

Deloitte.

Director 360°
Growth from
all directions

Luxembourg



Methodology

As part of the *Director 360°* initiative, Deloitte member firms interviewed 317 board chairmen and directors in 15 countries around the world on the topic of board effectiveness and the issues, challenges and opportunities that boards face. Directors from Argentina, the Czech Republic, Finland, Germany, India, Ireland, Luxembourg, Mexico, the Middle East, Nigeria, the Philippines, Romania, Russia, Sweden and the United States were interviewed.

Detailed listing of director interviews conducted across the globe:

Argentina	11 directors
Czech Republic	17 directors
Finland	35 directors
Germany	18 directors
India	12 directors
Ireland	35 directors
Luxembourg	31 directors
Mexico	21 directors
The Middle East	15 directors
Nigeria	11 directors
The Philippines	20 directors
Romania	19 directors
Russia	23 directors
Sweden	35 directors
United States	14 directors
TOTAL	317 directors

The interviews were conducted between September and December, 2013. Our report incorporates quantitative and qualitative data based on these interviews. Note that there was no normalization or weighting of country results, despite differences in numbers of directors interviewed. All the information provided by participants is treated confidentially and reported only in aggregate form. The names of the individual participants or their companies are not disclosed.

Where appropriate, Deloitte has used quotes from those interviewed to substantiate findings and opinions. The views and opinions expressed in this report do not reflect the view of Deloitte Touche Tohmatsu Limited, Deloitte member firms, or the views of individual directors interviewed. We make no representation or warranty about the accuracy of the information, or on how closely the information gathered will resemble actual board performance or effectiveness. Due to rounding, responses to the questions covered in this report may not aggregate to 100.

Executive summary

The Deloitte Global Center for Corporate Governance (“The Global Center”) in association with the Deloitte Luxembourg Center for Corporate Governance is pleased to present the latest edition of its annual global director survey: *Director 360°: Growth from all Directions*. This survey, now in its third consecutive year of publication, provides Deloitte’s perspective on boardroom concerns directors face around the world. Our analysis is the culmination of Deloitte’s extensive interviews and surveys with 317 directors in public and private companies across 15 countries (including Luxembourg); this represents an increase from last year’s director participation of 288 directors. Our *Director 360°* results highlight changes in key governance, regulatory, and compliance concerns, that companies around the world are facing in today’s challenging business environment.

More specifically, we solicited views from the participating directors on a variety of corporate governance matters, ranging from board composition and risk oversight, to the directors’ role in strategy. In addition, this year the survey expanded to include topics such as macro-economic regulatory issues and its associated perceptions, cyber-security, internal audit, compliance, and anti-corruption—among others.

Perhaps the biggest headline from this year’s edition of *Director 360°*, is that the global financial crisis weighs less heavily on the minds and agendas of directors around the world. It appears that, based on the survey responses, boards are becoming more confident that markets are emerging from the global financial crisis.

- When asked to select the top three issues impacting boards in the past 12 months, only 20 percent of the global director respondents pointed to the global financial crisis as a top boardroom issue. This represents a sizable decrease of 23 percentage points from the prior year—the largest decrease, and coincidentally the greatest absolute percentage change from last year’s survey. It was the highest ranked boardroom issue in the previous edition, only to drop to the sixth slot in this year’s edition.
- What issues might be replacing the financial crisis in the minds of directors? We found 20 percent more directors pointing to performance as an issue on their boardroom agendas—performance is now the second-most discussed issue, behind strategy. Other topics besides performance and strategy (18 percent increase) gaining importance compared to our previous report include growth (13 percent increase) and shareholder value/ investors (11 percent increase). These results may indicate that boards are moving away from austerity policies and are focusing more on company performance/ operations and the creation of long-term sustainable growth.

Given the increase in the number of cyber-crimes and technology breaches among large organizations, one might

expect technology and its associated risks to be high on the boardroom agenda. However, our survey results indicate that over a quarter of the global directors surveyed do not discuss technology risks. Of those boards that do discuss technology risks, just a shade over half (51 percent) included cyber-security in those discussions. Given the prevalence of cyber-attacks and their associated reputational/ financial harm, cyber-security may become more of a boardroom priority over the next 12 months. Moreover, nearly two-thirds of all directors surveyed stated that their board does not use social media. This is surprising: as the world moves to an increasingly digitized environment, are boards prepared to deal with the unprecedented business and reputational risks facing their organizations? Are boards equipped to monitor and engage with their changing stakeholder base?

Shareholder engagement is another topic flagged by our survey. As companies emerge from the global financial crisis, many expect investors and stakeholders will monitor board activities more intensively. In fact, nearly 70 percent of respondents expect the level of interaction between shareholders and boards to increase over the next few years. Given this, it would be reasonable to assume that engaging with investors might be a priority for directors and boards globally. The survey results, however, found that despite acknowledging the increasing levels of shareholder scrutiny, 61 percent of those surveyed do not have a shareholder engagement policy in place.

Lastly, there is the question of boardroom diversity. While some countries have enacted legislation or quotas to increase the presence of women in corporate boardrooms, organizations in other countries have turned to their own initiatives or policies to address diversity in the boardroom. However, our report finds that nearly two-thirds of those surveyed stated that their organization has not introduced diversity policies for board composition. One obstacle to greater diversity could be the long tenure of incumbent directors and the lack of term or age limits on board service. Our findings show that 62 percent of directors surveyed stated that their boards have not implemented age or term limits, or that they were unsure of such limits. Boards appear to be implementing term limits for director service (30 percent) almost twice as frequently as age limits (17 percent).

What areas of oversight will boards focus on in the next 12 to 24 months, and how will these focus areas impact investors? Are practices in place to prevent future crises from arising? What new challenges are impacting organizations that directors have yet to address, and do current board compositions allow companies to effectively address these concerns? This year’s report: *Director 360°: Growth from all Directions*, seeks to provide insight on these questions and more. We invite you to keep reading to see how the roles of directors will keep to evolve.

Key findings

Perception of regulatory systems on governance matters

Globally, directors were split when asked to describe the regulatory system for governance in their home country. Exactly one-third of the directors surveyed stated that their country's regulatory system for governance strikes an appropriate balance between intervention and flexibility via a principles based approach. Multiple European Union member states had this selection as their main choice, including: Luxembourg (61 percent), Germany (50 percent), Sweden (49 percent), and Ireland (41 percent).

Close to another third (31 percent) of directors stated that their country's regulatory system for governance allows a good degree of flexibility via the 'comply or explain' approach. A wide spectrum of countries selected this as their main choice, including: Finland (60 percent), Argentina (55 percent), Mexico (52 percent), the Philippines (45 percent), and Romania (42 percent).

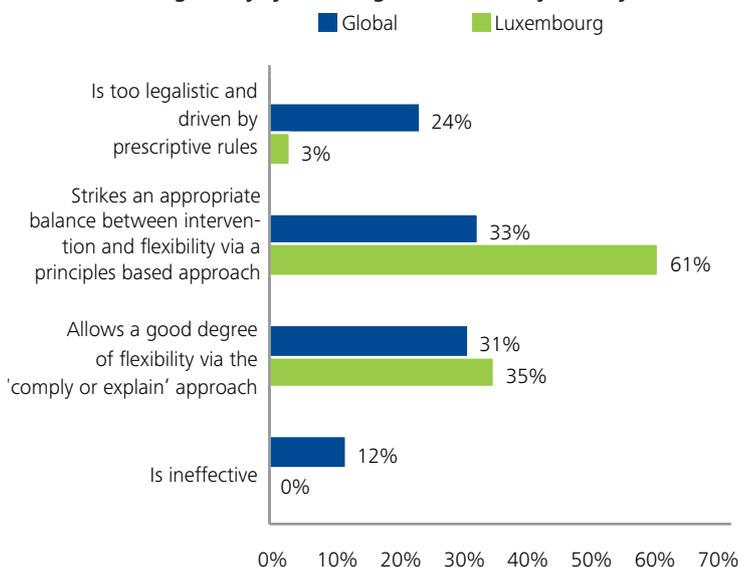
Though selected by only 24 percent of directors globally, the majority of directors in five countries stated that their local regulatory system for governance was too legalistic and driven by prescriptive rules. These included countries in Central/ Eastern Europe, Asia-Pacific—and the United States.

Still, some directors voiced their displeasure with the regulatory system for governance in their country, calling it ineffective (12 percent). Significant minorities were seen in Russia (39 percent), Romania (37 percent), the Middle East (33 percent), the Czech Republic (29 percent), and Argentina (27 percent), showing, perhaps, that reform may be necessary in some emerging markets.

It is interesting to see how directors operating in different countries view their local regulatory systems for governance. While directors in some countries view their systems as too legalistic, directors in other countries are asking for better processes to fix what they deem an ineffective system. Each country is unique and requires a set of rules and procedures tailored to its history and business culture.

A majority (61 percent) of the directors in Luxembourg that participated in the survey indicated that the regulatory system for governance in Luxembourg strikes an appropriate balance between intervention and flexibility via a principles based approach. This percentage is significantly higher compared to the global average of 33 percent and compared to the view expressed by directors in other countries in Europe. Though it is an environment where there has been an increased focus on corporate governance, it appears that the local regulatory system for governance has not become ineffective or too legalistic and driven by prescriptive rules.

Chart 1 – The regulatory system for governance in my country:



A vast majority of Luxembourg board members surveyed consider that the regulatory system for governance in Luxembourg strikes an appropriate balance between intervention and flexibility via a principles based approach.

The regulatory system in Luxembourg needs to have an appropriate balance between intervention, by responding quickly enough to issues arising, and flexibility, via a principles based approach.

Adaptability of regulatory systems for corporate governance

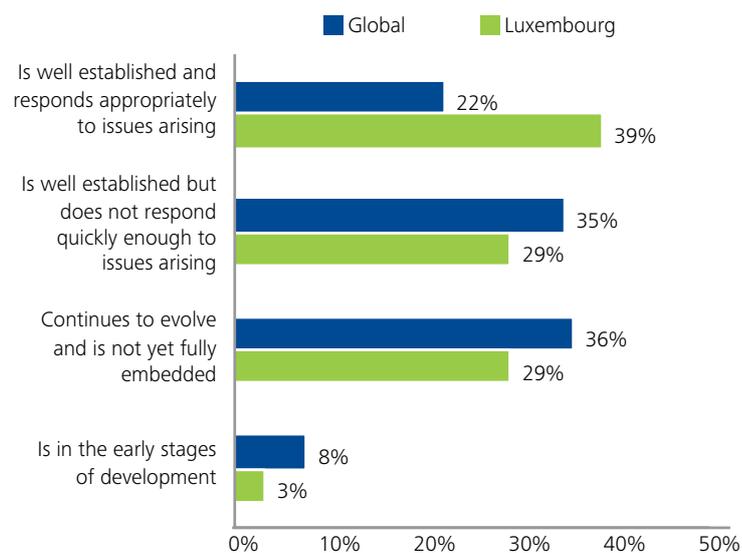
Directors were again split when asked to describe how well the regulatory system for governance in their home country responds to issues. Globally, 36 percent of directors stated that with respect to responding to issues, the regulatory system for governance in their country continues to evolve and is not yet fully embedded. This is not entirely surprising as many emerging markets had high rate of response for this answer selection: Mexico (71 percent), the Czech Republic (65 percent), Russia (61 percent), Romania (58 percent), India (50 percent), and Nigeria (45 percent).

Another 35 percent of the directors surveyed stated that though the regulatory system for governance in their country is well established, it does not respond quickly enough to issues arising. Nearly three-fourths of all surveyed U.S. directors felt this way—by far the most of any country. Directors in the U.S. and other high responding countries (Philippines, Germany, and Ireland) may feel that, though the processes are in place, the amount of time it takes to implement changes may hinder progress.

Directors in Germany (50 percent), Finland (43 percent), Luxembourg (39 percent) and Sweden (34 percent) believe that, with respect to responding to issues, the regulatory system for governance in their country is well established and responds to issues arising.

The surveyed board members in Luxembourg do not share the same view with regards to how well the regulatory system for governance in Luxembourg responds to issues. Even though there is a strong minority (39 percent) that indicated that the regulatory system for governance in Luxembourg is well established and responds to issues arising, 29 percent had the view that the regulatory system does not respond quickly enough to arising issues. It is important for the regulatory system in Luxembourg to ensure the right balance between responding quickly to arising issues and continuing to have an appropriate balance between intervention and flexibility via a principles based approach.

Chart 2 – With respect to responding to issues, the regulatory system for governance in my country:



Enforcers of regulatory systems for governance

It appears that the majority of global respondents note that the enforcement of the regulatory system for governance is driven by local regulators and statute (71 percent); thirteen percent indicated that the enforcement of the regulatory system is, instead, driven by shareholders. Romania (32 percent), Sweden (26 percent), and Mexico (20 percent) were among the few countries that had a sizeable minority of directors who stated that shareholders drove the enforcement of their regulatory systems. An additional seven percent stated that local exchanges drove the enforcement of the regulatory system for governance in their home country, mainly led by the Romanian and Middle Eastern director respondents (approximately 27 percent each).

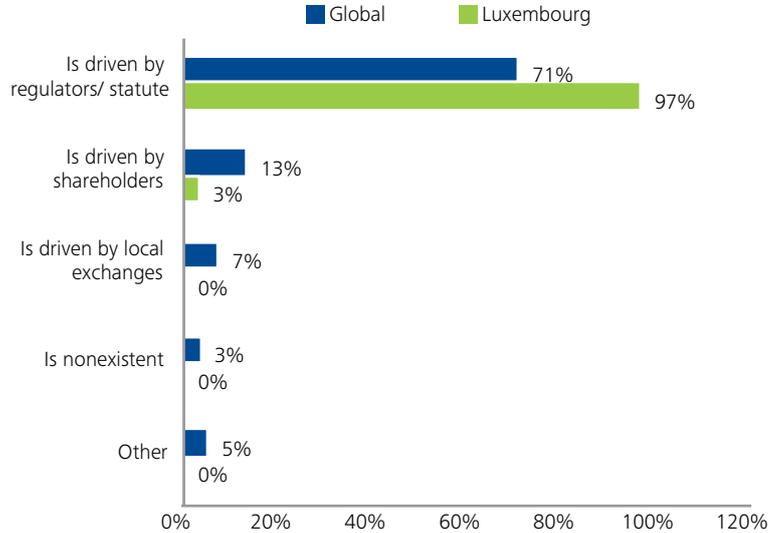
Still, three percent of directors stated that enforcement was nonexistent. This may mean that the processes are either not in place, or are, but not reliably enforced. A sizeable percentage of the Russian (17), Mexican (10), and Argentine (9) directors surveyed stated that enforcement was nonexistent in their country.

Enforcement and accountability of adhering to regulatory requirements is critical to maintain an

appropriate level of governance for internal and external stakeholders. Ineffective or nonexistent enforcement of the regulatory system for governance can weaken investor confidence—critical for companies operating in emerging markets seeking foreign investment.

It is apparent that the enforcement of the regulatory system for governance is driven by the regulators/ statute in Luxembourg. Effective enforcement of the regulatory system for governance in Luxembourg is dependent on the right balance between intervention and pragmatism via a principles based approach.

Chart 3 – Enforcement of the regulatory system for governance in my country:



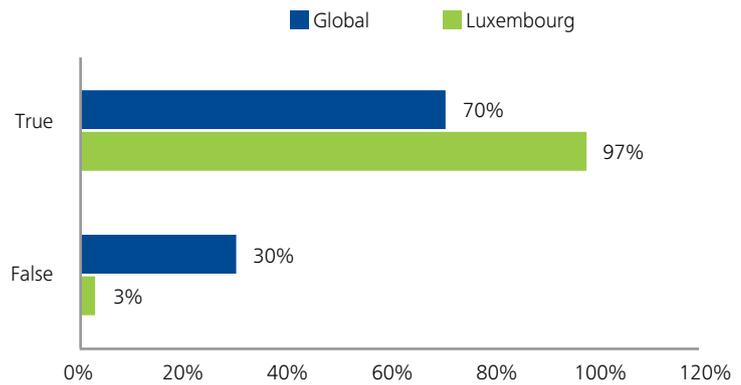
The enforcement of the regulatory system for governance is driven by the regulator/ statute in Luxembourg.

Shareholder protection from regulatory systems

Across the globe the majority of directors (70 percent) feel that their local governance systems work effectively to protect the interests of shareholders. This, perhaps, may be a result of certain regulations brought forth in response to the recent financial crisis, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act in the U.S, or similar regulations in the European Union, such as the European Market Infrastructure Regulation (among others). Still a significant minority (30 percent) feels just the opposite which could indicate that the governance system does not work effectively to protect the interests of shareholders (78 percent in Russia and 71 percent in the Czech Republic). A smaller majority of the directors surveyed in Nigeria and Romania (55 percent and 53 percent, respectively) responded similarly. These findings are generally in line with the frequently voiced view (e.g., by the OECD) that in the case of several emerging markets, improvements in governance regulation are crucial for raising the appeal of their equities for international investors.

The Directors surveyed in Luxembourg clearly indicated that the governance system in Luxembourg is effective in protecting the interests of shareholders. Among the participating countries/ regions, Luxembourg had the highest percentage (97 percent) of directors that participated in the survey that indicated that the governance system works effectively to protect the interest of shareholders.

Chart 4 – Overall, the governance system in my country works effectively to protect the interests of shareholders:

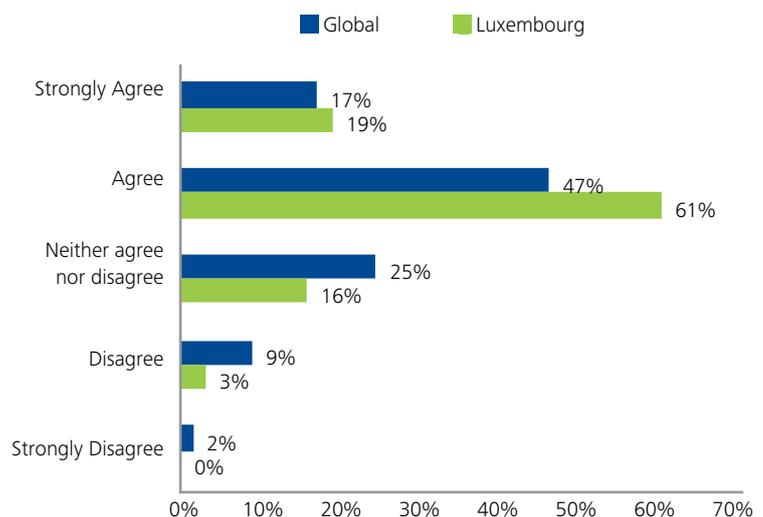


The board has taken an active oversight role of the company's relationships with its key regulators

Globally, nearly two-thirds of the directors surveyed agreed or strongly agreed that the board has taken an active oversight role of the company's relationships with its key regulators, while only 11 percent disagreed or strongly disagreed. Directors that agreed more strongly could be found in the U.S. (85 percent), the Philippines (85 percent), Argentina (82 percent), Nigeria (82 percent), Luxembourg (80 percent), and Ireland (80 percent). Directors surveyed in Russia (52 percent) and Germany (33 percent) had the highest levels of disagreement. This is an interesting result as it shows a mix of both mature and emerging markets at both ends of the scale.

In Luxembourg 80 percent of the directors surveyed agreed or strongly agreed that the board has taken an active oversight role of the company's relationships with its key regulators. This view may be supported by the accessibility and proximity of the regulators in Luxembourg to their stakeholders.

Chart 5 – The board has taken an active oversight role of the company's relationships with its key regulators.



The board evaluation process is an area that can be enhanced in Luxembourg.

Processes to evaluate board performance are sufficiently robust

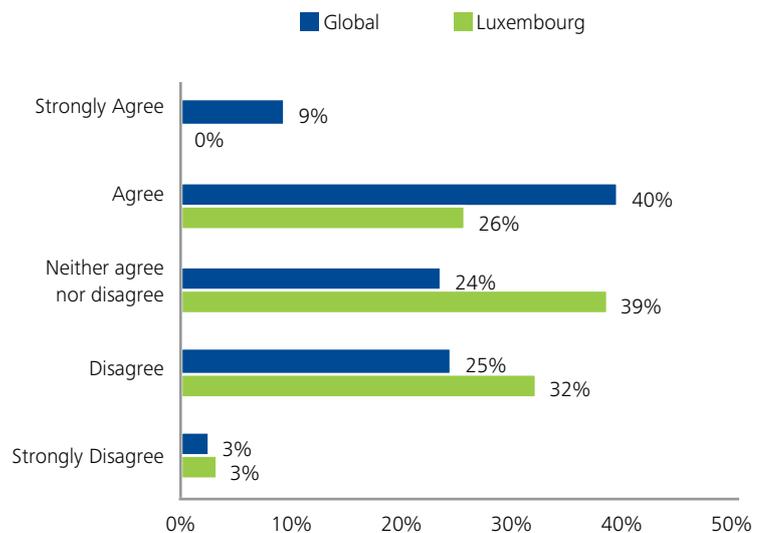
Almost half of the directors surveyed globally (49 percent) agreed or strongly agreed that their processes to evaluate board performance are sufficiently robust, representing a 12 percent increase from the previous year's global results. Boards around the world are increasingly looking for ways to ensure their own effectiveness, and at the quality of their governance practices and procedures. Board evaluations may be completed either internally, or with assistance from a third party. The work of board committees and individual directors is usually evaluated as a part of the procedure.

There are a few plausible reasons for the increase. First, an annual board evaluation is becoming a regulatory requirement in an increasing number of markets, subject to a comply-or-explain regime or some other form of regulation. Second, even when not formally required to perform such an evaluation, directors may be feeling pressure and scrutiny from shareholders, and therefore look for ways to improve and signal board effectiveness. Finally, board evaluation procedures are increasingly being used to inform the decision-making on board nominations.

The previous year's *Director 360°* report found that the lowest levels of agreement with this statement came mostly from non Anglo-American countries, and that holds true, to an extent, in this year's edition. In India, Mexico, the Middle East and Romania, not one director strongly agreed with this statement, and Russia, Nigeria, and the Czech Republic all had among the lowest levels of agreement. Overall, the U.S. (93 percent), Ireland (77 percent), and Finland (77 percent) had the highest percentage of directors who agreed or strongly agreed that their processes to evaluate board performance were sufficiently robust.

In Luxembourg only a quarter of the directors surveyed agreed or strongly agreed that their processes to evaluate board performance are sufficiently robust. It is clear that the board evaluation process is an area that can be enhanced in Luxembourg.

Chart 6 – Processes to evaluate board performance are sufficiently robust.



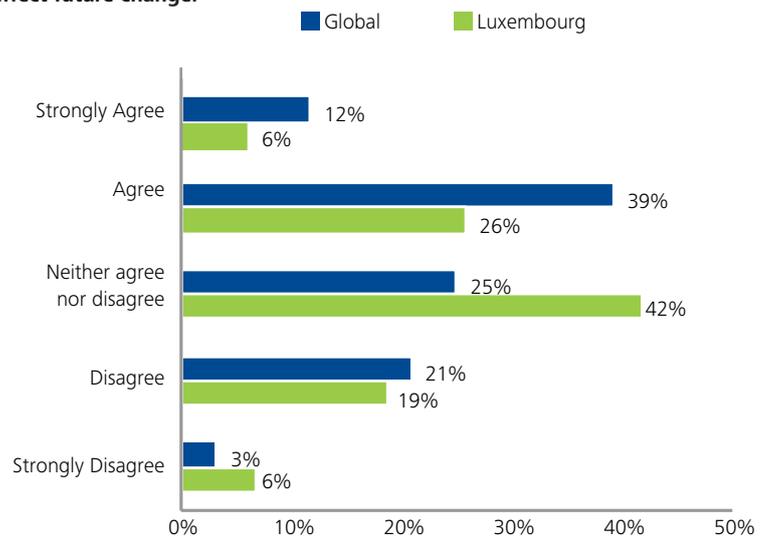
The results of the board performance assessment are used to affect future change

The majority of the directors surveyed around the world agreed or strongly agreed (51 percent) that the results of the board performance assessment are used to affect future change, remaining relatively static from the previous year (48 percent). This is consistent with the percentage of directors who agreed or strongly agreed that processes to evaluate board performance are sufficiently robust. A quarter of the directors surveyed neither agreed nor disagreed on the matter, and nearly another quarter disagreed or strongly disagreed.

If this number appears a bit low consider the following: it could be related to the perception that performance assessments of any kind may make for uncomfortable findings or discussions between the full board, or with management. Also, as noted in Chart 6, if boards do not have confidence in the processes' robustness, then the results and findings are worthless. Effective processes are important, and the results can be used to identify areas for improvement, and curtail boardroom complacency. Country-level results mirrored that of the previous question (Chart 6) almost identically.

Less than a third of directors surveyed in Luxembourg believed that the results of the board performance assessment are used to affect future change. This is consistent to the percentage of directors who agreed or strongly agreed that processes to evaluate board performance are sufficiently robust. It appears that the board performance assessment in Luxembourg is less used to affect future change in comparison to the global averages.

Chart 7 – The results of the board performance assessment are used to affect future change.



The orientation (or ‘onboarding’) process for new board members is formalized and effective

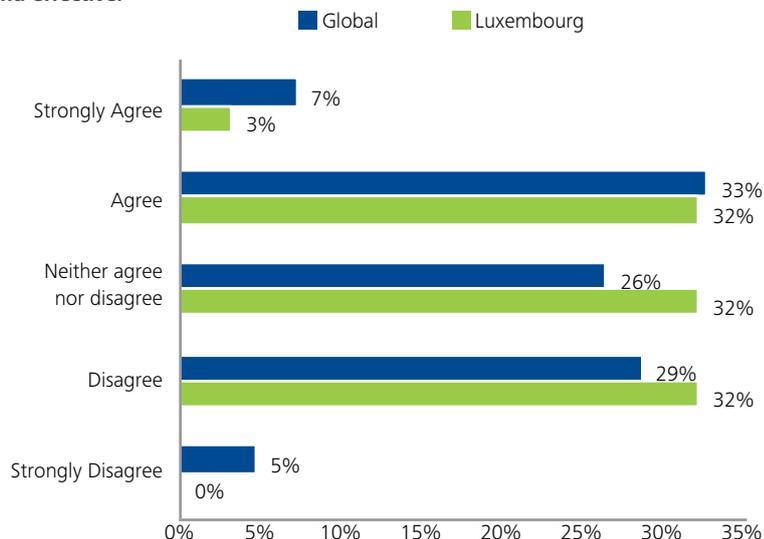
Based on the responses we received, there appears to be a certain level of recognition globally that formalized and effective orientation processes help directors make seamless transitions into their new leadership roles, and can help foster a culture of learning and preparedness. That appreciation is far from being universal, though: 40 percent of the directors surveyed agreed or strongly agreed that the orientation process for new board members is formalized and effective. It is possible that some of the significant shareholders and/ or executive directors that have considerable influence on board practices in many markets may not fully recognize the value of orientation processes for newly appointed external directors. Leading countries in this space included the U.S. (78 percent agreed or strongly agreed), Ireland (69 percent), Argentina (64 percent), and Finland (60 percent). A clear divide was seen on the opposite side of the spectrum: many of the directors surveyed in other countries felt that their orientation processes were not formalized and effective, including: Russia (78 percent disagreed or strongly disagreed), India, the Middle East (67 percent each), and Germany (61 percent).

Standard director orientation processes (or ‘onboarding’) may include training sessions, facility walk-throughs, meetings with management, director pre-read materials, etc. A recent trend for boards that know a lot about technology (‘tech-savvy boards’) has been the adoption of electronic board portals.

Globally, just over a third of the directors surveyed disagreed or strongly disagreed that the orientation process for new board members is formalized and effective. One reason for this strong minority could potentially be, as noted in Chart 27, that 62 percent of the directors surveyed globally said their boards have not implemented term/ age limits for director service. In the absence of term/ age limits, director tenures may encompass decades, which may limit the need for and usage of orientation processes.

The responses from the Luxembourg directors that participated in the survey were equally divided between those who agreed, were neutral or who disagreed that the orientation process in Luxembourg for new board members is formalized and effective. This result suggests that boards in Luxembourg should focus on an all-embracing orientation process to enable new directors (especially independent directors) to become integrated and effective within the shortest passage of time.

Chart 8 – The orientation process for new board members is formalized and effective.



The board believes they are receiving sufficient training to effectively carry out their board service role

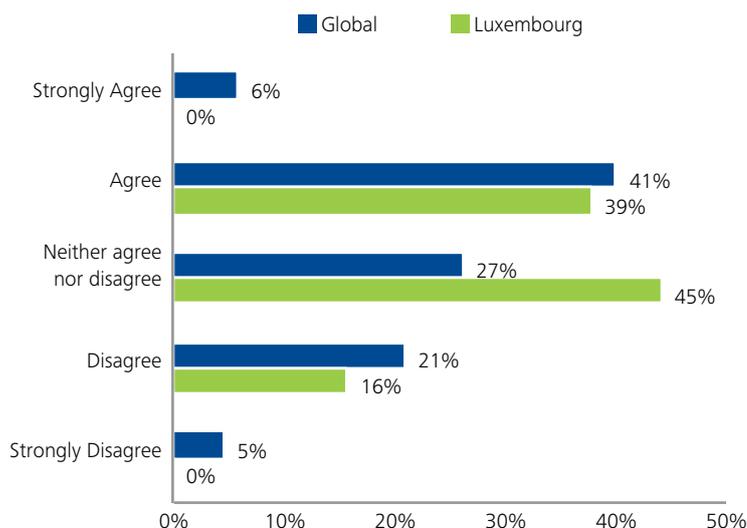
Globally, the directors surveyed (47 percent) did not overwhelmingly agree that they are receiving sufficient training to effectively carry out their board service role. The remainder was split between those who were equivocal (27 percent) and those who disagreed or strongly disagreed (26 percent).

Directors in the U.S. (85 percent agreed or strongly agreed), Ireland (77 percent), and Finland (68 percent) most convincingly agreed that they are receiving sufficient training to effectively carry out their board service role, while their peers disagreed and strongly disagreed in the Middle East (67 percent), Russia (56 percent), and Romania (47 percent) on the same matter.

The results seem to mirror those of Chart 8. If boards are doing a less than adequate job of onboarding their directors, then the quality and effectiveness of their ongoing director trainings may suffer as well. Talent retention and maturation is just as important for the board as it is for the organization as a whole. Directors are now being tasked with providing oversight of an increasing number of organizational areas, many of which may naturally lie outside of their areas of expertise. Sufficient and continuous training for directors can help ensure that the board has knowledge and skills necessary to tackle many of today’s pressing boardroom issues.

A majority of the directors surveyed in Luxembourg were equivocal (45 percent) or disagreed (16 percent) that they are receiving sufficient training to effectively carry out their board service role. The results also suggest that boards in Luxembourg should put more emphasis on training to equip their directors to effectively carry out their board functions. In Luxembourg, associations such as the *Institute Luxembourgeois des Administrateurs* (“ILA”) and professional services firms offer an array of training to directors.

Chart 9 – The board believes they are receiving sufficient training to effectively carry out their board service role.



Trainings are of key importance for board members to keep up-to-date with the latest regulations and developments that need to be known and understood to effectively carry out their board service role.

The board's use of social media

It appears that most boards are not, or not yet, using social media. Nearly two-thirds of all directors surveyed state that the board does not use social media. It could be that social media may not yet be completely understood by the board. Major social media sites have only come into existence in the past 5-10 years, and perhaps the knowledge and understanding of these tools have not yet reached the boardroom. There may also be a generational gap. The average age of the boardroom is much higher than that of the millennials who are the biggest users of social media. Some organizations have already begun to infuse younger generations of talent into their boardrooms to bridge this age gap, among other reasons—though it is not yet a widespread practice. Boards may also be wary of regulatory compliance matters on disclosing sensitive information via social media, and thus, may be reluctant to use it. And finally, directors may not yet view the use of social media as a board-level responsibility.

Still, 37 percent of directors surveyed globally stated that the board does use social media. Of that percentage, 22 percent said the board uses social media to understand concerns/ issues that involve the organization in the marketplace—a prudent practice. The second highest practice (21 percent) was to assess the market's perception of the organization. Social media provides an unprecedented platform for users to air their views (and often, displeasures) to the general public—views that can spread like wildfire to users all over the world. Careers or organizations that took decades to build can be destroyed in seconds if wrongdoings are exposed by influential social media accounts. Nineteen percent say that the board uses social media to connect with shareholders and other stakeholders, and another 18 percent say the board uses social media to learn what the organization can improve upon.

While the global results suggest that most boards are not using social media, some countries are leading the way in this space. Eighty-two percent of directors in Argentina stated that they use social media. Other nations that had a majority of respondents who agreed or strongly agreed include the Czech Republic (65 percent), Germany (61 percent), and the Philippines (60 percent). Boards that use social media the least are found in: Mexico, Nigeria, and Ireland. It appears that the use of social media by the board is not yet a widespread global practice.

Nearly three-quarters of the directors surveyed in Luxembourg stated that the board does not use social media. It could be that, in line with the global results of the survey, the use of social media may not yet be completely understood by the board or the board had not yet determined what the benefits could be of using social media.

Chart 10 – The board uses social media to:



Boards in Luxembourg actively discuss technology risks, such as data privacy and international data transfer.

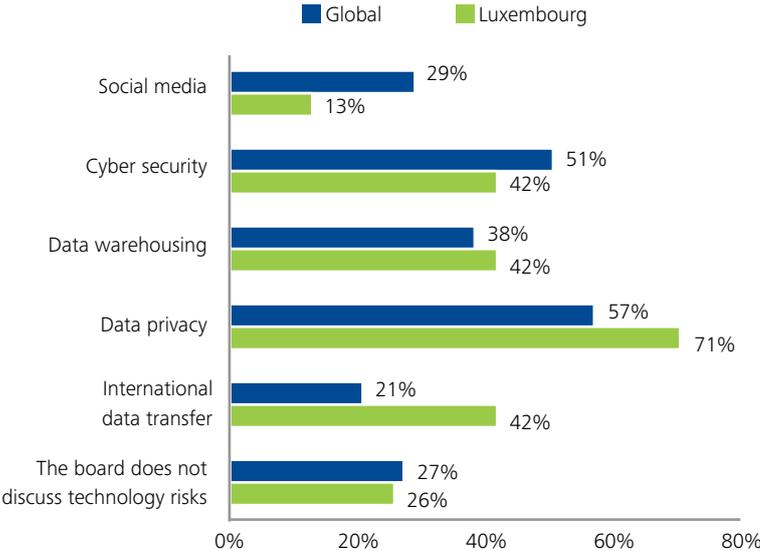
Top technology risks discussed by the board

It appears that boards around the world are active in discussing technology risks; only 27% of the global respondents noted that the board does not discuss technology risks. Consistent with the previous question, only 29 percent of the directors surveyed who stated that the board actively discusses technology risks included social media as one of the risks discussed. The technology risks most actively discussed appear to be: data privacy (57 percent) and cyber security (51 percent). Data warehousing (38 percent) and international data transfer (21 percent) were other risks discussed by the board. The threat of cyber-attacks is real, with a recent survey by the Ponemon Institute finding that the number of successful attacks on organizations more than doubled between 2010 and 2012 and the financial impact of the attacks increased by almost 40 percent.¹ Attackers may have different motives, both financial and social/ political (“hacktivists”), but can equally cause real financial and reputational harm to an organization. A strong cyber-security/ privacy program, overseen by the board, can go a long way to set a culture of fraud prevention for the organization.

Not all countries are discussing these kinds of risks equally. Nearly 70 percent of directors surveyed in Russia stated that the board does not discuss technology risks. The Middle East (67 percent) and Nigeria (45 percent) also had similar responses. In the U.S., all directors surveyed stated that this was a topic the board actively discussed, with similar percentages in Finland (89 percent) and the Czech Republic (88 percent). Given the exponential improvements in technology over the past decade, boards must continue to invest time and resources to stay ahead of cyber criminals and their networks.

Seventy-one percent of the Luxembourg respondents noted that data privacy was the technology risk that was most actively discussed at the board level. Together with international data transfer (42 percent) it appears that that these technology risks are more actively discussed compared to the global average (57 percent data privacy and 21 percent for international data transfer). This may highlight the importance of data privacy and international data transfer related technology risks from a Luxembourg perspective.

Chart 11 – The board actively discusses the following technology risks:



¹Ponemon Institute (www.ponemon.org) is a Michigan-based organization that conducts independent research on privacy, data protection, and information security policy.

The organization/ board has introduced diversity policies for board composition

Organizations/ boards are not yet fully introducing diversity policies for board composition. Nearly 63 percent of the directors surveyed stated that their organization has not introduced diversity policies for board composition. The highest rate of “yes” responses came from Finland (66 percent), Nigeria (55 percent), Sweden (54 percent), Germany (50 percent), and the U.S. (50 percent).

This is not entirely surprising, as responses to this question could be influenced by external factors such as gender quotas, local regulators (corporate governance code recommendations), and individual organizational policy. In Finland, for example, any government body or state-owned enterprise must have an equal representation of both men and women on the board.² Sweden’s corporate governance code states that the board should strive to exhibit diversity and breadth of qualifications, experience, and background.³ At the time of publication, the German governing bodies agreed to introduce a 30 percent gender quota for female directors.⁴ In the U.S. the SEC’s final rule on Proxy Disclosure Enhancements requires nominating committees to disclose how they consider diversity in identifying nominees. The rule⁵ does not define diversity, instead allowing the organization to define it themselves. In India, the recently passed Companies Bill

requires public companies to have at least one female director.⁶ Many other countries now have quotas for gender diversity on their boards. This approach was pioneered by Norway in 2005, when the Norwegian Public Limited Liability Companies Act implemented a 40 percent gender quota for boards with nine or more directors. The subject has been heavily debated globally, as the merits of government imposed diversity laws are weighed against self-regulation and merit-based appointments. The data here suggests that globally, companies are not fully self-regulating for boardroom diversity policies.

The data also suggests that guidelines are used more so than quotas to implement organizational diversity policies. For boards who have introduced diversity policies, 82 percent have implemented guidelines for selecting directors with professional qualifications (e.g., industry expertise)—the most of any diversity characteristic. This is compared to only 10 percent who have implemented quotas for the same characteristic. Guidelines on gender was the second highest criterion (64 percent), which comes as no surprise given its global focus. Organizations seem to be seeing the value of having international directors on their boards (44 percent), who bring diversity of thought and expertise of international markets. Only 32 percent of boards/ organizations globally have introduced guidelines for age diversity. Other diversity criterion seems to not be as popular, such as ethnicity (18 percent), religion (10 percent), sexual orientation (9 percent), and disability (8 percent). While these numbers may seem low, it is encouraging to see that boards and organizations are starting to consider all types of diversity in the boardroom. Please view Table 12a for a more complete view of the guidelines and quotas the participating countries have implemented for the board.

Boards in Luxembourg are not yet fully introducing diversity policies for board composition. Seventy-four percent of the directors surveyed in Luxembourg stated that their organization has not introduced diversity policies for board composition. For those who responded yes, professional qualifications and internationalization were the key diversity criterion for Luxembourg boards. Age (13 percent) is of far less importance as a diversity criterion in Luxembourg compared to the global average (32 percent).

Chart 12 – The organization/ board has introduced diversity policies for board composition.

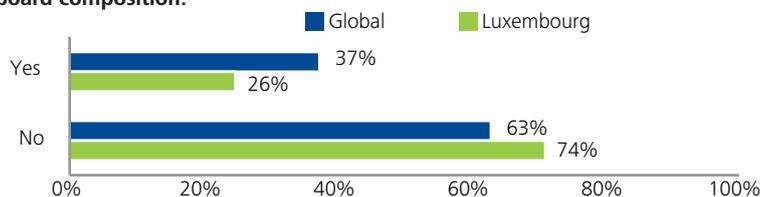


Table 12a Diversity policies introduced for board composition.

		Gender	Professional qualifications (e.g., industry)	Ethnicity	Religion	Age	Disability	Internationalization	Sexual orientation
Global	Guidelines	64%	82%	18%	10%	32%	8%	44%	9%
	Quotas	10%	10%	6%	3%	5%	3%	5%	2%
Luxembourg	Guidelines	63%	100%	13%	13%	13%	13%	75%	13%
	Quotas	13%	13%	0%	0%	0%	0%	0%	0%

²European Commission, *Women in Economic Decision-Making in the EU: Progress Report*, 2012.

³The Swedish Corporate Governance Board, *The Swedish Code of Corporate Governance*, 2008.

⁴Financial Times, *Coalition poised to introduce women quotas on German boards*, November 2013.

⁵Security and Exchange Commission, *Proxy Disclosure Enhancements, Final Rule*, 33-9089.

⁶Source: The Companies Bill 2012, as passed by Lok Sabha, December 18, 2012.

Remuneration/ compensation of (nonexecutive) board members is appropriate relative to their responsibilities, efforts, and time commitment

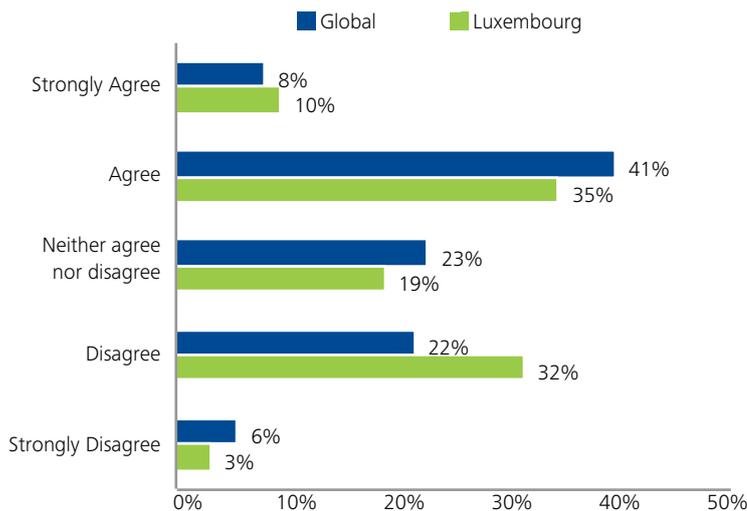
In the wake of the global financial crisis, more scrutiny is being placed on all areas of boardroom activity—specifically director remuneration/ compensation. Directors, faced with unprecedented levels of liability and responsibilities, have increasingly disagreed more over the past three years (65 percent in 2011⁷, 52 percent in 2012, and 49 percent in 2013 agreed or strongly agreed) on whether their remuneration/ compensation is appropriate. Perhaps the feeling is that compensation has not increased to appropriately match their roles’ increasing responsibilities and liabilities. In some markets, directors may need to take out pricey directors and officers insurance policies to help offset the liabilities of their board oversight roles.

Director compensation varies in both kind and scope from organization to organization, and country to country. Stock option and other long-term incentives are

increasingly seen in some markets. The German directors surveyed were the most discordant of any country, with 50 percent of directors finding their remuneration/ compensation levels inappropriate. Other countries with significant minorities of directors who believed that their remuneration was not appropriate include: Sweden (40 percent), Romania (37 percent), Nigeria (36 percent), Finland, and Luxembourg (35 percent each). Of the global respondents, Irish and American directors agreed or strongly agreed (71 percent each) at the highest rate that their pay was appropriate.

Amongst the directors surveyed in Luxembourg, 45 percent agreed or strongly agreed that their remuneration/ compensation is appropriate relative to their responsibilities, efforts, and time commitment. The percentage of directors in Luxembourg who indicated that they do not think their remuneration/ compensation is appropriate (35 percent) is relatively high compared to that of the global average (28 percent).

Chart 13 – Remuneration/ compensation of (nonexecutive) board members is appropriate relative to their responsibilities, efforts, and time commitment.



⁷In 2011, a similar question was asked: “Remuneration/ compensation is appropriate.”

The board considers long term performance measures in the executive remuneration/ compensation policy to a sufficient degree

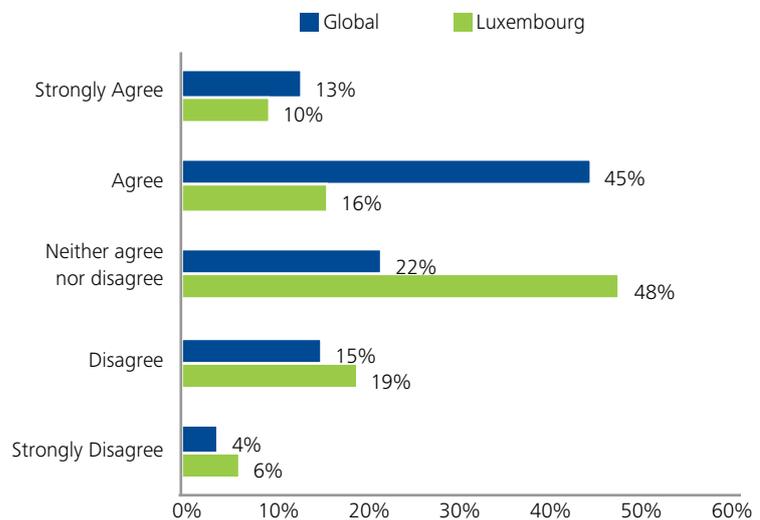
Despite the apparent divergence from “short-termism” and its obvious advantages on sustained organizational growth, only 58 percent of the global directors surveyed agreed or strongly agreed that the board considers long-term performance measures in the executive remuneration/ compensation policy to a sufficient degree—an 11 percentage point decrease from the previous year. This is surprising, given that short-term planning and performance goals were blamed, in part, as issues leading to the financial crisis.

The U.S. (100 percent) had the highest emphasis on long-term performance measures for their executives, which makes sense, given how hard American markets were hit by the recent crisis. The U.S. was closely

followed by Finland (91 percent). In contrast, Mexican (43 percent), Russian (35 percent), Romanian (32 percent), and Swedish (29 percent) directors disagreed or disagreed most strongly. Perhaps, with the exception of Sweden, long-term performance measures are not yet a major practice in many emerging markets, which may have affected the sample as a whole.

Nearly 75 percent of the Luxembourg directors surveyed disagreed or were equivocal about whether their boards considered long term performance measures in the executive remuneration/ compensation policy to a sufficient degree.

Chart 14 – The board considers long term performance measures in the executive remuneration/ compensation policy to a sufficient degree.



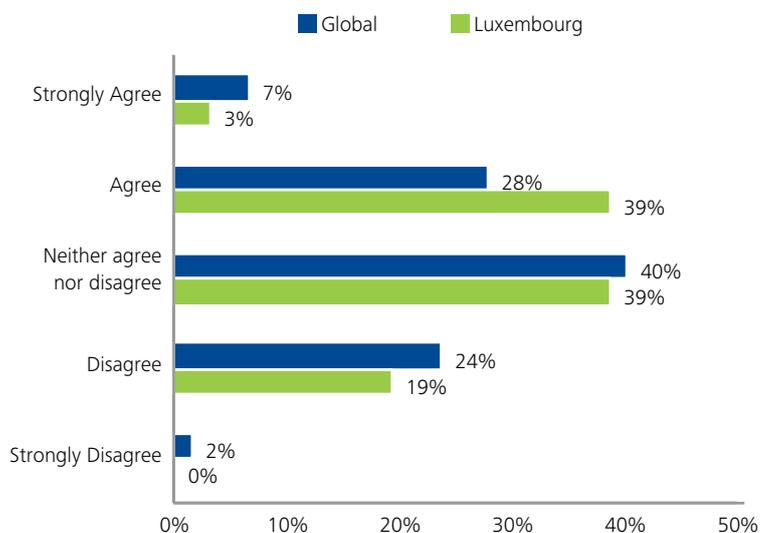
The level of potential liability imposed on directors is too high

Thirty-five percent of the directors surveyed believed that the level of potential liability imposed on them is too high, a nine percent decrease from last year. Directors seem to be growing slightly more accepting of the potential level of liability imposed on them over the past few years.⁸ Director and officer liability insurance (while premiums are rising) may effectively quell director fears on most liability issues. Interestingly enough, the plurality of directors (40 percent) neither agreed nor disagreed. It is also interesting to see that while 35 percent of the directors surveyed believe their potential liability to be too high, 29 percent of directors also find their remuneration inappropriate relative to their responsibilities, efforts, and time commitments (Chart 13).

Directors who felt that their level of potential liability was too high included those in Argentina (73 percent), the Czech Republic (53 percent), and the Philippines (50 percent). Irish directors seemed to be the most content with their level of liability (49 percent disagreed).

Forty-two percent of the directors surveyed in Luxembourg believed that the level of potential liability imposed on them is too high. This is above the global average and may reflect the highly regulated environment in which most directors function in Luxembourg. This may cause directors to believe that they are more exposed, given the high level of supervision and scrutiny.

Chart 15 – The level of potential liability imposed on directors is too high.



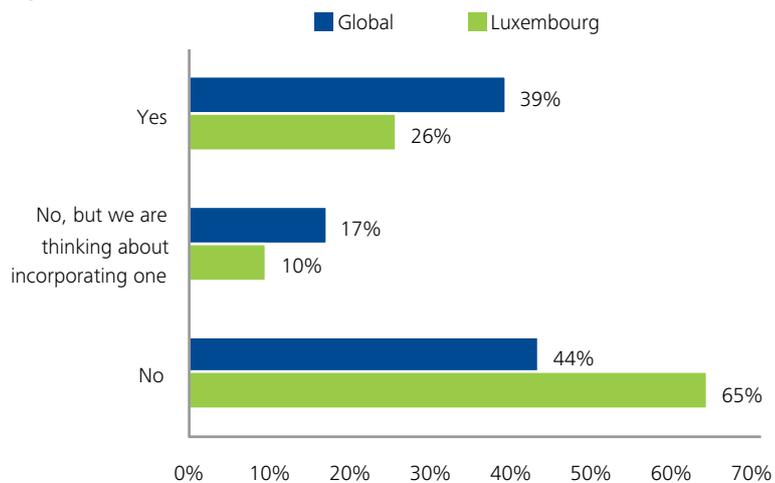
⁸In 2011, a similar question was asked: "The level of liability imposed on directors is appropriate." The data has been appropriately collated.

The organization/ board has a shareholder engagement policy in place

The majority of the organizations/ boards surveyed (61 percent) do not have a shareholder engagement policy in place, with only 17 percent of those stating that they are thinking about incorporating one. With shareholder activism on the rise, an effective and proactive shareholder engagement policy can open the dialogue with investors and activists alike, discussing issues and concerns before takeovers and other confrontations occur. In some markets, however, this practice has not yet fully taken hold. Only Ireland (86 percent), Argentina (73 percent), and the Philippines (70 percent) had a majority of organizations/ boards with a shareholder engagement policy in place; the U.S. had exactly half of the survey respondents note that they had a shareholder engagement policy. Seventy percent of directors from Russia and 65 percent of directors from Luxembourg stated that they do not have a shareholder engagement policy, and it was not on their radar. Forty-seven percent of Romanian and Middle Eastern directors are mulling the possibility of incorporating such a policy.

Sixty-five percent of the directors surveyed in Luxembourg stated that they do not have a shareholder engagement policy, and it was not on their radar. This percentage is very high in comparison with the feedback from directors that participated in the survey in most other countries. This result may reflect the fact that many directors surveyed in Luxembourg sit on boards of investment funds where investors are generally passive and primarily enter or exit the fund based on past performance or on their predictions about future market movements.

Chart 16 – The organization/ board has a shareholder engagement policy in place.



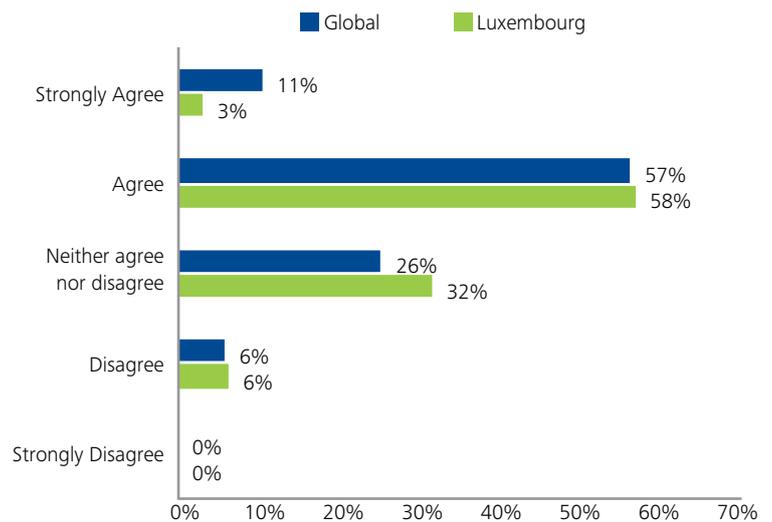
The level of interaction between shareholders and the board will increase over the next few years. Shareholder engagement policies may still need to be developed.

The level of interaction between shareholders and the board will increase over the next few years

Nearly 70 percent of the global respondents expect the level of interaction between shareholders and the board to increase over the next few years. Despite this, as seen in Chart 16, not even 40 percent of boards/ organizations surveyed globally have a shareholder engagement policy in place—a disparity that seems a bit striking. The percentage has slightly increased from the previous year (64 percent), perhaps displaying an upward trajectory. Shareholders and investors are demanding more than ever before due to recent crises and events. Companies who are underperforming, or who have less-than-optimal governance structures may be at risk of a takeover by activist investors seeking to turn around an underperforming company. In some markets, shareholders are more frequently meeting with company representatives face-to-face. An effective engagement program can help build relationships and transparency, while hearing from influential shareholders firsthand. All countries surveyed had a majority of directors who believed that shareholder scrutiny will increase over the next few years.

Nearly two thirds of the surveyed directors in Luxembourg expect the level of interaction between shareholders and the board to increase over the next few years. This is a surprising outcome given the fact that over two-thirds of the directors surveyed in Luxembourg indicated that the board does not yet have a shareholder engagement policy in place.

Chart 17 – The level of interaction between shareholders and the board will increase over the next few years.



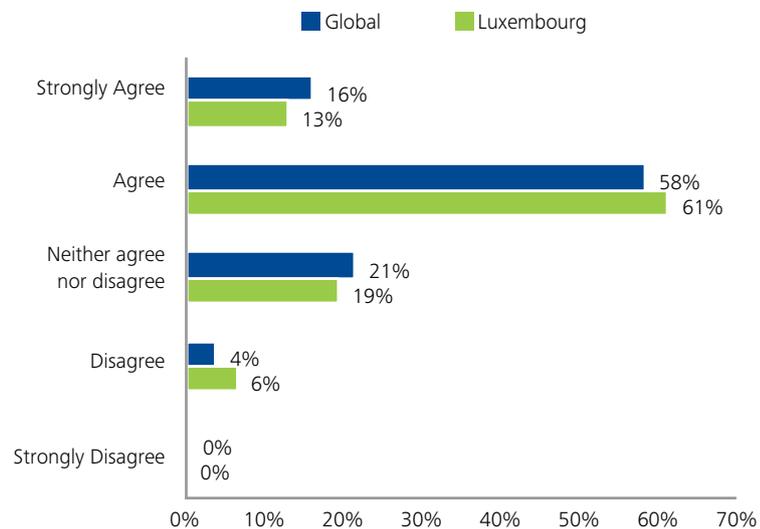
The level of shareholder scrutiny on corporate governance practices will increase over the next few years

Directors remain fairly consistent in their belief that the level of shareholder scrutiny on corporate governance practices will increase over the next few years; nearly three-fourths of directors agreed or strongly agreed (similar figures to the previous year). Only four percent of directors disagreed with this statement. Now, a few years into the post-financial crisis environment, directors are growing accustomed to the “new-normal.” This entails the increased scrutiny boards are facing on their governance practices and compensation policies, the increased time spent meeting and engaging with investors, and the increased attention from activists, etc. Boards may be skeptical of activist motives; however, these encounters can help boards to proactively discuss and evaluate their governance structures and processes.

While the global financial crisis is increasingly being left off the boardroom agenda (largest percent decrease from last year, -23 percent. See chart Chart 32.), it appears, however, that shareholders’ scrutiny of corporate boards is here to stay, at least for the near-term. The majority of directors surveyed in all countries agreed or strongly agreed that the level of shareholder scrutiny on corporate governance practices will increase over the next few years.

The directors surveyed in Luxembourg are adamant in their belief that the level of shareholder scrutiny on corporate governance practices will increase over the next few years. Nearly 75 percent of the directors surveyed in Luxembourg agreed or strongly agreed. This percentage is in line with the results globally.

Chart 18 – The level of shareholder scrutiny on corporate governance practices will increase over the next few years.



The board plays an active role in setting the organization’s risk policy

Worldwide, boards of directors are increasingly assuming a larger role in setting their organization’s risk policy. In the aftermath of the global financial crisis, risk management has remained a top-of-mind issue for boards and committees operating in nearly every country. The percentage of directors who agreed or strongly agreed that the board plays an active role in setting the organization’s risk policy increased 12 percentage points in the last year (73 percent in 2012 vs. 85 percent in 2013). Boards are facing increased pressure from various internal and external stakeholders to monitor and mitigate all types of enterprise-wide risks.

The majority of countries in our survey showed high levels of agreement with three notable exceptions: Russia, Mexico, and Romania. Directors may be recognizing just how many different types of risks there are to manage—ranging from basic financial risk, to reputational risk, to personal director liability risk, to even environmental/ climate risk—all requiring board-level oversight.

Due to regulation, leading practices, or preference, companies may choose to have specific board level committees provide risk oversight. In certain countries, there are various regulations requiring companies to

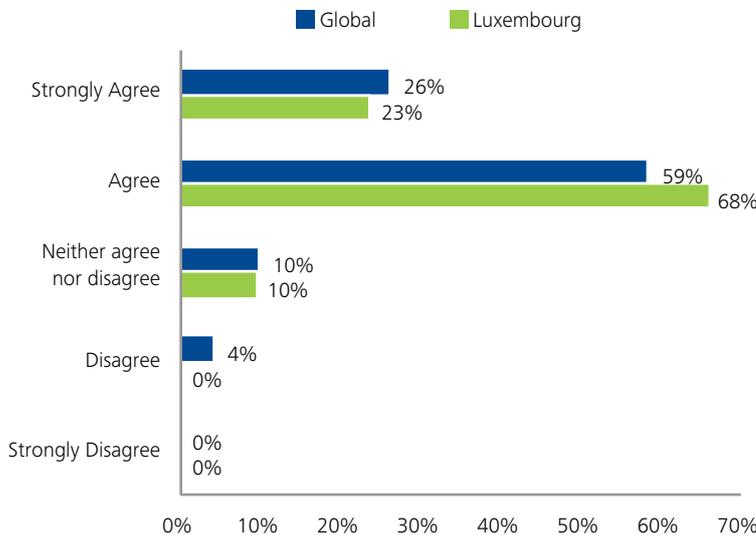
have risk committees at the board level for financial services industry (FSI) companies, while other countries currently have only suggested guidelines. The board’s role in setting the organization’s risk policy may vary not only by country, but by industry too.

Given the increase in regulatory activity, coupled with high levels of public scrutiny, the need for sound risk oversight policies at the board level remains in focus. It appears that directors around the world are increasingly taking notice.

Boards of directors in Luxembourg are increasingly playing an active role in setting the organization’s risk policy by approving and laying down in writing the organization’s risk strategy. This includes the organization’s risk tolerance and the guiding principles governing risk identification, measurement, reporting, management and monitoring.

Moreover, most boards formally review and approve the organization’s risk policy—which implements the organization’s risk strategy, laid down by Senior Management, as well as monitor its effective implementation. For the purpose of increasing effectiveness, a growing number of boards of directors are assisted by a risk committee to provide risk oversight.

Chart 19 – The board plays an active role in setting the organization’s risk policy.



Almost all directors surveyed in Luxembourg indicated that the board receives enough information to assess the impact of business risks.

The board receives enough information to assess the impact of business risks

As boards continue to focus on their risk oversight responsibilities, it is paramount that directors be equipped with the necessary data and tools to accurately assess the impact of business risks. With overcrowded schedules and a host of other challenging tasks, the information directors receive must maintain a delicate balance of brevity and substantial quality. This is where delegation to the risk committee may serve as the most efficient way to deal with risk-related information and reporting to the board.

Directors around the world seem to agree, even more so now than in years prior, that they are receiving enough information to assess the impact of business risks. With a 15 percent increase from the previous year (84 percent agreed or strongly agreed in 2013 vs. 69 percent in 2012) directors are generally confident that they are receiving enough of the right information to assess the impact of business risks. The reason for the increase may be twofold: 1) the aforementioned role the public/press/ government has taken in the post-financial crisis

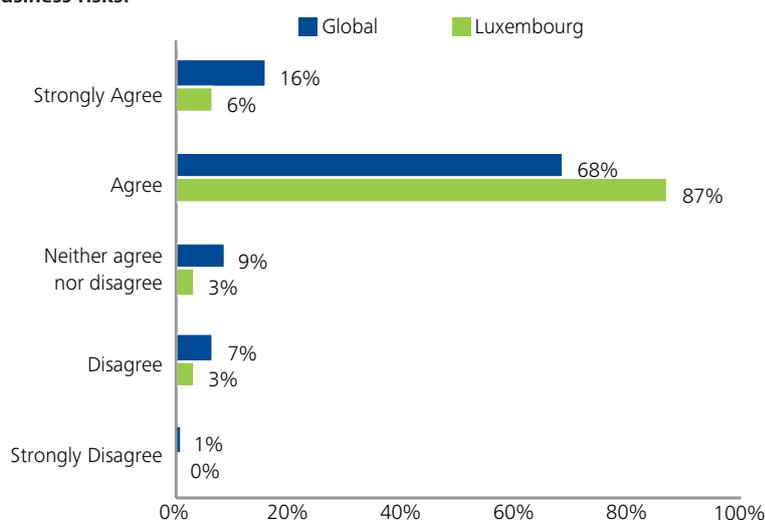
environment has brought scrutiny on boardroom risk oversight practices to an all-time high, and 2) directors are demanding more and more information in an effort to be proactive—without running the risk of receiving too much information that may serve as a distraction.

Not one director in our sample from the U.S. or Ireland believed that they receive inadequate information. There were substantial levels of disagreement and/ or strong disagreement in two countries: Russia (34 percent) and Mexico (29 percent). Mexican and Russian directors may not be getting the same amount or quality of information that their foreign peers receive.

Over the recent years, many boards of directors have worked to better understand what the key business risks are and what types of relevant information are needed to assess these risks.

The vast majority (93 percent) of the directors surveyed in Luxembourg agreed or even strongly agreed that they are receiving enough information to assess the impact of business risks.

Chart 20 – The board receives enough information to assess the impact of business risks.



The board maintains an appropriate balance between oversight of risk, growth, performance, and strategy

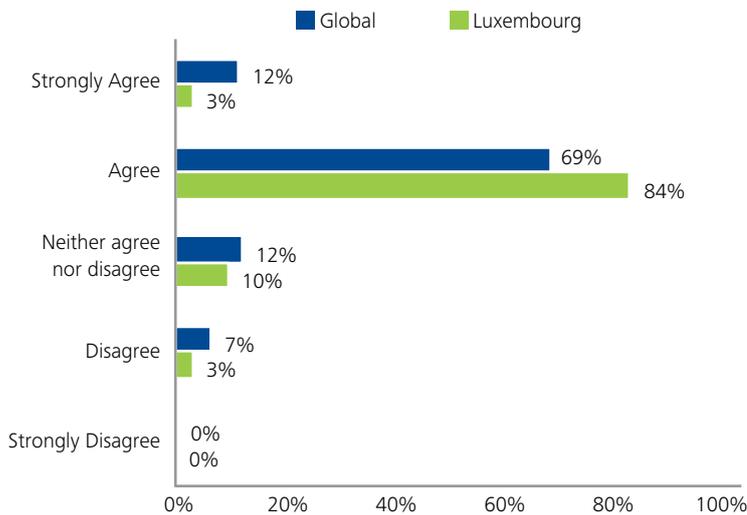
Despite the increasing responsibilities of board directors, the majority of the directors (81 percent) surveyed agreed or strongly agreed that the board maintains an appropriate balance between the oversight of risk, growth, performance, and strategy. This represents a 12 percent increase from last year’s survey. Each of these oversight areas requires careful boardroom consideration and discussion. It is crucial that boards set the appropriate balance—though the “right” balance will vary from organization to organization.

As the results to Table 32 show, in the past 12 months, strategy, performance, risk management, and growth have all been top-five issues on the board’s agenda. Given the weight these topics hold, setting the right balance becomes that much more critical.

Effective boards of directors are those that constructively and effectively challenge executives through exchanges focused on top issues that underpin corporate performance.

The majority of the directors (87 percent) surveyed in Luxembourg agreed or strongly agreed that the board maintains an appropriate balance between the oversight of risk, growth, performance, and strategy.

Chart 21 – The board maintains an appropriate balance between oversight of risk, growth, performance, and strategy.



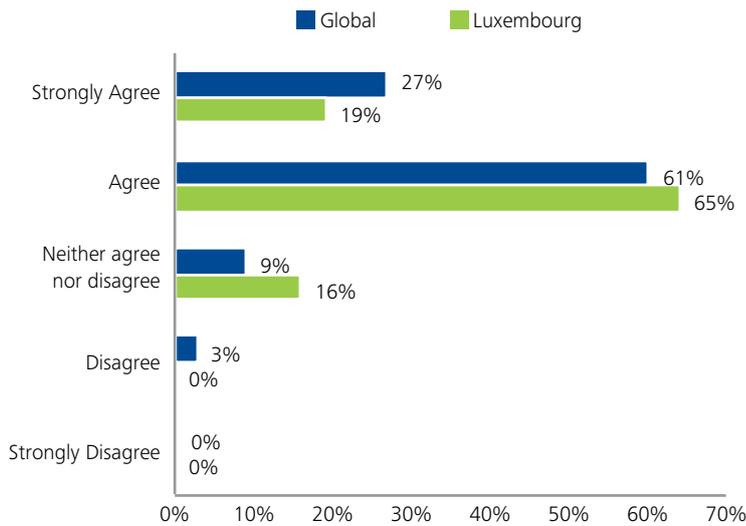
The board discusses the observations and findings noted in the internal audit reports they receive

The internal audit function can offer huge advantages to the board. Given their independent and objective nature, information received from the internal auditors can be used for better control and oversight of the company’s reporting and risk management processes. One of the main ingredients for an internal audit function to function effectively is an effective relationship between the board and the internal auditors.

Globally, it appears that directors are using information (e.g., observations, findings, and their recommendations) received from internal auditors. When asked, nearly 88 percent of the global respondents agreed or strongly agreed that observations and findings noted in the internal audit reports are discussed by the board.

The range of directors that agreed or strongly agreed varied from 100 percent in India and the U.S. to 74 percent in the Middle East and 67 percent in Mexico. In ten of the fifteen surveyed countries not one director disagreed or strongly disagreed.

Chart 22 – The board discusses the observations and findings noted in the internal audit reports they receive.



Eighty-four percent of the respondents in Luxembourg agreed or strongly agreed that the observations and findings noted in the internal audit reports are discussed by the board.

Boards of directors are indeed increasingly realizing that the internal audit function is uniquely positioned within the organization to provide them with assurance on the effectiveness of the organization’s governance, control, and risk management processes, and therefore help them fulfill their ever increasing responsibilities.

Accordingly, the vast majority of boards periodically discuss the internal audit findings, assess the progress of the internal audit recommendations, and discuss the cause of backlogs with senior management. For the purpose of increasing effectiveness, many boards are assisted by an audit committee in this regard.

Will the review and measurement of organizational performance against nonfinancial indicators by boards in Luxembourg increase in the future?

The board reviews and measures organizational performance against nonfinancial indicators

Globally, 66 percent of the global respondents agreed or strongly agreed that the board reviews and measures organizational performance against nonfinancial indicators, representing only a slight increase from last year's results (63 percent). All countries sampled had the majority of directors in agreement, with the exception of the Middle East (34 percent disagreed or disagreed strongly, 27 percent equivocal), and Luxembourg (23 percent disagreed, 29 percent equivocal). This is in-line with Chart 25, where 68 percent of directors surveyed globally agreed or strongly agreed that sustainability and corporate social responsibility are becoming more important issues for the board.

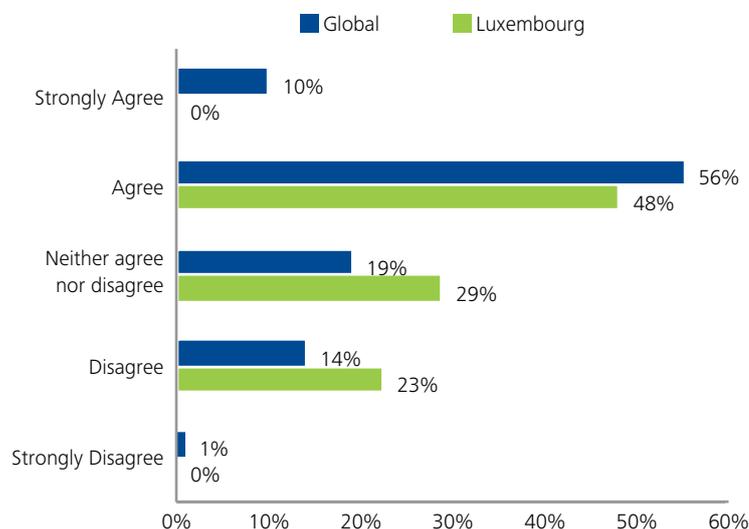
Boards may choose to review and measure their organizational performance against many nonfinancial indicators such as environmental, social, and governance metrics, human resources and employee turnover ratios, innovation, engagement, and health/ safety. These metrics, while not financial, help paint a full picture of

the organization's operations as a whole. It appears that boards are only slightly increasing their use of nonfinancial indicators to measure organizational performance.

In Luxembourg, only 48 percent of the directors surveyed agreed or strongly agreed that their board reviews and measures organizational performance against nonfinancial indicators.

Compared to the global results (66 percent agreed or strongly agreed), it emphasizes that, in Luxembourg, many boards of directors still need to enrich the way they review and measure their organizational performance with nonfinancial indicators, such as environmental, social, and governance metrics, human resources and employee turnover ratios, innovation, engagement, and health and safety measures.

Chart 23 – The board reviews and measures organizational performance against nonfinancial indicators.



The board will have an increased focus on nonfinancial reporting mechanisms (e.g., integrated reporting) over the next 12 months

Exactly half of the global directors surveyed agreed or strongly agreed that the board will have an increased focus on nonfinancial reporting mechanisms over the next 12 months. While boards seem to be discussing the merits of the use of nonfinancial indicators to measure organizational performance, and are increasingly thinking about issues such as sustainability and corporate social responsibility, this has not yet directly translated into official nonfinancial reporting mechanisms, such as integrated reporting or corporate social responsibility frameworks, to name a few.

Directors globally were quite ambivalent, with nearly 36 percent stating that they neither agreed nor disagreed that the board will have an increased focus on nonfinancial indicators in the next 12 months. In some countries, equivocal directors were in the majority (the U.S., Nigeria, and the Czech Republic). This perhaps

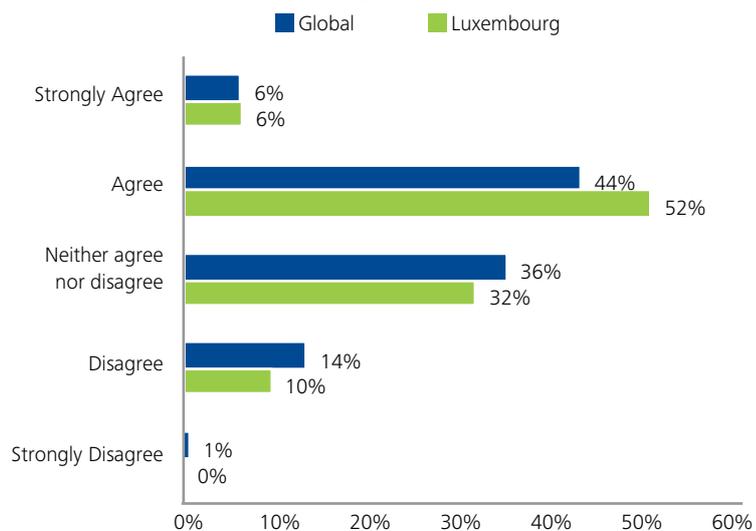
displays either a hesitancy to adopt these reporting measures, or a general lack of understanding of these processes. To date, only South Africa has mandated an integrated reporting framework, via the King Report on Corporate Governance (King III).

More than half of the directors surveyed in Luxembourg (58 percent) agreed or strongly agreed that the board will have an increased focus on nonfinancial reporting mechanisms over the next 12 months.

While boards seem to be increasingly envisaging the use of nonfinancial indicators to measure organizational performance, and are increasingly thinking about issues such as sustainability and corporate social responsibility, this has not always directly translated into practice.

The results for Luxembourg also display either a hesitancy to adopt these reporting measures, or a general lack of awareness of these mechanisms.

Chart 24 – The board will have an increased focus on nonfinancial reporting mechanisms (e.g., integrated reporting) over the next 12 months.



Sustainability and corporate social responsibility are of increased importance for boards in Luxembourg.

Sustainability and corporate social responsibility are becoming more important issues for the board

The percentage of the global directors who agreed or strongly agreed that sustainability and corporate social responsibility (CSR) are becoming more important issues for the board remained unchanged from the previous year (68 percent in both years). This comes as a bit of a surprise as financial reporting surrounding these initiatives has been widely accepted as an ‘up-and-coming’ trend. The trend appears to be gaining steam in Argentina, Finland, Germany, India, Sweden, and the U.S.—where directors surveyed agreed at a higher level than the global average.

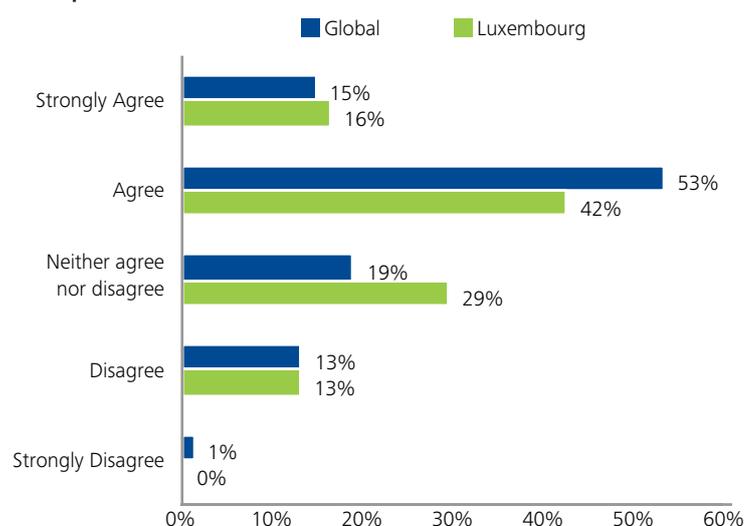
The increased scrutiny boards have been facing from external parties encompasses not only the standard financial issues, but also social issues. In the age of social media, alleged CSR mishaps can spread at a faster rate than ever before to a less-than-forgiving public. The public, media, and even investors are demanding an unprecedented level of transparency into all organizational operations. Business operations that directly or indirectly support human rights violations are no longer being tolerated, and are increasingly coming under intense scrutiny. Some regulators are even demanding disclosure, for example, in the U.S., the Security and Exchange Commission (SEC) adopted a ruling that requires companies to disclose their use of conflict minerals that originated in the Democratic Republic of the Congo.⁹ South Africa has mandated an integrated reporting framework, comprised of six measures of capital: financial, manufactured, intellectual, human, social, and natural. With these reporting measures that encompass all aspects of the organization, companies are now being allowed the opportunity to tell their full story instead of just their financial performance.

Though it is an issue that requires additional attention, sustainability appears to be buried on the board agenda. Only 2 percent of directors considered sustainability a ‘top three’ issue impacting the board in the past 12 months (0 percent in 2011; 2 percent in 2012), and 4 percent considered it a top three issue that will impact the board in the next 12-24 months (1 percent in 2011; 3 percent in 2012).

All aspects of the company, both from a financial and non-financial perspective, are now being analyzed. Companies, and their boards of directors, are being asked not only to maximize shareholder returns, but to leave a positive and lasting impact on the communities in which they operate.

Though the directors surveyed in Luxembourg were even more ambivalent than their global peers, with nearly 29 percent stating that they neither agreed nor disagreed, the majority (58 percent) agreed or strongly agreed that sustainability and CSR are becoming more important issues for the board.

Chart 25 – Sustainability and corporate social responsibility are becoming more important issues for the board.



⁹U.S. Securities and Exchange Commission, *SEC Adopts Rule for Disclosing Use of Conflict Minerals*, August 2012.

CEO succession planning is effectively addressed by the board

Less than half of the directors surveyed globally (44 percent) agreed or strongly agreed that the board effectively addresses CEO succession planning. For the global results, the ratio of those who agreed or strongly agreed remained identical to that of the previous year. Twenty-eight percent of the directors surveyed were equivocal, with another 28 percent that disagreed or disagreed strongly. These strong minorities suggest that boards are not yet effective in their planning processes regarding CEO succession. Boards may also choose to delegate succession planning responsibility to the committee level. Having the proper succession plans in place, and tested for all scenarios and situations, including major high-risk ‘black-swan’ events, can go a long way to mitigate otherwise severe potential organization-wide risk. Sudden changes in leadership that are not planned for can have adverse effects on the company as a whole, and hurt investor confidence in the organization. On the other hand, a plan that is well

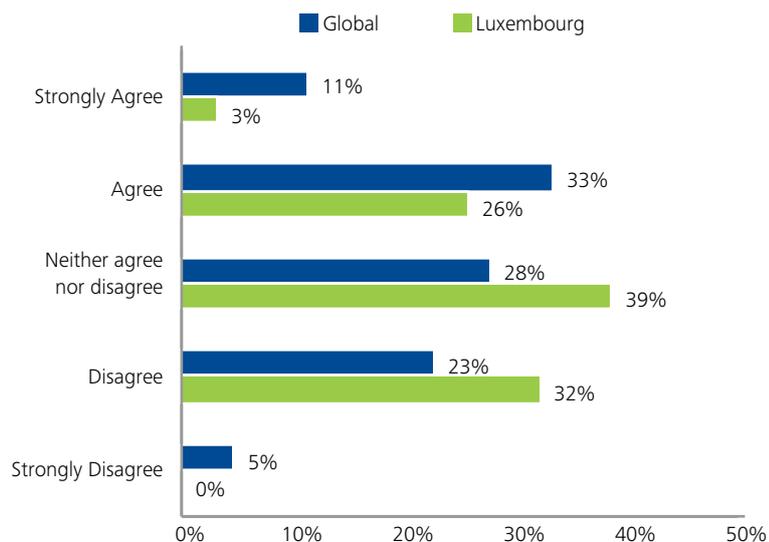
thought out but not properly executed (such as poor transitioning procedures) can do just as much damage. Boards must monitor the internal talent pipeline, as well as monitor potential external candidates, or enlist the services of an executive search firm.

The U.S. (86 percent), Ireland (71 percent), and Finland (60 percent) had the highest levels of agreement, with most other countries having significant minorities who either disagreed or were equivocal.

Only 29 percent of the directors surveyed in Luxembourg agreed or strongly agreed that the board effectively addresses CEO succession planning. Thirty-nine percent of the directors surveyed in Luxembourg were equivocal, with another 32 percent that disagreed or strongly disagreed.

The results suggest that boards are conscious they should significantly improve their planning processes regarding CEO succession.

Chart 26 – CEO succession planning is effectively addressed by the board.



Director age and term limits

Over 62 percent of the directors surveyed globally stated that their boards have not implemented age or term limits, or that they were not sure. Sweden (100 percent) and Argentina (82 percent) had the highest response rates for these selections.

Boards seem to be implementing term limits for directors (30 percent) almost twice as much as age limits (17 percent). Term limits for board directors were seen most in Ireland (77 percent), Romania (63 percent), and Nigeria (45 percent), while age limits were seen most in India (67 percent) and the U.S. (50 percent). A recent Deloitte survey in the U.S. found that 80 percent of U.S. boards had age limits as opposed to 9 percent who had term limits. Age limits appear to be increasing in the U.S., with the most common retirement age being 72.¹⁰

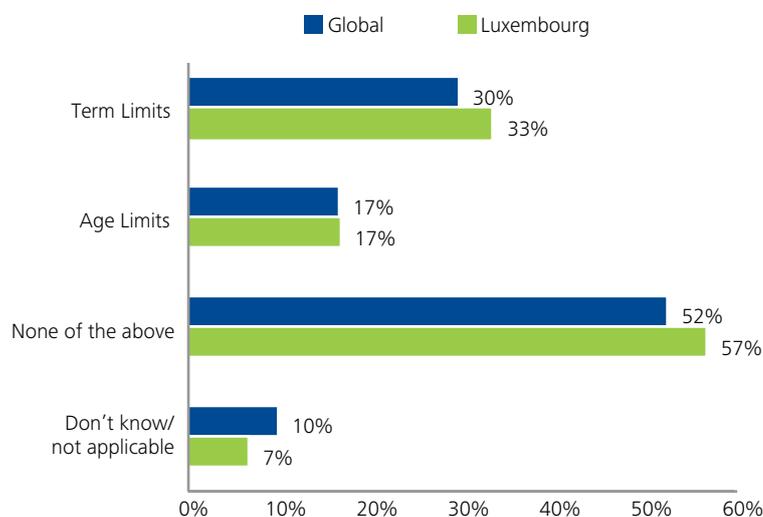
The lack of limitations on director board service tenure has been blamed by many as one of the main reasons for the slow progress seen in measures to increase boardroom diversity. Directors may be entrenched in their positions for decades, making changes in board composition a rarity. Term and age limits allow for fresh faces and perspectives to be cycled into the boardroom—widely regarded as a leading practice for any market. The results show that director term and age limits are not yet widespread practices. However, as

diversity policies become more widespread worldwide, perhaps, too, will director age and term limits.

Almost 60 percent of the directors surveyed in Luxembourg stated that their boards have not implemented age or term limits. Where limits are imposed, boards seem to prefer to implement term limits for directors (33 percent) rather than age limits (17 percent). In cases where there are term limits, the term ranges between five and eight years for most boards (60 percent).

The results show that director term and age limits are not yet widespread practices used in Luxembourg to allow for fresh faces and perspectives to be cycled into the boardroom.

Chart 27 – The board has implemented the following for its directors (select all that apply):



¹⁰Society of Corporate Secretaries and Governance Professionals and Deloitte Development LLC, *2012 Board Practices Report: Providing insight into the shape of things to come*, December 2012.

The firm's CEO serves as the board Chairman

The overwhelming majority of director respondents (84 percent) stated that the firm had an independent chairman. Both the Irish and Nigerian directors surveyed stated that they did not have a combined CEO/ chair position. Similar response rates were seen in Finland, Luxembourg, and Sweden (97 percent each), and other high levels were seen in India (92 percent), the Middle East, Russia (87 percent each), and the U.S. (86 percent). Of all countries surveyed, only the Czech Republic (75 percent) had a majority of boards with a combined CEO/ Chair.

Having an independent Chairman has many benefits for the board and the company as a whole. The board, led by the chairman, is tasked with providing oversight of the company. When the role of the chairman and CEO is combined, potential conflicts of interest could arise, such as the CEO monitoring and providing oversight of themselves.

Having an independent Chairman also has benefits for investors. A GMI Ratings report on 180 North American mega-cap companies found that having a combined

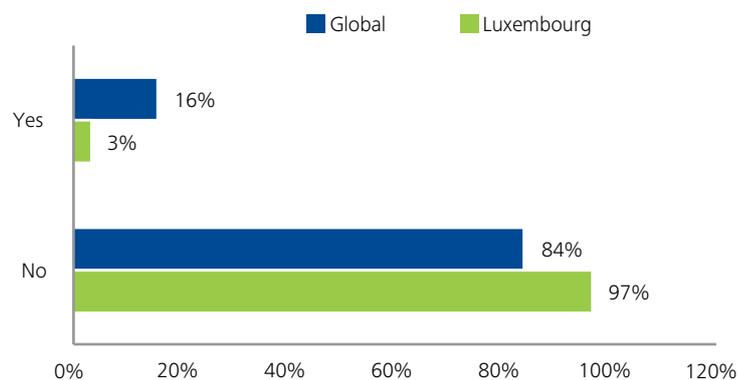
CEO/ Chairman is much more expensive (on median) than having a CEO and a separate, independent chairman (\$16 million vs. \$9.3 million). The study also found that companies with a separate CEO/ chair performed better: five-year shareholder returns were nearly 30 percent greater at companies with a separate CEO/ chair, compared to those with a combined structure.¹¹

Almost all of the director respondents in Luxembourg (97 percent) stated that the firm's CEO does not serve as the board chairman.

When the role of the chairman and CEO is combined, potential conflicts of interest could arise, such as the CEO monitoring and providing oversight of themselves.

In this regard, recent regulation in Luxembourg for banks and investments firms expressly prescribes that the mandate of the persons responsible for the management of the institution may not be combined with the mandate of chairman of the board of directors.

Chart 28 – The firm's CEO serves as the board Chairman.



¹¹GMI Ratings, *The Costs of a Combined Chair*, June 2012.

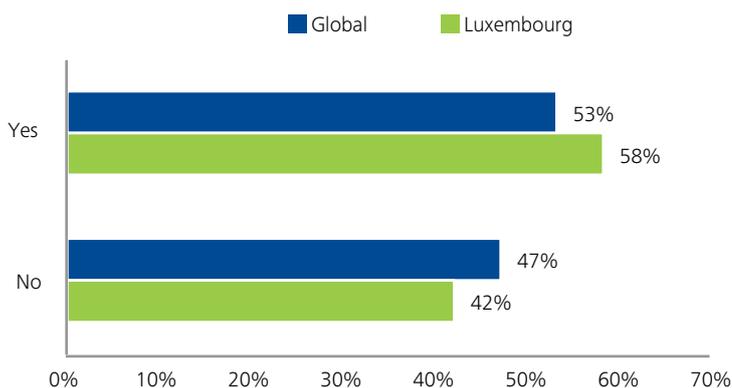
The board has a senior/ lead independent director

Just a shade over half of the directors surveyed globally (53 percent) stated that the board has a senior/ lead independent director.

The results were skewed by large majorities in Ireland, Romania, and Sweden, where nearly three-fourths of the directors surveyed stated that the board has a senior/ lead independent director. Senior/ lead independent directors were most rare in the Nigerian (9 percent), Russian (17 percent), and Czech (19 percent) markets. While not prevalent universally, the practice of appointing senior/ lead independent directors was visible in all the markets covered by our survey.

58 percent of the directors surveyed in Luxembourg stated that their boards have a senior/ lead independent director. This percentage is slightly higher compared to the global average and is seen as a growing practice in Luxembourg.

Chart 29 – The board has a senior/ lead independent director.



Compliance is now a greater focus area of the board compared to prior years

The uptick in local government regulation in an increasingly globalized marketplace has cemented compliance as a top three issue impacting boards (Table 32), and many directors believe that it will continue to be a top issue for boards in the next 12-24 months (Chart 33).

The compliance function’s growing importance is clearly demonstrated by the global results, with 82 percent of the directors surveyed agreeing or strongly agreeing that compliance is now a greater focus area of the board compared to prior years. All countries surveyed, with the exception of Russia and Romania, had the majority of director respondents in agreement.

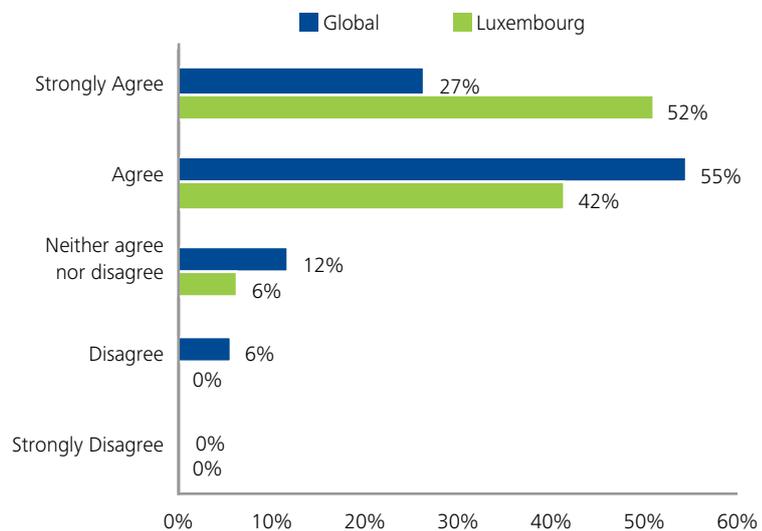
Boards must work with their management teams, inclusive of the Chief Compliance Officer to ensure that

the appropriate roles and responsibilities are defined and established, in an effort to effectively monitor and manage compliance-related risk and opportunities. Setting an organization-wide culture of “doing the right thing” should be a top objective for boards operating in any market and industry.

The compliance function’s growing importance is clearly demonstrated by the results, with 94 percent of the directors surveyed in Luxembourg agreeing or strongly agreeing that compliance is now a greater focus area of the board compared to prior years.

It is a common practice in Luxembourg that the board regularly reviews and discusses the state of the compliance, as well as the quality of the work carried out by the compliance function. For the purpose of increasing effectiveness, many board of directors are assisted by a compliance committee in this regard.

Chart 30 – Compliance is now a greater focus area of the board compared to prior years.



The board is more engaged with management on anti-corruption matters than in prior years

Directors serving on boards of globally operating companies have a lot to think about on the issue of anti-corruption/ anti-fraud. Despite the apparent ethical and societal concerns that organization-wide corruption presents to businesses and local communities, corruption now can result in monetary penalties for organizations, and personal liability for their directors and executives alike.

In the U.S., the Foreign Corrupt Practices Act (“FCPA”), passed in 1977, prohibits bribery of foreign government officials. U.S. companies and their subsidiaries domiciled overseas are required to have sound internal control systems in place, along with accurate bookkeeping practices, in an effort to prevent, mitigate, and/ or identify corrupt practices. FCPA enforcement is at an all-time high. Household company names have been convicted of corrupt activities, which have hurt not only their profits and earnings results, but have also done a considerable amount of damage to their reputation and credibility.

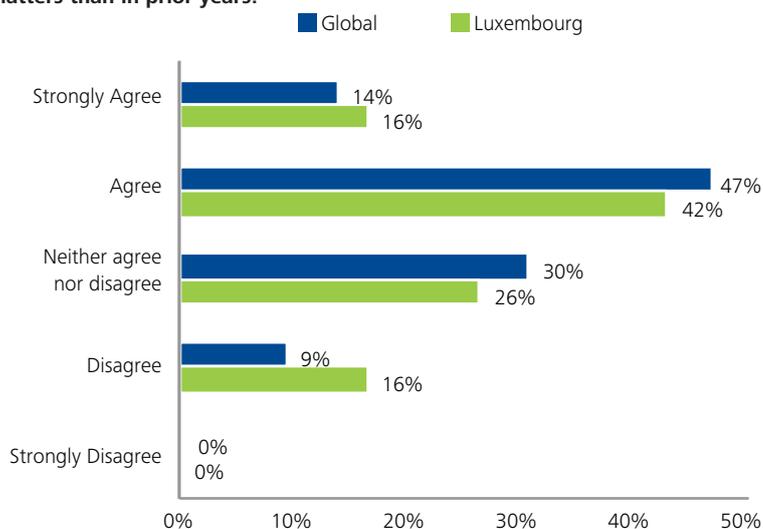
The U.S. is not the only country to pass anti-corruption legislation. The UK passed the UK Bribery Act in 2012, and the governments of Brazil, Colombia, and South Africa have each approved their own anti-corruption legislation.

Globally, 61 percent of the directors surveyed agreed or strongly agreed that the board is more engaged with management on anti-corruption matters than in prior years. Given the recent global focus and legislation this comes as no surprise. A strong minority (30 percent) of directors neither agreed nor disagreed, perhaps indicating that the board is frequently engaging with management at the same level as years past. The highest levels of agreement came from countries such as India, Ireland, and the Philippines. The Middle East had the highest levels of disagreement (27 percent), and Nigerian and U.S. directors were the most equivocal.

A board-level understanding of the risks and intricacies of the FCPA and other global anti-corruption legislation is an absolute must.

It is not a surprise that the majority of the directors surveyed in Luxembourg (58 percent) agreed or strongly agreed that the board is more engaged with management on anti-corruption matters than in prior years. A strong minority (26 percent) of directors neither agreed nor disagreed, perhaps indicating that the board continues to engage with management at the same level as in years past.

Chart 31 – The board is more engaged with management on anti-corruption matters than in prior years.



Top three issues impacting boards in the past 12 months

Top five issues in 2013 (Global perspective)

Fifty-two percent of the directors surveyed selected strategy as a pressing boardroom item in the past year—the most of any topic. The second highest boardroom issue was performance (35 percent), followed by regulation, governance and compliance (32 percent), risk management (23 percent), and growth (21 percent). Other hot topic issues such as globalization, cyber security, diversity, anti-corruption, and sustainability all came in at or below 2 percent.

Greatest increases from 2012

The most striking increase from the previous year's survey was the topic of performance. Performance increased 20 percent (15 to 35 percent) to become the 2nd most prominent boardroom issue. Other major increases included strategy (18 percent increase), growth (13 percent increase), and shareholder value/ investors (11 percent increase).

Greatest decreases from 2012

The largest decrease, and coincidentally the greatest absolute percentage change from last year, was the global financial crisis and recovery, which decreased a sizable 23 percent. It was the highest ranked boardroom issue from our survey in 2012, only to drop to the sixth slot in 2013. Other notable topics that saw sizable decreases were capital management (-16 percent), regulation, governance and compliance (-9 percent), and management succession (-6 percent).

Analysis

In just one year since our last survey, the main boardroom focal points have shifted away from the global financial crisis and recovery, and governance, risk, and compliance, to strategy, and performance. This may suggest that austerity measures are beginning to subside globally, and that boards are finally ready to focus more on growth and performance. As boards begin to distance themselves from the crisis we see a spike in focus on growth, mergers and acquisitions, innovation, competition, and increasing shareholder and investor value. This must be welcomed news for investors around the world. However, the pressure is on boards and directors to create sustainable value in the post-crisis era.

The Nigerian directors surveyed selected performance (64 percent) as the top issue impacting boards in the past 12 months, followed by strategy and growth (55 percent each).

Top five issues in 2013 (Luxembourg perspective)

81 percent of the directors surveyed in Luxembourg selected regulation, governance and compliance as a pressing boardroom issue in the past year. This is mainly due to the high volume of new regulations issued and the increased regulatory scrutiny in the financial sector in Luxembourg. The second highest boardroom issue selected was risk management (45 percent), followed by performance (42 percent), the global financial crisis and recovery (32 percent), and strategy (23 percent).

Table 32

	Global	Luxembourg
Strategy	52%	23%
Performance	35%	42%
Regulation, Governance and Compliance	32%	81%
Risk Management	23%	45%
Growth	21%	6%
Global Financial Crisis and Recovery	20%	32%
Shareholder Value/ Investors	15%	10%
Capital Management	13%	3%
Mergers and Acquisitions	11%	3%
Operational Management/ Infrastructure	10%	10%
Competition	8%	3%
Organizational Structure	7%	13%
External Factors	6%	6%
CEO Succession Planning	6%	0%
Executive Remuneration	6%	0%
Innovation	4%	0%
IT/ Technology	4%	3%
Talent Management	3%	0%
Political/ Social Uncertainty	3%	0%
Reporting	3%	3%
Raw Materials/ Energy	3%	0%
Management Succession	2%	0%
Sustainability	2%	3%
Board Effectiveness	2%	0%
Anti-corruption/ Anti-fraud	2%	3%
Other	2%	3%
Environment, Health, Safety	1%	0%
Diversity	1%	0%
Board Succession Planning	1%	0%
Sovereign Risk	1%	6%
Cyber Security	1%	0%
Stakeholder Management	1%	0%
Globalization	1%	0%

Regulation, governance, compliance and risk management will be the key items on the agendas of boards in Luxembourg.

Top three issues for boards in the next 12 to 24 months

Top five issues in 2013 (Global perspective)

Strategy (55 percent) will remain the top boardroom issue for directors in the next 12 to 24 months. The second highest boardroom focus area for directors in the next 12 to 24 months will be performance (35 percent), followed by growth (30 percent), regulation, governance, and compliance (27 percent), and risk management (23 percent).

Greatest increases from 2012

The boardroom issue with the largest increase in percentage from the previous year's survey was, again, the issue of performance. Performance increased 20 percent (15 to 35 percent). Strategy again saw the second largest increase (17 percent increase), followed by risk management (12 percent increase), shareholder value/ investors (12 percent increase), and growth (10 percent).

Greatest decreases from 2012

The boardroom issue with the largest decrease, and coincidentally the greatest absolute percentage change from last year, was again the global financial crisis and recovery, which decreased even more—26 percent. Other notable topics that saw sizable decreases in board room focus from the previous year were capital management (13 percent), talent management (10 percent), and management succession (6 percent).

Analysis

Board directors around the world are indicating that the same boardroom issues that they have been focusing on for the past 12 months will remain static over the next 12-24 months. The 26 percent drop in focus on the global financial crisis from last year's survey may indicate that directors globally believe that the issues that plagued boards for years may, in fact, be behind them. How well directors can provide oversight of the organization's strategic direction may be a key to success as organizations look to navigate away from the constraints that once bound them.

The Nigerian directors surveyed selected competition, growth, risk management, and strategy (36 percent each) as the top issues for boards in the next 12 to 24 months.

Top five issues in 2013 (Luxembourg perspective)

The directors surveyed in Luxembourg indicated that regulation, governance, and compliance (77 percent) will be the top boardroom issues for directors in the next 12 to 24 months. The second highest boardroom focus area for directors will be risk management (48 percent), followed by strategy (29 percent) and performance (29 percent) and growth (26 percent).

Directors are indicating that, overall, they will continue to focus on the same issues they have been focusing on for the past 12 months, with a shift of focus from global financial crisis and recovery issues to refocus on growth.

In comparison with the global results the directors surveyed in Luxembourg have indicated a significantly higher focus on regulation,

Table 33

	Global	Luxembourg
Strategy	55%	29%
Performance	35%	29%
Growth	30%	26%
Regulation, Governance and Compliance	27%	77%
Risk Management	23%	48%
Capital Management	15%	3%
Shareholder Value/ Investors	14%	16%
Global Financial Crisis and Recovery	11%	16%
Operational Management/ Infrastructure	9%	23%
Mergers and Acquisitions	7%	3%
Competition	7%	0%
External Factors	6%	0%
CEO Succession Planning	6%	0%
Organizational Structure	6%	3%
Innovation	6%	0%
IT/ Technology	5%	0%
Political/ Social Uncertainty	4%	0%
Sustainability	4%	0%
Board Effectiveness	4%	3%
Management Succession	3%	0%
Talent Management	3%	3%
Executive Remuneration	3%	0%
Reporting	3%	6%
Raw Materials/ Energy	3%	0%
Other	2%	3%
Board Succession Planning	2%	0%
Stakeholder Management	2%	0%
Environment, Health, Safety	1%	0%
Anti-corruption/ Anti-fraud	1%	3%
Sovereign Risk	1%	3%
Diversity	1%	3%
Cyber Security	0%	0%
Globalization	0%	0%

governance and compliance (77 percent Luxembourg vs. 27 percent Global) and risk management (48 percent Luxembourg vs. 23 percent Global). Strategy is seen as a lesser issue for boards in Luxembourg compared to the global results (29 percent Luxembourg vs. 55 percent Global). This may be related to the fact that a lot of the businesses in Luxembourg are in the financial fund industry. In the fund industry there is major focus on strategy at the inception of the fund, and thereafter the focus shifts towards regulation, governance, and compliance and risk management.

Luxembourg Specific Questions

Does the board collectively have the necessary skills, experience and availability it needs to be effective in the ever more complex business environment? If not, what are you missing?

A vast majority (80 percent) of the respondents indicated that the board has the necessary skills, experience and availability. Some directors in Luxembourg indicated that most board members have a similar profile and experience and therefore more diversity would be beneficial. It is apparent that, in the Luxembourgish environment, there are a lot of directors with knowledge and experience in the financial industry. Directors with knowledge and experience in other industries (for example the oil and gas, telecommunication industries), and also directors able to understand and monitor technology/ IT and cyber-security risks are more difficult to find. A couple of solutions have been brought forward. Additional director training will support the gaining of knowledge and experience that will stimulate additional insights and perspectives that will be beneficial. The board should also not hesitate to seek external specialists to assist them when needed. These specialists can provide valuable insights and do not need to be board members nor attend all board meetings.

Is the board sufficiently informed about what the key enterprise risks are and about the organization's risk management infrastructure (i.e., the way risks are managed) so as to be able to exercise effective oversight?

Eighty-three percent of the respondents in Luxembourg stated that the board is sufficiently informed about the key enterprise risks and the organization's risk management infrastructure to be able to exercise effective oversight. However, some noted that there is a need to get closer to the business to better understand the risks. Management reporting is, to a certain extent, very prescriptive in Luxembourg, particularly for regulated companies. Luxembourgish regulator perceptions of risks are reflected in the applicable laws and regulations. Besides the risks from the perspective of the regulator the board should also focus on other key enterprise risks which may be a challenge. Boards should ensure that an appropriate reporting structure has been put in place to ensure they are aware of all key enterprise risks to be able to exercise effective oversight.

Does the board monitor and constructively challenge how much risk the organization is able to take on, how much risk the organization is willing to take on, how much risk the organization is actually taking on, and ensure that all those are in line?

Two-thirds of the Luxembourgish directors surveyed indicated that the board monitors and challenges the risks the organization is able to take on, willing to take on and actually is taking on (and ensures these are aligned). One-third of the Luxembourgish directors surveyed does not always see this in practice or noticed areas for improvement. For example, it was mentioned that the board is asked to merely validate the policies and limits as set by a fund manager or investment advisor and limited discussions and challenges occurred. This could result in a lack of understanding of the magnitude of the risks taken.

Training board members and involving specialists will provide opportunities to enhance insights from a non-financial industry perspective.

Sufficient information about the key enterprise risks and the organization's risk management infrastructure is important to enable the board to exercise effective oversight.

A lack of understanding of the strategy leads to a general lack of understanding of the magnitude of risks taken.

A budget and business plan workshop that includes risk managers, executives and board members could lead to better identification and assessment of the organization's strategic risks.

The vast majority of the Luxembourgish director respondents indicated that the boards they serve on have at least one independent director.

Is the board engaging senior management in periodic risk discussions to identify proactively and challenge the organization's strategic risks? If yes, are those risk discussions between directors and executives framed around scenario planning that helps identify direction, impact and speed of onset of the effects of changes affecting the key drivers of the organization (e.g. revenue, cost, profits) and key dependencies (e.g. suppliers, IT infrastructure, service providers)?

Only sixty percent of the Luxembourgish directors surveyed indicated that the board is engaging senior management in periodic risk discussion to identify proactively and challenge the organization's strategic risks. At some organizations the risk manager has a standing invitation to attend all the board meetings. Key dependency risks (such as suppliers) are not always addressed. Some respondents indicated that the risk discussions are framed around the results of the stress testing. Involving the risk managers in, for example, a budget and business plan workshop with top management could enhance the risk assessment process.

Does the board composition include at least one independent director (independent director meaning a director who does not have any conflict of interest which might impair his/ her judgment because he/ she is bound by a business, family or other relationship with the organization, its controlling shareholder or the management of either)? If so what proportion of the Board is composed of independent directors?

Eighty-seven percent of the Luxembourgish directors that participated in the survey indicated that the board composition of the company (or companies) they serve have at least one independent director. The percentage of independent directors on boards that have at least one independent director varies between 10 percent and 100 percent, but averages at around 30 percent.

If independent directors should have a limit imposed on the number of director mandates they can accept, how should this limit be measured and enforced?

In general the respondents in Luxembourg indicated that there should not be a limit on the number of mandates independent directors can accept, as there are multiple factors to consider that would impact the number of mandates they can accept, including:

- The time the director has available
- The time a mandate will take
- The complexity of the mandate
- The available support that the director will get to execute the mandate
- The experience of the director
- The knowledge of the director
- The availability (a "cushion") to dedicate extra time in case of unexpected urgencies and developments
- The ability to make an accurate estimate of the time needed to perform the mandate
- The timing of the work during the year (considering peak periods and conflicting priorities)
- The avoidance of conflict of interest between mandates

There were multiple suggestions on how to measure the number of mandates and ensure that a director is not committed to an excessive number of mandates that would prevent them from performing their duties as director effectively. Monitoring in Luxembourg by the Commission de Surveillance du Secteur Financier (hereafter "CSSF") for regulated entities is important, but having an official publication of a director data base (e.g., maintained by the Register of Commerce in Luxembourg) was also suggested. An annual review by a "nomination committee" on the work load of the independent directors could also help to avoid situations where a director does not have sufficient time to perform his or her duties effectively.

Did the board create a board risk committee? If yes, what role does the risk committee play? How do they integrate efforts with the audit (or board) committee's review of risk?

Most respondents to the survey in Luxembourg indicated that there is no separate board risk committee (73 percent). There are, however, other organs that may fulfil a similar role. For example, in the fund industry, the role of this committee may be undertaken by conducting officers and/ or risk managers within the management company.

Does the board (or its committees) meet at least annually with the Chief Internal Auditor, The Chief Risk Officer and the Chief Compliance Officer (or equivalents) in private sessions (without senior management being present)?

Sixty-three percent of the directors that participated in the survey in Luxembourg indicated that the board meets at least annually with the Chief Internal Auditor, The Chief Risk Officer and the Chief Compliance Officer (or equivalents) in private sessions. Not all respondents in Luxembourg see a benefit in having such meetings without senior management being present.

What modifications do you expect in board agendas and practices as a result of changes in the local regulatory environment? What is the regulatory change that presents the biggest challenge to your organization(s) in Luxembourg?

A wide range of modifications to the board agendas were mentioned by the participants of the survey in Luxembourg. A frequently mentioned change is related to the introduction of the Alternative Investment Fund Managers Directive ("AIFMD") in Luxembourg (a large proportion of directors surveyed in Luxembourg had fund mandates). AIFMs face challenges regarding risk management, operating conditions, staffing, compliance and distribution. Examples of other matters that were reported to have impact on the board agendas were:

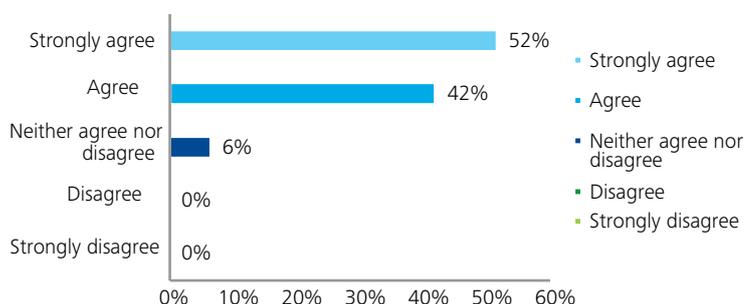
- How to ensure effective oversight of the implementation of many extensive new regulations (AIFMD, MIFID II, EMIR, UCITS V, BASEL II, FATCA, AML, changes in IFRS, etc.), and how to monitor effective compliance.
- Continuing increased focus on risk management, conflicts of interest and board governance matters. Board evaluations will become much more widespread over the coming year.
- Increased focus on anti-money laundering ("AML")—awareness and training for directors.
- Fulfilling substance requirements in Luxembourg
- Increased frequency of board meetings held in Luxembourg.
- Risk of over-emphasis on regulatory compliance at the expense of business strategy and performance
- Move towards best practices as published by surveys and trade associations
- Increase representation of certified and good quality independent directors on boards.

Each director should be able to demonstrate that they have sufficient time available to perform their duties as director effectively.

The Luxembourgish board members surveyed generally indicated that there is no separate board risk committee.

A formal assessment and monitoring of risk and compliance will be of increased importance considering the significant changes in the regulatory environment. Business strategy and performance should however remain a key focus for boards.

Recent and upcoming changes to local laws and regulations will have a significant impact on the organization.



There is a lack of directors in Luxembourg with a professional background in risk management, as well as those with experience outside the financial services industry.

Joining local director association and an affiliation with independent director networks can be beneficial.

What is the professional background (competence, skill, experience) of a director that is currently lacking in Luxembourg? Examples may include: accountant/ audit, legal, operations, risk management, sales/ distribution, compliance, tax, treasury/investment management, HR, strategy, technology or other.

Luxembourg is a financial services driven economy and, as per the responses from the directors, it is relatively easy to find directors with an accountant or legal background in the financial services industry in Luxembourg. Directors with skills outside the financial services industry are, however, more limited.

The skill which was most often mentioned as lacking was risk management followed by a lack of directors with a background in treasury/ investment management, technology/ IT and operations.

What advice would you give to new independent directors interested to enter into the Luxembourg director market? Should they consider, amongst others, employment by local service providers, membership of local director associations or affiliation with existing independent director networks; what other actions would you recommend they take?

Multiple pieces of advice have been given by the survey participants to new directors who are interested to enter into the Luxembourg director market. Becoming a member of a local director or trade association was the number one recommendation for new independent directors. Other advice given included:

- Starting with small companies first to develop experience. Try to participate in new set-ups as soon as possible in order to get the best of understanding of the product/ structure/ customer base/ support, etc.
- Networking is very important—events hosted by local director or trade associations as well as by Big four and legal firms. Attend as many of the seminars, presentations, classes that are offered as possible.
- Try to obtain a certification in areas of expertise. Ensure you gain knowledge and keep up to date with latest industry developments.
- Have technical support and be able to exchange views with fellow directors.
- Being a director is a real job, which requires effective skills and knowledge. True experience in the area of activity of the company is essential.

Contacts



Laurent Berliner

Partner & Luxembourg corporate governance co-lead
EMEA FSI Enterprise Risk Services Leader

+352 451 452 328

lberliner@deloitte.lu



Justin Griffiths

Partner & Luxembourg corporate governance co-lead

+352 451 452 692

jgriffiths@deloitte.lu



David Cau

Directeur – Business Risk

+352 451 454 260

dacau@deloitte.lu



Ronald Cornelisse

Senior Manager – Assurance

+352 451 452 420

rocornelisse@deloitte.lu

About the Deloitte Luxembourg Center for Corporate Governance

Directing the path to top quality governance in Luxembourg, the Deloitte Luxembourg Center for Corporate Governance offers numerous resources for executives, directors, and others who are active in governance.

Contact us for more information.

Find us online at: www.corpgov.deloitte.lu

About the Deloitte Global Center for Corporate Governance

The Global Center brings together the knowledge and experience of Deloitte member firms around the world in the critical area of corporate governance. Our mission is to promote dialogue in corporate governance among member firms, corporations and their boards of directors, investors, the accounting profession, academia, and government.

The Global Center also coordinates thought leadership on governance issues developed by member firms to advance thinking on corporate governance issues around the world.

Find us online at: www.global.corpgov.deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this publication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2014. For information, contact Deloitte Touche Tohmatsu Limited.