



association of the
luxembourg fund industry



Institut Luxembourgeois
des Administrateurs

BOARD REPORTS

Board Reports

ALFI Code of Conduct for Luxembourg Investment Funds

Principle VI

The Board should ensure that investors are properly informed, are fairly and equitably treated, and receive the benefits and services to which they are entitled

Introduction

The guidance in this document applies to those funds and management companies that adhere to the ALFI Code of Conduct.

The directors of a fund or management company are ultimately responsible for good governance. Their report to shareholders, which is usually placed at the beginning of the Annual Report, provides shareholders with salient information about the performance of the fund, how it was governed during the year under review and its future outlook. It further supports greater transparency and accountability in corporate governance.

Board Reports: high-quality narrative that supplements the financial statements

The annual report is an important means of communicating with shareholders. It can also be used to provide well thought-out disclosures on the company's governance arrangements.

We have set out below certain examples of items that Boards may consider to include in their annual reports. The items set out come from reviews of a wide range of sample reports, and therefore reflects items addressed by certain investment funds and management companies in Luxembourg.

Please note that this is neither a prescriptive or exhaustive list of matters to be covered in a directors' report and must be adapted to the individual circumstances of the fund or management company. The information may also be disclosed elsewhere in the Annual Report or otherwise (such as the firm's website). It is recommended that the board annually reviews the matters to be included in the directors report as each Board reflects on the quality of its governance over time, and what actions it might consider to improve its structures, processes or systems.

We have used the term "Board Report" in order to refer generically to the management body, and thus to apply whether in your entity the actual report in question is a "Director's Report", "Manager's Report", "General Partner's Report" or similar.

Ideas for inclusion in an Annual Board Report

Introduction

The directors of the Company submit their report and the audited financial statements for the year ended XX 20XX.

Activities and outlook

- Key events during the year which may include, but are not limited to, details of launched/liquidated sub-funds, mergers, change in service providers, new/exited countries of distribution etc.
- Review of fund performance which may refer to the investment manager's report
- Outlook for the following period
- Key events after the reporting date

Corporate Governance Statement

- Corporate Governance Code
Consider indicating whether whether a corporate governance code has been adopted and adhered to by the fund or ManCo, and if so, which one.
- Board Composition

Members of the Board of Directors as at XX 20XX:

Name	Executive	Non-executive	Independent non-executive	Length of service on Board
Director A*	x			3,5 years
Director B**		x		5 years
Director C		x	x	7 years

* Chairman of the Board since 20XX

** Appointed to / resigned from the Board on 20XX

*** Add other explanatory footnotes if deemed necessary

Consider including details of the board's policy on director appointments and terminations.

Consider including a description of the board's policy on diversity, and of any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

Consider whether to provide biographies of the directors or indicate that they are available in the Fund's prospectus.

- Role and Responsibility of the Board

Consider describing what the Board is responsible for and how it discharges its duties. Explain the role of the Chairman, what matters are reserved for the Board and the rights of the board and/or directors to effectively carry out their duties.

For example, you might set out the areas of responsibility that the Board has delegated, how it monitors the services provided by the Management Company and the Depositary and how significant matters are evaluated and addressed by the Board.

- Board Committees

Consider indicating the existence of any board-level committee to support the Board and describe their purpose, authority and responsibility, composition and frequency of meetings.

- Attendance of meetings of the Board of Directors and the Committees during the year ended XX 20XX:

	Board of Directors	Risk committee	Audit Committee	Nomination and compensation committee
Number of meetings held during the year	4	2	2	2
Director A	4			Guest
Director B	4	2	2	1
Director C	3	2	2	2

* Footnote: Add explanatory footnotes if deemed necessary

- Board evaluation

Consider including a statement on method used for the performance evaluation of the board and its committees.

- Board compensation

Consider providing details of the remuneration paid to board members, how this is determined and approved (this may alternatively be presented in the Notes to the financial statements)

- Disclose directors' interests which may include:

- Shareholding in the Fund
- Interests in major service providers and counterparties to the Fund, including common directorships and executive functions
- Other interests

- Financial information

Consider including an explanation from the directors of their responsibility for preparing the accounts and a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Details of communication with shareholders during the year

- Notifications to shareholders during the year
- Dividends declared during the year
- Material changes or matters not already addressed elsewhere in the report

Points for consideration at the Annual General Meeting

Other relevant additional information may include:

- Proxy Voting arrangements;
- Social responsibility



The Association of the Luxembourg Fund Industry (ALFI), the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents more than 1,500 Luxembourg-domiciled investment funds, asset management companies and a wide variety of service providers including depository banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies.

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in more than 70 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to **“Lead industry efforts to make Luxembourg the most attractive international investment fund centre”**.

Its main objectives are to:

Help members capitalise on industry trends

ALFI’s many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond to identify threats and opportunities for the Luxembourg fund industry.

Shape regulation

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg’s competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision-making through relevant input for changes to the regulatory framework, the implementation of European directives and the regulation of new products or services.

Foster dedication to professional standards, integrity and quality

Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organizing training at all levels, defining codes of conduct, transparency and good corporate governance and supporting initiatives to combat money laundering.

Promote the Luxembourg investment fund industry

ALFI actively promotes the Luxembourg investment fund industry, its products and services. It represents the sector in financial and economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry.

ALFI is an active member of the European Fund and Asset Management Association, of the International Investment Funds Association, of Pensions Europe, of the International Association of Pension Funds Administrators and of the Global Impact Investing Network.

For more information, visit our website at www.alfi.lu and follow ALFI on



about ila



The mission of ILA is to promote the profession of Directors by developing its members into highly qualified, effective and respected Directors.

In parallel, it will promote best practices in Luxembourg in the field of Corporate Governance of companies and institutions by actively engaging with those institutions charged with the introduction, application and oversight of those Corporate Governance rules and practices. It will achieve this through high quality training, forum discussions, research, publications and conferences.

ILA aims to be the premier interlocutor in Luxembourg on issues affecting Directors.

For more information, visit our website at www.ila.lu and follow ILA on:



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**Code of Conduct -
Guidance on Board reports**