioned more specifically about offering their directors a special website, more than three-quarters of the total sample didn’t. Only 5% of the total respondents use vendor-provided websites; 14% built something themselves. Loftus says the survey also indicates that most companies using electronic transmission of some kind also print out their board books, reflecting a “belts and suspenders” mindset. This appears to be a bow towards older directors. **Loftus adds that the association believes, based on conversations with members, that adoption of such technology will grow as younger board members come along, and as the capabilities of portals grow. He said the research indicates that 60% of those not utilizing some form of electronic delivery are considering it.**

It can be difficult for a smaller institution to make the jump. Thomas B. Chandler, partner, Hawley Troxell Ennis & Hawley LLP, Boise, Idaho, is both a corporate governance expert and a community

bank director. He says his own institution recognizes the advantages of earlier dissemination of materials—“The best practice is to get the board books out [at least] a week in advance”—but has had its challenges in having staff and directors make the transition. Long term, Chandler thinks the focus needs to move increasingly from just improving distribution towards utilizing the advantages of computer-driven processes. He’d like to be able to utilize more “drilling down” through board materials using portals than some packages appear to offer. For example, he says, he’d like to be able to click on an item, such as the total amount of non-performing debt, and jump from there to more detailed tables, perhaps even more detail about individual loans.

“Then you’d be doing something that paper can’t do,” says Chandler, going beyond solving the distribution challenge to adding functionality. “In the future, we may be rethinking what a board book is.”

### Concerning e-discovery

One of the biggest electronic risks banks face today is “e-discovery,” the demand that electronic records, notably e-mails, be produced on demand in court cases (see June 2007 ABA BJ, p. 44). This applies to board portals too, authorities say. Some banks use a “secure e-mail” or “secure discussion” feature offered by certain portal products. These let directors communicate about sensitive matters without having those messages travel in unshielded internet e-mails. Regular e-mail may alert directors that a message is waiting for them on the bank’s portal site, but the actual communication takes place inside the site.

One of the key precepts, experts say, to protecting a bank in electronic record retention is consistency in deletion. Various portal providers say their sites can be set up to automatically enforce such policies, and also to override those automated efforts when a “litigation hold” dictates that they be stopped so the bank doesn’t become exposed to charges of destroying evidence.

### Security issues paramount

Multiple types of security issues apply to portals. One is online access security, what a director must

do to access the portal. Another issue is offline access security. Some portals can be set up such that even after a document or board book has been downloaded, the user will have to use security measures. The security of the portal itself hinges on layers of protection provided by the vendor. These are complex and best evaluated and, possibly, tested, by your bank’s IT staff or outside security consultants such as ethical hackers.

### Shopping for a portal

What does it cost to implement a board portal? A good ballpark estimate is around \$22,000 a year, though some vendor packages can come in at lower prices depending on the range of features chosen. Some vendors price by user, some price as a package, and some charge separately for the administrator’s kit that corporate secretaries will use for preparation of board books, etc. Extra services may be available at additional cost. While the portals aren’t cheap, they add a great deal of potential functionality, and bankers say there are savings because they no longer need to utilize express services at all, or as frequently. “It’s safe to say this will represent a cost-savings to us,” says Eastern Bank’s Marc DeCastro, “as well as the bigger savings of what it will save the administrators in time, in putting together the board package.”

Attorney Tom Chandler says the bank and board shopping for a portal need to determine what they really need, and what they are really trying to accomplish. Many of the portals offer numerous “bells and whistles,” and, like word processing software, some users won’t use 80% of the features. It may be that the bank can purchase a portal offering a more limited array of features, or choose a vendor who can unbundle aspects of its basic package.

More than half of the bank’s main board found this a great idea from the start, says Roberts, though some other directors didn’t buy in at the beginning. “But after a while, if you stick to your guns, it becomes the way things are done,” says Roberts.

*This article appeared on the website of ABA Bank Directors Briefing newsletter, [www.bdonline.biz](http://www.bdonline.biz), and was posted in July 2007. Copyright 2007 Simmons Boardman Publishing Corp.*