



Deloitte Governance Framework

September 2020



Source: [Framing the future of corporate governance](#) (Deloitte US, 2016)

The Deloitte Governance Framework is the result of a three-year process that involved the input of many subject matter specialists within our US firm. In addition to our audit practice, professionals in a range of disciplines such as strategic planning, executive compensation, corporate compliance, enterprise risk management, and regulatory affairs contributed to the development of the Framework. Furthermore, our senior partners across the organization interface with boards and board committees every day—often in the most trying of circumstances. The process of developing the Framework offered the opportunity to gather the collective knowledge of these professionals and organize it in a way that provides companies and boards with a more complete picture.

With the initial versions of the Framework in hand, the Center for Board Effectiveness reached out to the governance community. We sought feedback from board members, corporate executives, lawyers, academics, and governance experts. We asked questions: What feels right about the Framework? What is missing? How can it be improved? And, more fundamentally, is this something boards need?

The Framework has lived through numerous revisions and our work is not finished. Our goal is to have this Framework continue to evolve as expectations shift and the view of organizational governance evolves.

Elements of corporate governance

Underlying all the elements of the Framework is the *corporate governance infrastructure*. The governance infrastructure is the aggregation of governance operating models—the people, processes, and technologies—that executive management has put in place to govern the day-to-day activities of the organization, as well as the processes used to accumulate information and report it to the board and external stakeholders. This is represented by the blue band that encircles the entire Framework.

With respect to the board's role in the operating models that comprise the *corporate governance infrastructure*, it can vary from that of an overseer to an active participant in the processes themselves. The board's responsibility for the oversight of the various elements is depicted in the Framework as a flexible overlay, with the level of the board's participation in the related operating model decreasing as you look at it from top to bottom. Risk and culture are at the core of the Framework, influencing and impacting the effectiveness of all elements of governance.

For some elements (depicted in the bottom half of the Framework), the board's role could be seen as that of an active monitor that understands the operating models that are in place, determines that such models are adequately developed and resourced, monitors the output and any issues identified in the process, and so forth. We consider that there are four elements of the governance system that fall into this category for most companies—programs that provide controls over the entity's *planning, operations, reporting* (both internal and external), *compliance*, in addition to *risk management*.

The board's oversight objectives and activities within each of these elements are generally quite similar to one another and may consist of understanding the organization's operating models, considering their adequacy in the circumstances, and monitoring output. These same objectives and activities apply to the board's activities for the underlying infrastructure for each of the elements at the top of the Framework.

The top half of the Framework highlights areas of the governance system where the responsibility of the board is typically heightened. It is not generally considered sufficient for the board to merely understand and monitor the organization's operating models in these areas. Either because of specific legal or regulatory requirements or because of the increased expectations of stakeholders, the board is an active party in the process. There are a number of specific duties and decisions related to each of these governance elements that cannot be delegated to the organization's management. Recognizing that some organizations will choose to draw the line differently, the board governance elements that may typically fall into this category include governance (used here to refer to the board's structure and composition), strategy, performance, integrity, talent, and risk governance.



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