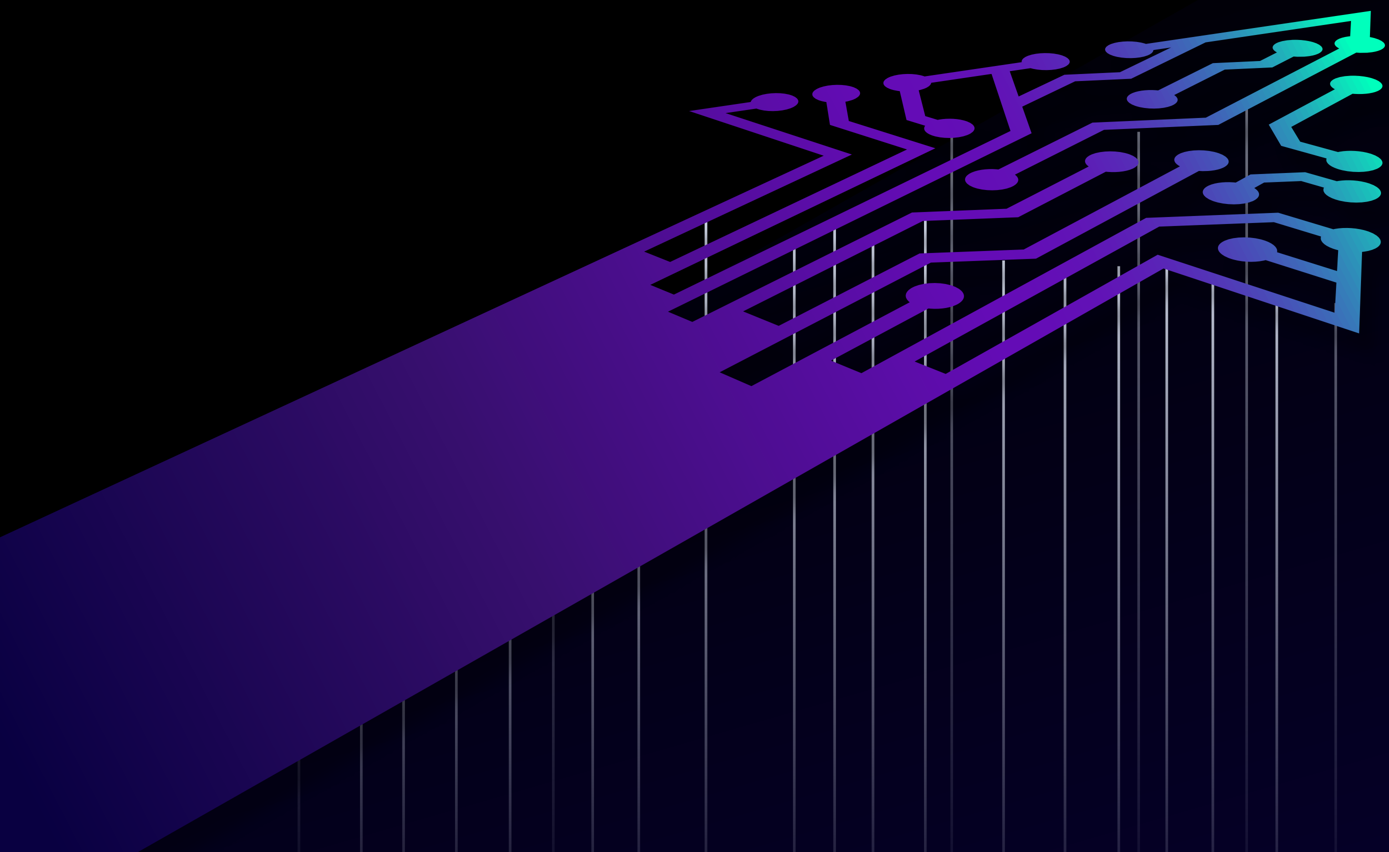
Beyond the Financials:



CFOS CAN HELP BOARDS ADDRESS NEW CHALLENGES

DFIN

The responsibility boards of directors must shoulder is on the rise.

The priorities demanding directors' attention and oversight have expanded dramatically in recent years. But the directors themselves, largely, have not changed with the times. At board meetings across America, they still focus like a laser on the financials as other vitally important subjects go unaddressed.

While financial issues are still critically important when painting an overall portrait of a company's health, multiple factors and modern-day risks threaten a board's ability to provide meaningful insight and strategy for long-term success.

The answer is not to make board meetings longer. Rather, boards need to devote more time to financial issues and decisions prior to each meeting, which can then be used to address a range of other crucial subjects.

It won't be easy. To succeed, boards need C-suite partners to help them make sense of the evolving business landscape and prioritize the issues that will impact a company's bottom line and long-term, sustainable growth.

There is no better person to help boards navigate this than the Chief Financial Officer (CFO).

> The CFO pays close attention to what's coming up through the organization and understands how that information connects to the strategic plan and the health of the business.

Karen Gould

Former CFO| **Turner Construction Company**
Director | **Gil-Bar and REV Renewables**

Modern-day CFOs are already more than just finance directors and accountants at their companies. Technology advancements, including data analytics tools, artificial intelligence (AI) and automation and collaboration software, have transformed the CFO into a strategic business partner.

CFOs now have a stake in strategic planning and technology adoption. They implement processes and tools to uncover and mitigate risks, manage non-financial data and create operational efficiencies that directly impact a company's financial health.

> The CFO is every other C-suite leader's spokesperson to the board on how the company's financials align with the strategic plan and is a critical point of contact to understand potential vulnerabilities in the business.

Felicia Alvaro

Former CFO and Treasurer | **Ultimate Software**
Director | **ServiceMax and Cornerstone OnDemand**

The next iteration of the CFO is a tech-enabled, strategic advisor to the board of directors.

Here are a few areas where they can have the greatest impact:

Tech-Enabled Financial Analysis

Predictive Risk Management and Mitigation

The Influx of Non-Financial Data

GDPR and Data Protection

DFIN

Tech-Enabled Financial Analysis

First and foremost, CFOs must continue providing financial expertise and guidance to the board but in a tech-enabled way. The technology CFOs rely on for financial reporting has evolved. Collaborative, secure software that automates processes, generates real-time reports and offers capabilities like interactive dashboards and visualizations gives CFOs greater insight into financial performance earlier in the process.

Modern-day CFOs stay current with emerging trends and technology that impact their business and bring these insights to their board.

> I leveraged user groups and conferences both within and outside my industry. As a CFO, you need continuing education. It helps you stay current with the external forces that impact your operating environment.

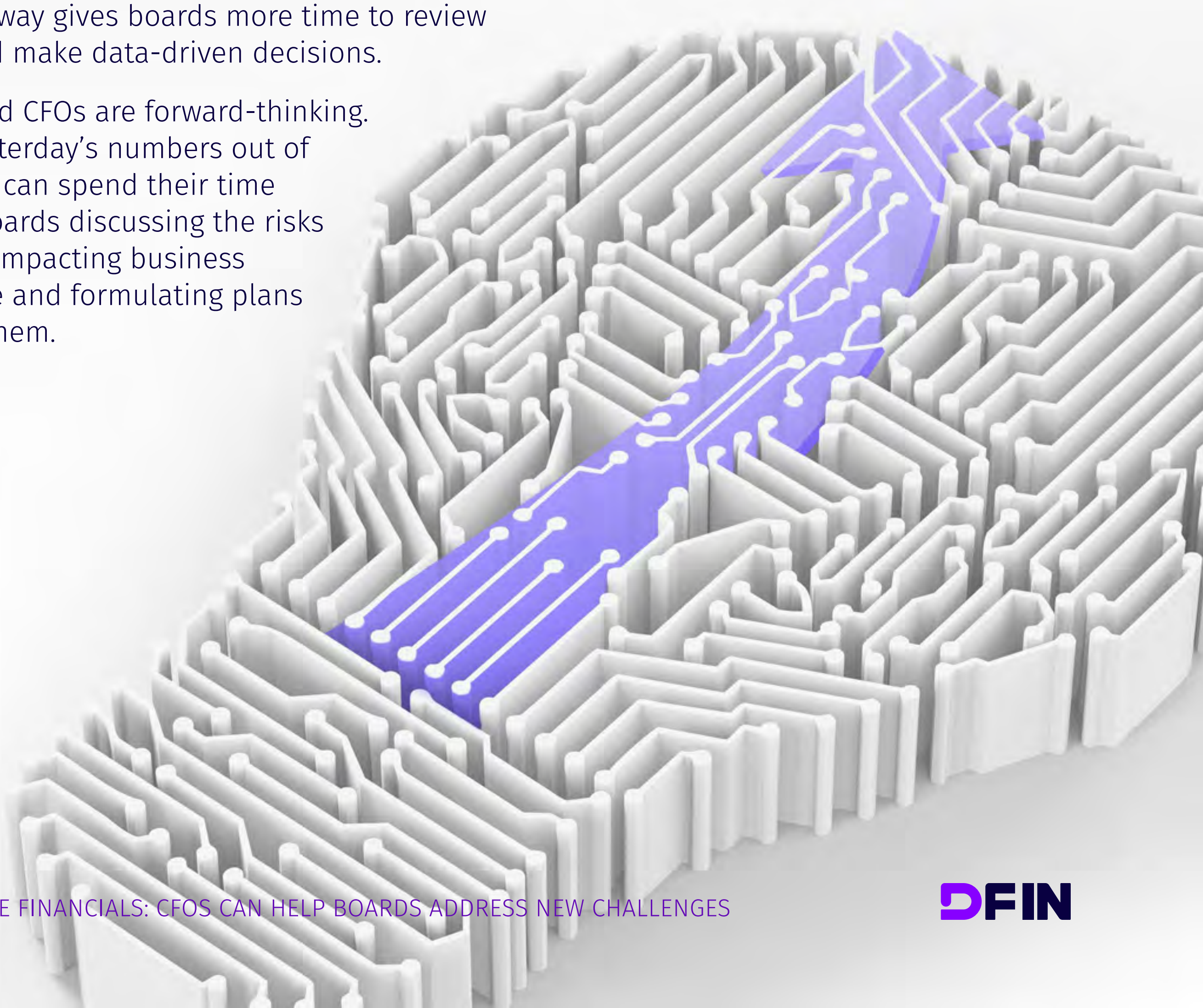
Carol Coughlin

Former CFO
Board member | **Hopebridge LLC, GoodCap Pharmaceuticals Inc. and the University of Maryland Medical Center**

Technology that streamlines the flow of information to the Board creates an opportunity to **provide detailed financial statements, budgets, forecasts and key performance indicators** well before the quarterly Board meetings.

Using secure communication platforms and providing this data early and in an easy-to-understand way gives boards more time to review the data and make data-driven decisions.

Tech-enabled CFOs are forward-thinking. They get yesterday’s numbers out of the way and can spend their time with their boards discussing the risks and pitfalls impacting business performance and formulating plans to address them.



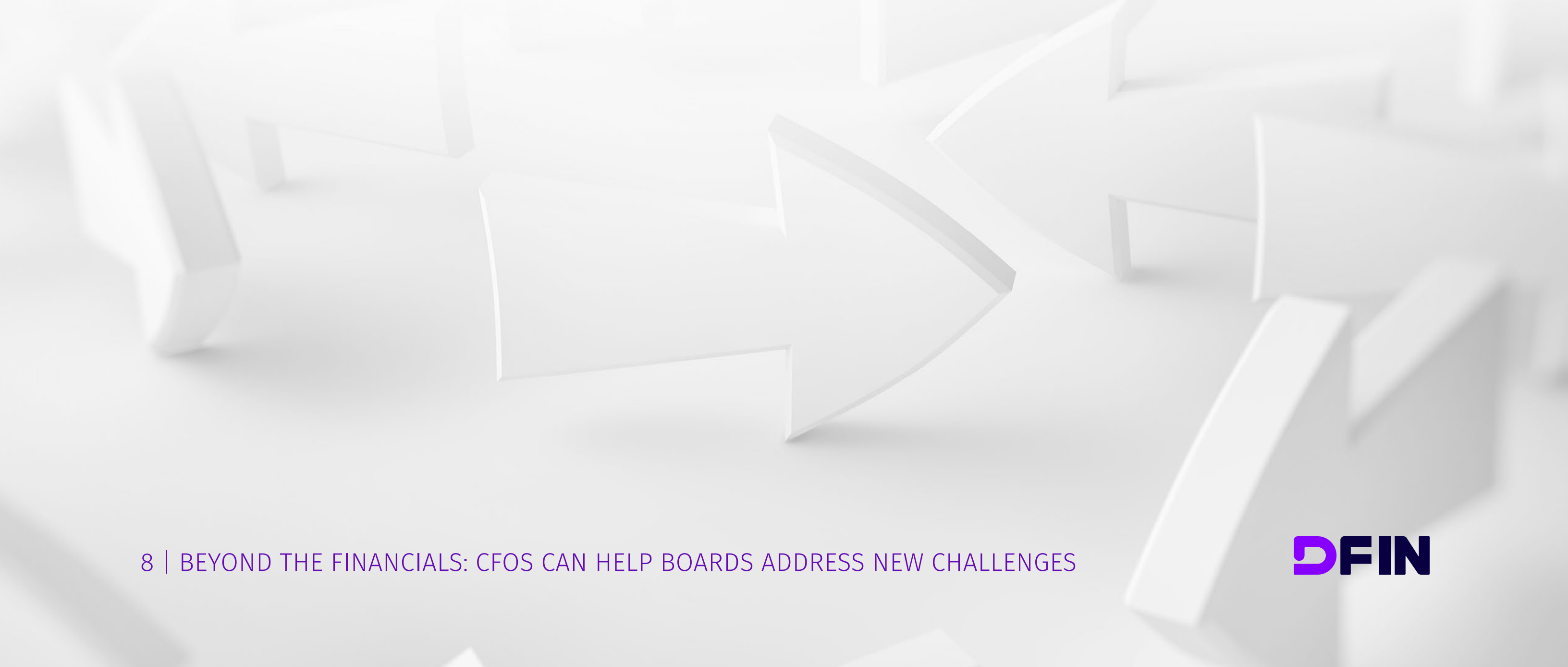
Predictive Risk Management and Mitigation

A CFO who understands the external environment can be nimble and responsive and appreciate how emerging risks impact the business plan. For example, the recent collapse of Silicon Valley Bank brought the issue of financial resiliency to the fore with more urgency.

> It has made boards ask better questions. Liquidity is great, but what about cash flow? Can we make payroll?

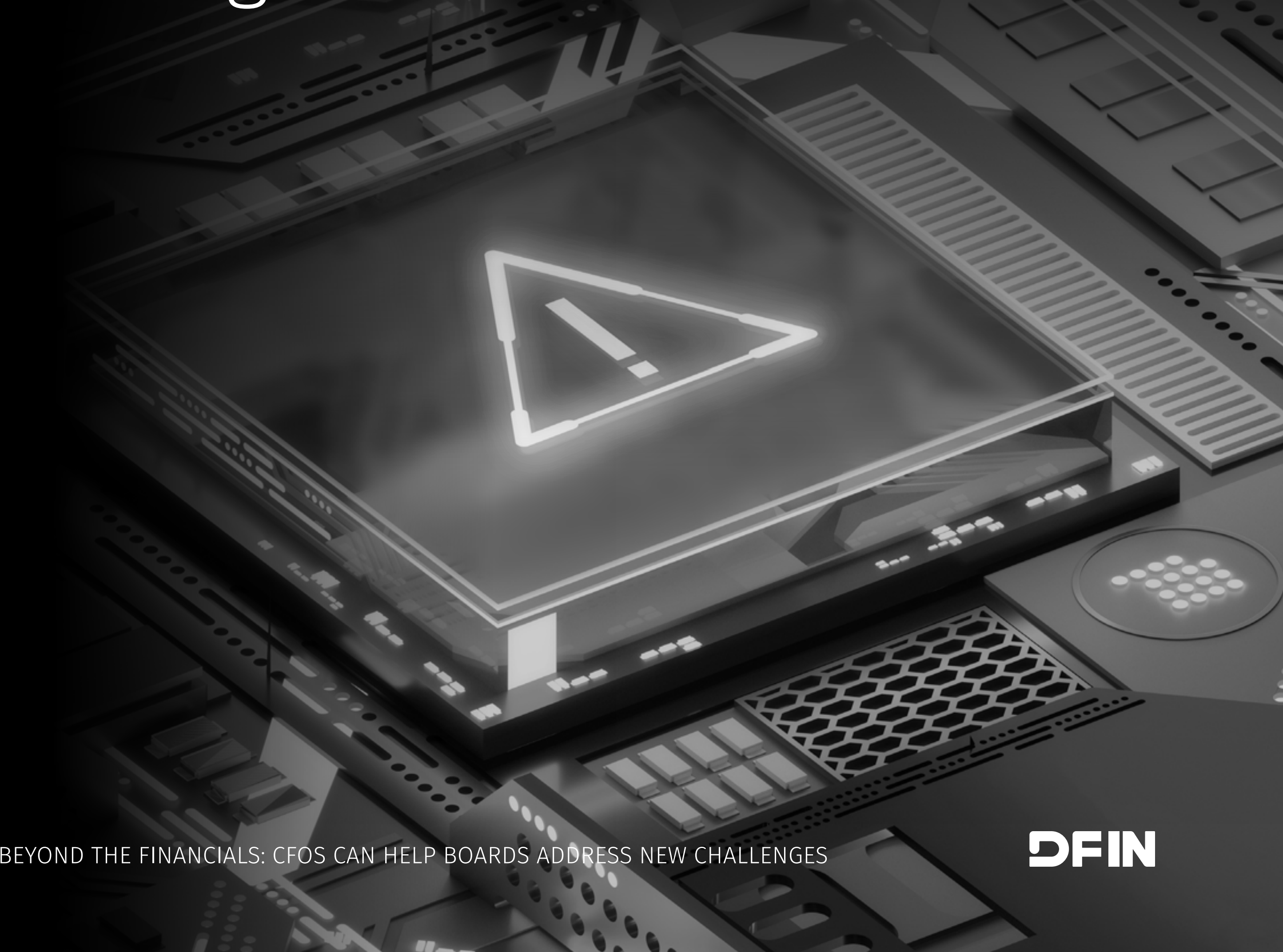
Christine Gorjanc

Former CFO
Audit chair | **Carbon Health, Zymergen and Invitae**



An informed CFO can not only answer those questions but address a wide range of potential storm clouds on the horizon.

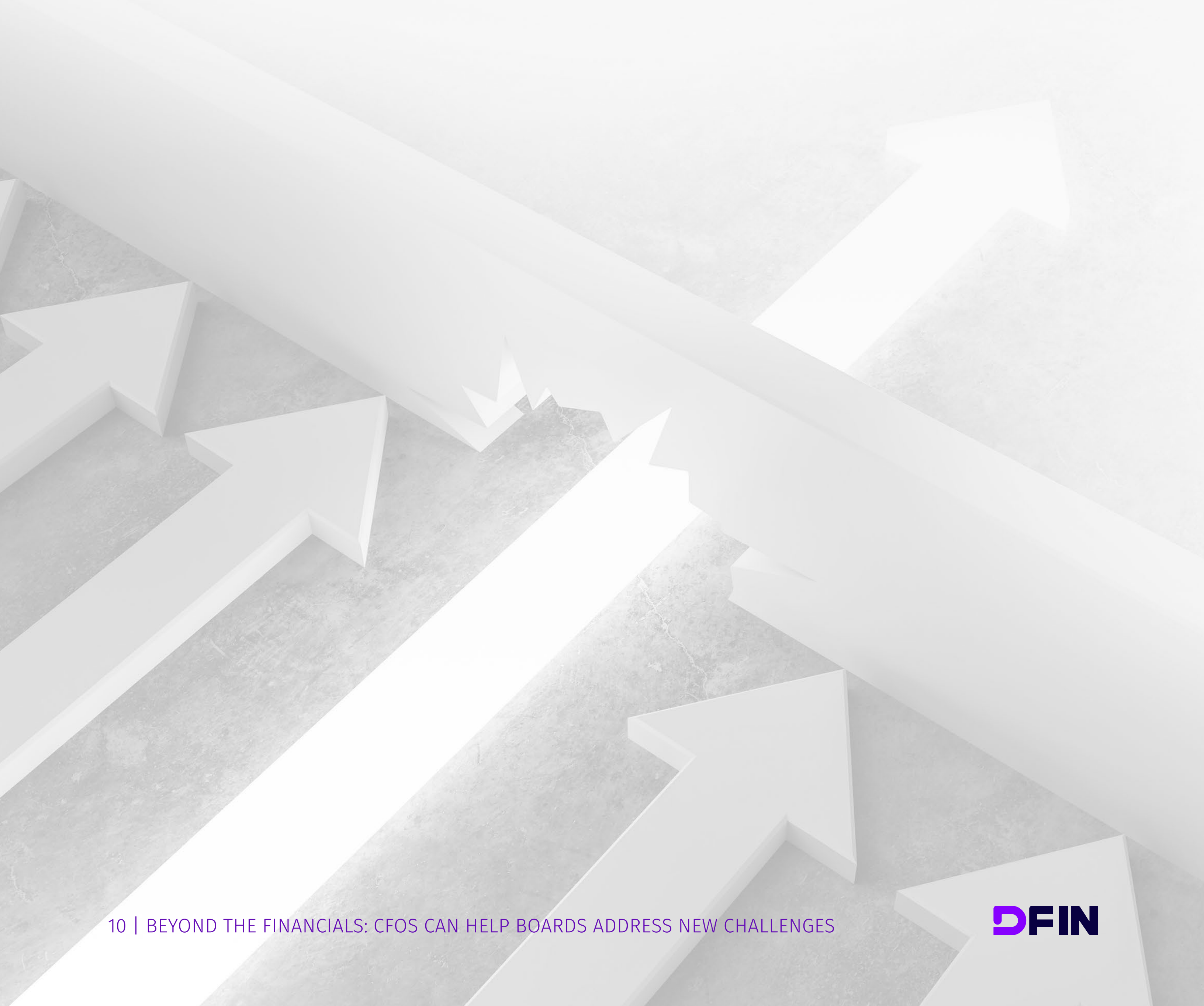
In fact, never has astute risk management been more important than in a post-Covid business landscape where untold risks are still revealing themselves.



As the board's role is to develop an effective risk management strategy, they must rely heavily on the CFOs' good data, judgment and reasonable foresight to make decisions — especially now.

A move to remote work forced many organizations to reevaluate their cybersecurity risks and access points to private information. CFOs were keenly aware of the cost of new technology and measures that needed to be put in place to protect non-public data from getting into the wrong hands.

They were also instrumental in dealing with the aftermath of the pandemic — including issues around headcount and productivity that impacted financial performance and the added cost of hiring and training new employees. The disruption in work also exposed vulnerabilities in the global supply chain, which led to shortages of materials and goods worldwide, price inflation, factory closures and bankruptcies and other adverse effects on a company's financial well-being.



> The CFO should be outward-looking and spend a chunk of time understanding how the (risk) landscape is changing and how technology impacts the environment. We have to possess a level of intellectual curiosity for the business as a whole and the factors that impact its success.

Carol Coughlin

Former CFO
Board member | **Hopebridge LLC, GoodCap Pharmaceuticals Inc. and the University of Maryland Medical Center**

Here again, CFOs have invaluable insights to provide the board. In times of supply chain disruption and scarce products, CFOs know which customers are valuable enough to prioritize. CFOs also have a good grasp of the investments that must be made to build resiliency into the supply chain.

While the next big risk impacting companies is hard to predict, many boards and CFOs acknowledge that an uncertain economy and the threat of a recession remain top of mind as the most pressing governance concern.

Relying on their insights and experience, the CFO's role is to implement measures that enhance a company's resilience during an economic downtown.

Should revenue slow down, CFOs can find places to improve efficiencies, cut expenditures and implement cost-saving processes. CFOs can help boards explore diversification strategies and new markets to enter that will add new revenue streams.

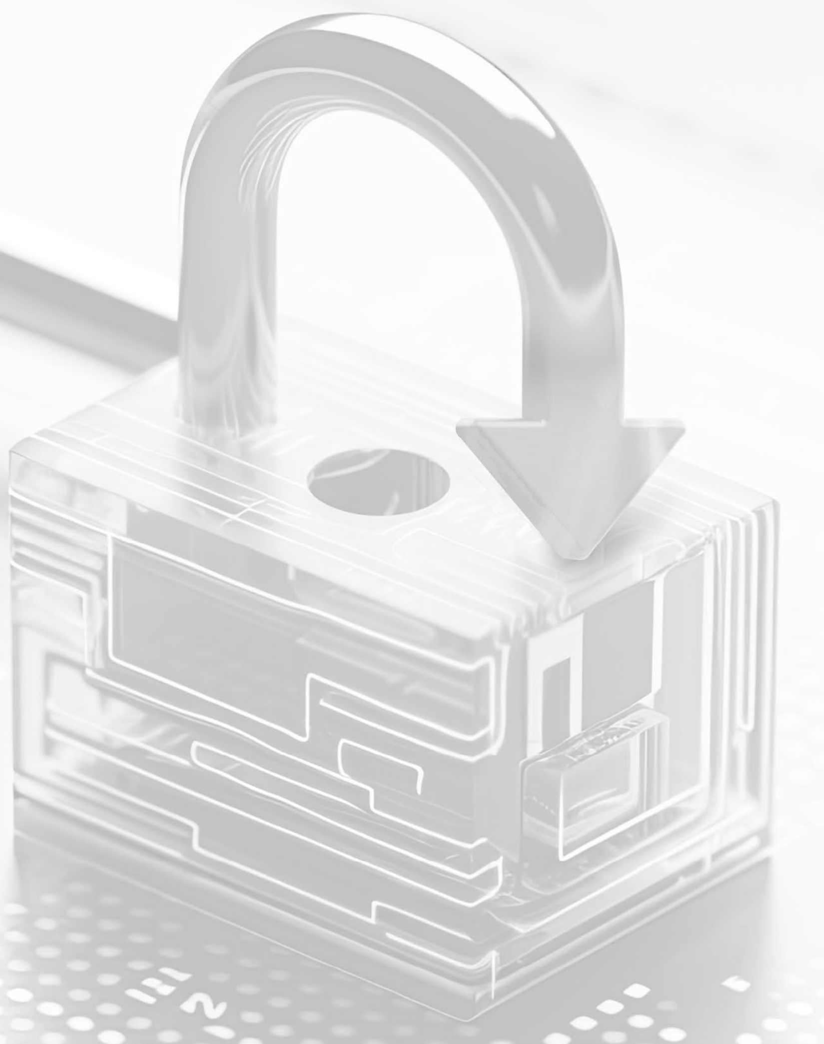
By taking a proactive and strategic approach to risks, CFOs are well-positioned to help boards implement strategies that will weather a looming recession and better predict risks to a company's success.

GDPR and Data Protection

2018's General Data Protection Regulation (GDPR) dictates how organizations doing business in the European Union (EU) can use, process and store personal information about EU citizens. Boards of directors are ultimately responsible for consistently applying this regulation. Noncompliance with GDPR may result in hefty fines and penalties for the organization and board members.

CFOs can help boards ensure GDPR and preserve the company's reputation and financial future in multiple ways. CFOs play an essential role in company-wide technology and process adoption. CFOs facilitate risk assessments, data mapping exercises and privacy impact assessments as part of their daily duties. Boards can use this information to make informed decisions regarding processing activities.

CFOs also help develop data breach response plans. Establishing internal controls around personal information and providing regular reporting on their efforts will help boards embed data protection into their business strategy.



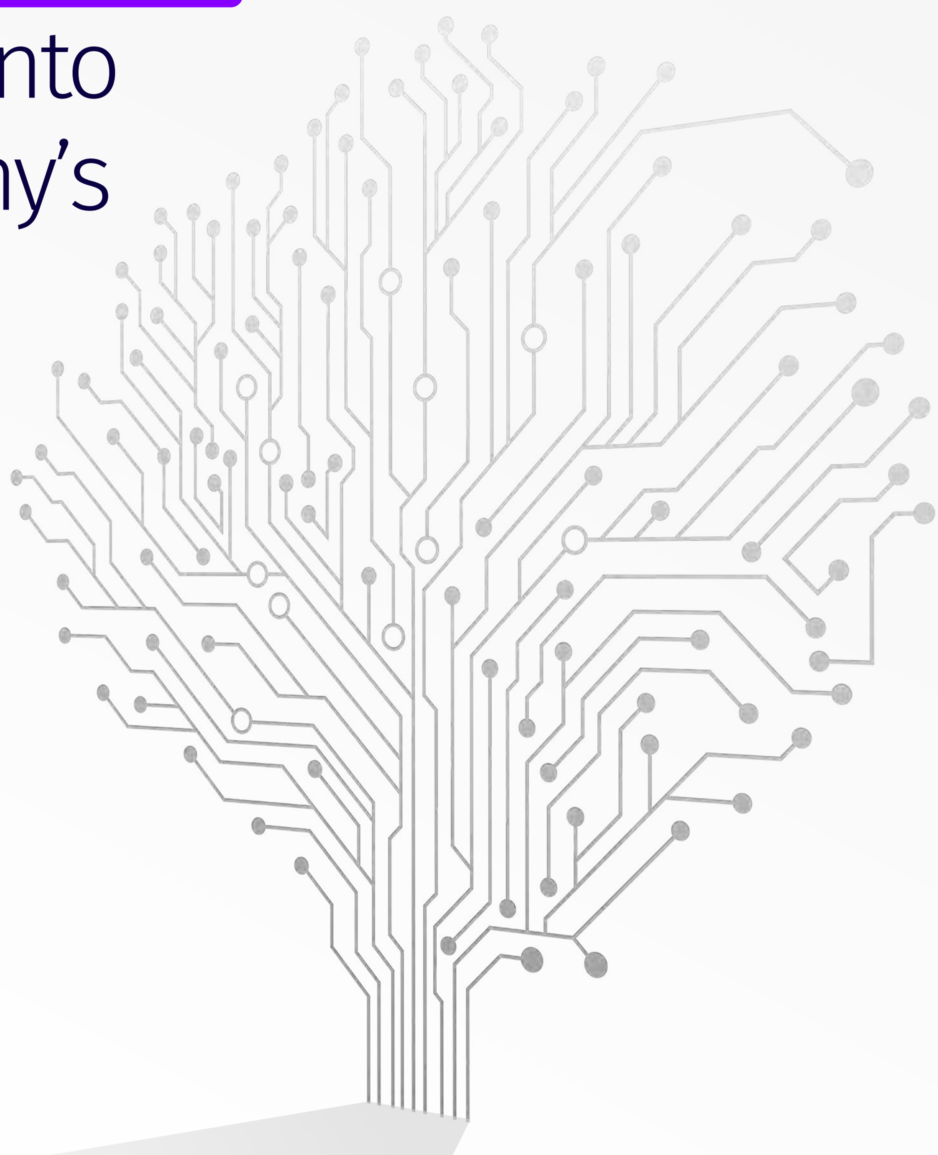
Insightful CFOs can help boards use data protection to their advantage.

As consumer and investor sentiment changes, companies are forced to address their data and the governance of this data (including personal information) in different and more transparent ways. Boards that are active in communicating data protection strategies to stakeholders may help build trust in their organization, leading to sustained growth.

The Influx of Non-Financial Data

Understanding non-financial, Environmental, Social and Governance (ESG) data and its role in a company's success has become critically important to boards who are responsible for overseeing a company's ESG efforts and accountable for the role that data will play in strategy. They understand the financial implications of ESG data and performance and decide what, how, when and where to report it so stakeholders may use it to determine how to engage with their company.

CFOs have a direct line of sight into their company's ESG data.



Armed with data from advanced data analytic tools, CFOs can help boards identify trends and risks that paint a more accurate picture of their organization's current ESG landscape.

This same data will help boards establish realistic goals with measurable results.

Fortunately, secure financial reporting solutions are now available, enabling customers to capture and track ESG data before seamlessly reporting that data to the SEC, which is expected to issue new regulations on corporate climate reporting later this year.

As boards continue to navigate challenges impacting company strategy, CFOs should be regarded as vital partners and sounding boards. No one in the organization better understands the inner workings of an organization and its material impact on financial performance. Their expertise informs decision making, risk assessment and the creation of effective strategies that align with the organization's long-term financial objectives and contribute to sustainable growth.

dfinsolutions.com/activedisclosure

DFIN

BEYOND THE FINANCIALS: CFOS CAN HELP BOARDS ADDRESS NEW CHALLENGES