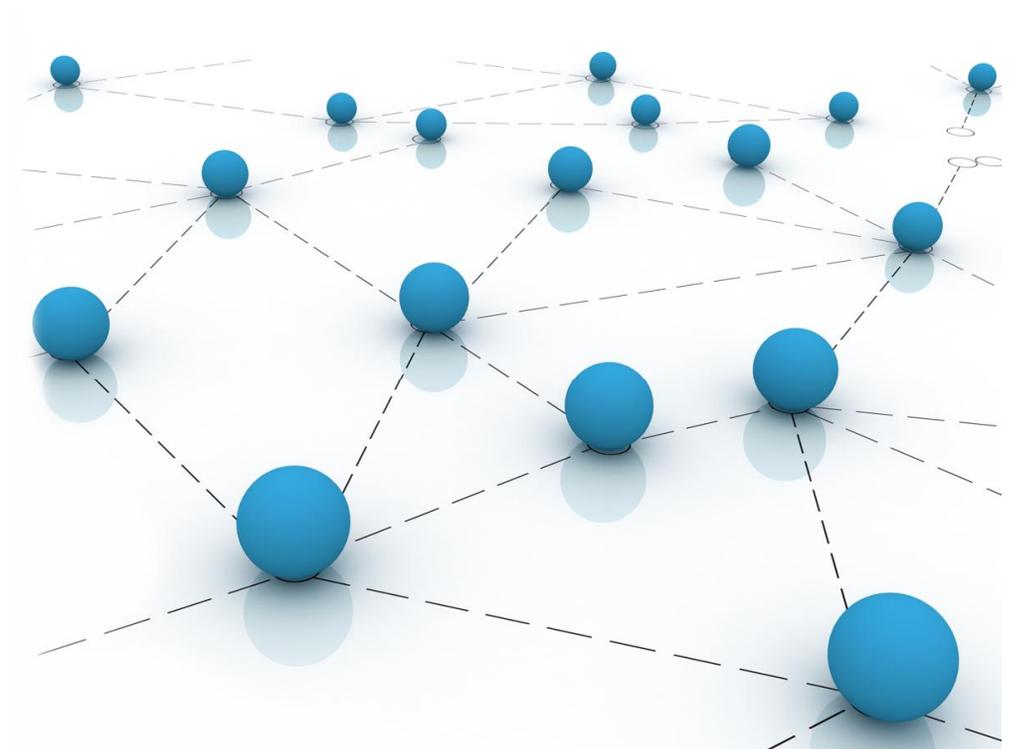




Deloitte Governance Framework and Maturity Model



Deloitte Governance Framework



The Deloitte Governance Framework was developed to help boards and executive management assess the effectiveness of the organization's governance programs. Each area of governance can be considered in the context of four attributes:

- Skills and knowledge
- Process
- Information
- Behavior

Governance Attributes

Within each governance area, there are several attributes to consider for potential improvements. These attributes form the basis of our board assessment methodology, which is presented in the form of a “board governance maturity model” on the following pages.

Questions for consideration:

Skills and knowledge

- Do the skills of the board align with the strategy of the organization, now and into the future?
- Do the individual board members have the right knowledge to be successful and effective?

Process

- Do the policies and practices align with marketplace practice and stakeholder expectations?
- Is the board addressing the broad array of topics in a manner that is consistent with the organization’s priorities and optimizes their available time and resources?

Information

- Is the right information reaching the board in the right format and at the right time?
- Does the board appropriately supplement the information received from management with insights from external sources?

Behavior

- Does the board fully execute oversight processes, draw on skills and experiences, and utilize information provided to it?
- Do directors come to the meetings prepared and informed? Do they actively engage?
- Does the board effectively mentor and support the CEO and other executive management?

Strategic oversight maturity model

An effective board: Advises management in the development of strategic plans that align with the mission of the organization, the expectations of stakeholders, and an appropriate short-, mid- and long-range focus. The Board also actively monitors management’s execution of approved strategic plans as well as the transparency and adequacy of internal and external communication of strategic plans.

	High
Skills and knowledge	Board thoroughly understands the business and its drivers and has relevant, recent prior experience in the industry, adjacent industries/markets and competitors.
Process	<ul style="list-style-type: none"> • Executes a well-documented process to engage at all key points in the strategic planning process; • Understands risks to and risk of the strategy; • Establishes and approves KPIs to monitor strategic execution; • Ensures senior management goals align with strategic priorities; • Ensures management clearly communicates strategic plans internally to employees and externally to other stakeholders; • Approves major strategic, capital or financing transactions and monitors execution; • Clearly identifies the board leader responsible for execution.
Information	Board receives timely, detailed information on the strategic plan at every meeting; board supplements information received from the architects of the strategic plans with information from internal (risk, HR, marketing, etc.) and external sources; adequate information related to execution and KPIs is shared with the board.
Behavior	Board and management collaborate on the selection among strategic alternatives; management seeks and the board provides appropriate input that leverages skills and knowledge; the designated board leader encourages open dialogue and ultimately builds consensus around the selected strategy; board exhibits “healthy skepticism”.

Risk oversight maturity model

An effective board Understands and appropriately monitors the company’s strategic, operational, financial and compliance risk exposures, and collaborates with management in setting risk appetite, tolerances and alignment with strategic priorities.

	High
Skills and knowledge	Board thoroughly understands the business, and its drivers; has relevant, recent risk management and industry expertise; has (or obtains advisors to supplement) knowledge in key risks specific to the company.
Process	<ul style="list-style-type: none"> • Monitors the company’s strategic, operational, financial, and compliance risk exposures; • Approves the organization’s risk appetite and tolerances and monitors adherence on an ongoing basis; • Appoints/approves the selection of the CRO; • Oversees the performance and compensation of the CRO in accordance with corporate policies and organizational structure; • Ensures adherence to regulatory and stakeholder expectations regarding risk management; • Oversees adequacy and transparency of disclosures and other communications to stakeholders about risk management; • Meets privately with the CRO on a periodic and routine basis.
Information	Board receives timely periodic reports from management including the CRO; board supplements the risk information provided by management with external sources (industry and analyst reports, etc.); ERM reports include adequate depth and data related to trends.
Behavior	Board adequately challenges management assumptions; board accepts responsibility for risk oversight regardless of processes delegated to various board committee(s); board sets expectations for risk management, including the ability of the CRO to communicate directly to the board/board committees.

Talent oversight maturity model

An effective board selects, develops and compensates the CEO, and oversees the talent programs of the company, particularly those related to executive leadership and potential successors to the CEO. The Board communicates executive compensation and succession decisions in a clear and compliant manner.

	High
Skills and knowledge	The board understands the attributes of successful leaders and how to apply them to the organization and its strategic plans; has experience developing leadership pipelines in organizations of similar size and scale; understands the mechanics of the company's compensations plans and the risks inherent in the plans.
Process	<ul style="list-style-type: none"> • Appoints the CEO and oversees the CEO's development, goal-setting and compensation; • Approves and monitors compensation performance metrics for the CEO; • Approves CEO compensation and transparent disclosure of executive compensation to stakeholders; • Ensures development of executive succession plans that contemplate various scenarios; • Collaborates with management to develop and adopt a compensation philosophy for the organization; • Meets periodically with executive leadership, including risk and HR, to understand organizational compensation plans , talent pipeline, and underlying risks; • Monitors external stakeholder considerations related to executive management and compensation.
Information	Obtains independent views and peer company benchmarks of compensation plans proposed by management; has access to and receives periodic reports related to compensation plans including internal audit and other reports; monitors marketplace developments.
Behavior	Board leadership takes responsibility for the development of the CEO; appropriately supports and mentors the CEO; knows and develops a relationship with other key executives, especially those with potential to succeed the CEO.

Governance oversight maturity model

An effective board establishes structures and processes to fulfill board responsibilities, reflecting the appropriate insights of investors, regulators, and management, among others. The Board selects its members and leader(s) via an inclusive and thoughtful process, aligned with company strategy.

	High
Skills and knowledge	Board understands corporate governance and its application to board structure, operations, processes and procedures; board leadership considers skills and knowledge of individual directors and the board on a composite basis (e.g. skills identified in other areas of the framework)
Process	<ul style="list-style-type: none"> • Selects qualified board members, aligning director composition/attributes with the strategic objectives of the organization; • Establishes a board and committee leadership structure that is effective in executing the responsibilities of the board/committees; • Determines committee composition; • Establishes/maintains/ensures compliance with board level governance policies; • Assess the performance of the board, individual directors, and committees; • Engages appropriately with stakeholders; • Oversees public disclosures related to board governance.
Information	Board and individual directors receive feedback and development plans from periodic assessments; has access to and periodically reviews (w/counsel or corporate secretary) board governance documents and related tools (board calendars, planning tools, etc.)
Behavior	Board displays ownership and commitment to corporate governance excellence through execution of the noted processes and ongoing assessment of the board, committees and individual directors; Board culture is collaborative and insists upon engagement and collegiality; Board members hold one another accountable for their behavior.

Integrity oversight maturity model

An effective board sets the ethical tenor for the company, ensuring that management adopts and implements procedures designed to promote both legal compliance and the highest standards of honesty, integrity and ethics throughout the organization.

	High
Skills and knowledge	Board has extensive knowledge of industry, industry-related and specifically the company financial statements and reporting processes. They understand compliance and ethics programs and their respective role in the active oversight of these programs.
Process	<ul style="list-style-type: none"> • The board oversees the process for ensuring the integrity of the financial statements: <ul style="list-style-type: none"> – Including the audit process, selection, compensation, and retention of the external audit firm, – the oversight of the internal audit function, – approval/appointment of the CAE and CCO; • Reviews and approves the code of conduct, conflict of interest policies and related processes; • Oversees the company’s whistleblower programs, and actively monitors reports from stakeholders related to organizational integrity.
Information	Board receives timely financial statement and reporting packages that provide necessary detail, including concise summaries and trend analysis highlighting relevant issues; periodic internal and external audit reports; whistleblower and integrity hotline reports; updates and revisions to code of conduct and conflict of interest policies.
Behavior	Actively engaged with management, internal and external audit with respect to the financial statements and internal controls of the organization. Demonstrates a commitment to high ethical standards and integrity and holds management accountable to those same standards.

Performance oversight maturity model

An effective board reviews and approves company strategy, annual operating and financial plans and monitors management execution against established budgets and alignment with strategic objectives of the organization.

	High
Skills and knowledge	Board thoroughly understands the business and its drivers and has relevant, recent prior experience in the industry and adjacent industries/markets; board members have extensive knowledge of the company's competition, strengths, weaknesses, opportunities and threats and an understanding of strategic and financial plan assumptions.
Process	<ul style="list-style-type: none"> • Reviews and approves the strategy, annual operating plan and capital budgets; • Monitors performance against established budgets and alignment with strategy; • Monitors competitive and financial analyst reports and other trends related to the company's performance; • Ensures full and transparent disclosure.
Behavior	Board demonstrates commitment to driving the success of the company; engages with management on the strategic plan and budgeting processes, and the alignment of operating and capital expenditure budgets with the company's strategy.
Information	Receives timely detailed reports on plan v. actual performance, including expenditures outside of the approved budgets; reports include summaries on agreed upon trends, KPIs, and pre-established metrics.

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