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# More Board Meetings Are Going Paperless. How About Yours?

by Vicki Powers

BY THE END OF 2008, maybe half of all corporate boards will be hooking into a secure portal on the Web to make it easier for directors to access company information, including all the data they need for board meetings. True, most will probably be hedging their bets, moving to the Internet but making sure they can quickly get their hands on backup printouts and other paper material. A few, however, will have gone completely paperless, as the board of AIG SunAmerica Mutual Funds, a part of American International Group Inc., did two years ago.

**AIG SunAmerica's directors rely exclusively on the Web**, using their own computers to request and collect the information they need to do their job year-round, swapping data with one another, and briefing themselves with an electronic board book that they load onto laptops to take with them to the meetings. The system allows them to stay up-to-date regularly, rather than dropping everything they have to know into their laps in book form right before a session. Chairman Samuel M. Eisenstat remembers that those board books could run to thousands of pages.

Eisenstat, 66, thought there had to be a better way to present information to the board and

enable members to do their work efficiently. Director Peter Harbeck, CEO of AIG SunAmerica Asset Management Corp., was enthusiastic, as were other directors, and AIG SunAmerica's managers began to look around for vendors that could provide a paperless alternative. They picked **Diligent Board Member Services**.

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The mutual fund wanted a simple, flexible system that didn't leave any director behind during the transition from paper. That was a little ahead of what the technology of the time could offer, says Diligent president Alex Sodi. So **Diligent worked closely with individual directors to develop the technology the board uses today**. "Our group adapted extremely well," says director Stephen Gutman, 63, senior associate at the New York-based real estate company Corcoran Group. "There were some who weren't as computer-savvy, but they came along quickly. Everybody had a positive attitude about it, and that's what it starts with. You must believe in it—and believe it makes sense.

And we all did."

Security is always a worry when the Web is used for sharing sensitive information, but the board came to trust Diligent's encrypted protocols. Access to the site is restricted to board

members and the limited number of employees who input the data, and Eisenstat has to sign off before visitors, such as auditors, can enter the site. Diligent has no access to it. Documents are viewed online and can be printed, but they can be downloaded only to preconfigured computers, such as the board members' personal laptops. If a director loses a laptop, the data on the hard drive can't be seen without the user name and password.

A benefit of the system, which took 18 months to build, is that it encourages AIG SunAmerica to keep all its data current. "We realized we needed to build a workflow," says Sodi. "We saw an opportunity to help not only the board but the company itself as it compiled documents."

Innovations came from the directors as well. At their suggestion, they can insert private notes to themselves right into their copies of the electronic board book, to remind them of something they want to bring up at the board meeting. The portal also offers a resource center with one-click access to governance procedures, say, or to minutes of previous board meetings.

The mutual fund's legal counsel helps prepare the material that will be made available to directors, and then the lawyers working for the fund's trustees give it another look. The board members receive an e-mail once the meeting material is posted. Different colors of type draw their attention to updates, corrections, and other new information.

The cost of this kind of system can range from \$24,000 to \$70,000 a year, depending on the number of users and features, and Diligent charges a \$5,000 installation fee. Eisenstat is sure it's worth it. "In my opinion it's a no-brain-

er," he says. "We're able to devote more quality time to what we have to do. We can focus better on the material in a more timely fashion, which results in us better representing our shareholders. It's changed my life as a director. It really has."

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***Samuel M. Eisenstat***  
Chairman,  
AIG SunAmerica

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A couple of years back, his board needed to fill two spots left open by retiring members. "It was a prerequisite that candidates had to be computer-conversant for consideration," says Eisenstat. The company signed up Jeffrey S. Burum, now 43, CEO of National Housing Development Corp. in Rancho Cucamonga, California, and William J. Shea, 59, former CEO of Conseco Inc., a Carmel, Indiana, insurer, to fill the spots. Were they computer-savvy? "You can be assured they were," Gutman says.

Not every company's directors are. "Like a lot of things with technology, it takes a while to embrace the idea," says Geoff Loftus, vice president of the Society of Corporate

Secretaries & Governance Professionals. As the special report that begins on page 27 makes clear, directors tend to talk the talk about the importance of information technology to their companies more than they walk the walk. That may be true of how they view paperless board meetings too. But it's time to get the idea on the radar screen. ■

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