

ILA - Institut Luxembourgeois des Administrateurs



The governance priorities of the Luxembourg Institute of Directors for 2023

MARCH | 2023

The Luxembourg Institute of Directors (Institut Luxembourgeois des Administrateurs), "ILA", is the first interlocutor on corporate governance in Luxembourg and thus plays a significant role in determining and promoting good, conscious, and sustainable corporate governance. ILA's mission is to support ALL directors and governance professionals, to be the voice of governance for all sectors of the Luxembourg ecosystem and to reinforce the application of «best practices» in governance.

To this end, ILA, as a multi-sectoral association, strives to be at the forefront of all governance issues and to be an ambassador for Luxembourg as one of the best business places recognised for its good governance practices.

ILA has almost 3,000 members, 23 working committees, and currently 10 employees.

ILA offers training on sustainable corporate governance and other related topics, facilitates connections between directors and governance professionals and promotes their professional development. In order to promote modern, high-quality governance, it issues recommendations and stances on corporate governance issues such as the length of terms of office, board diversity and the concept of independence.

In the context of the parliamentary elections of 8 October 2023, ILA would like to draw the attention of the future MPs and the future government to some of

its priorities that it would like to see included in the agenda of the next legislature.

1
Firstly, a situation that has already been around since 2017 and urgently requires clarification. This concerns the disproportionate tax burden resulting from the treatment of directors' remuneration by the tax authorities. This is because the directors' remuneration is treated differently from the point of view of direct and indirect taxation, i.e. it is regarded as a service from the point of view of VAT but not from the point of view of direct taxation, because it is not deductible for the company that is invoiced.

The tax burden thus weighing heavily on the companies paying these remunerations is likely to prove dissuasive and harm the attractiveness of the Grand Duchy in the European context of business centres.

2
Secondly, ILA would like to share its position on the draft of the «ATAD 3» directive. Under the current



draft of this European directive, the use of nonexecutive directors is considered as “outsourcing” for the sole purpose of tax avoidance and seriously jeopardises the Luxembourg model of governance, which, on the contrary, in order to promote best practice, favours the use of the expertise and objectivity of such non-executive directors.

Thirdly, ILA advocates the recognition of the specific **3** role of the Corporate Governance Officer (CGO) in Luxembourg (Responsable de la gouvernance d'entreprise - RGE).

The person in this role would, in addition to his or her current function as company secretary, be responsible for (i) checking the completeness and consistency of the company’s governance, (ii) monitoring the proper implementation of internal procedures, (iii) alerting the company’s board of any potential malfunctions, and (iv) informing the board of any new obligations on the company, as well as (v) ensuring that the company’s governance is kept up-to-date. In doing so, this person would be responsible for actively supporting the company’s board of directors in its responsibility to ensure the company’s compliance to and proper application of its legal and regulatory obligations.

As a first step, ILA recommends that the establishment of such a role within Luxembourg companies be the subject of an official recommendation, supported by the Luxembourg regulatory authorities. The first sector in which this role could be implemented

would be the financial sector in the broad sense, and more particularly all its regulated structures, which represent a significant part of the Luxembourg economy.

In short, competent and trained CGOs would bring added value and security to the company, assured of the quality of its governance, and would increase confidence in the reliability of Luxembourg companies, thus positioning the Grand Duchy as a forerunner in good governance.

All of these priorities for 2023 are in line with ILA’s commitment to high quality training for corporate directors. Thanks to its privileged contacts with the major players in the national economy, ILA actively participates in the development, improvement, and dissemination of best practices, and particularly in the area of sustainability in recent years; ILA thus proposes its support for the future government regarding any issue related to this subject. In addition, ILA continues to support diversity, in the broadest sense, on boards of directors, and it assists directors and the companies they represent in their efforts to achieve greater diversity within these bodies.

ILA hopes that these priorities will be of interest to you and our experts would be happy to discuss them in more detail with you at your earliest convenience.



ILA has currently
approximately
3000 members



183 Certified Directors



**93 Certified Members in
Company Secretarial and
Governance Practice**



The voice of corporate governance
in Luxembourg

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