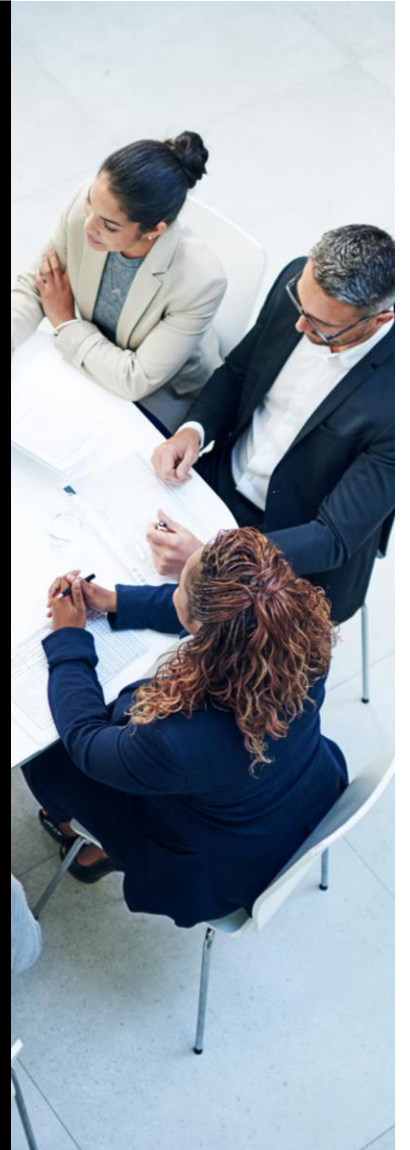


Unlocking the Strategic Potential of the Chief Legal Officer

The Power of Reporting Structure



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Empowered Chief Legal Officers (CLOs) who have a “seat” at both the executive and boardroom tables are in the best possible position to guide their organizations in their compliance with legal and ethical obligations.

CLOs that report directly to the CEO and have a direct reporting line to the board are more involved in corporate governance, business strategy, and Diversity, Equity, & Inclusion (DEI) and Environmental, Social, & Governance (ESG) initiatives. These areas are often the greatest source of legal risk for organizations.

Having the CLO deeply engaged in these critical areas can ensure that legal and ethical considerations are raised and addressed before concerns can arise.

This presentation highlights key results from ACC’s [2024 Chief Legal Officers Survey](#) and offers 12 reasons why CLOs need direct access to the CEO and Board.

Jason L. Brown

Vice President, General Counsel & Secretary
GE Appliances

ACC Advocacy Chair



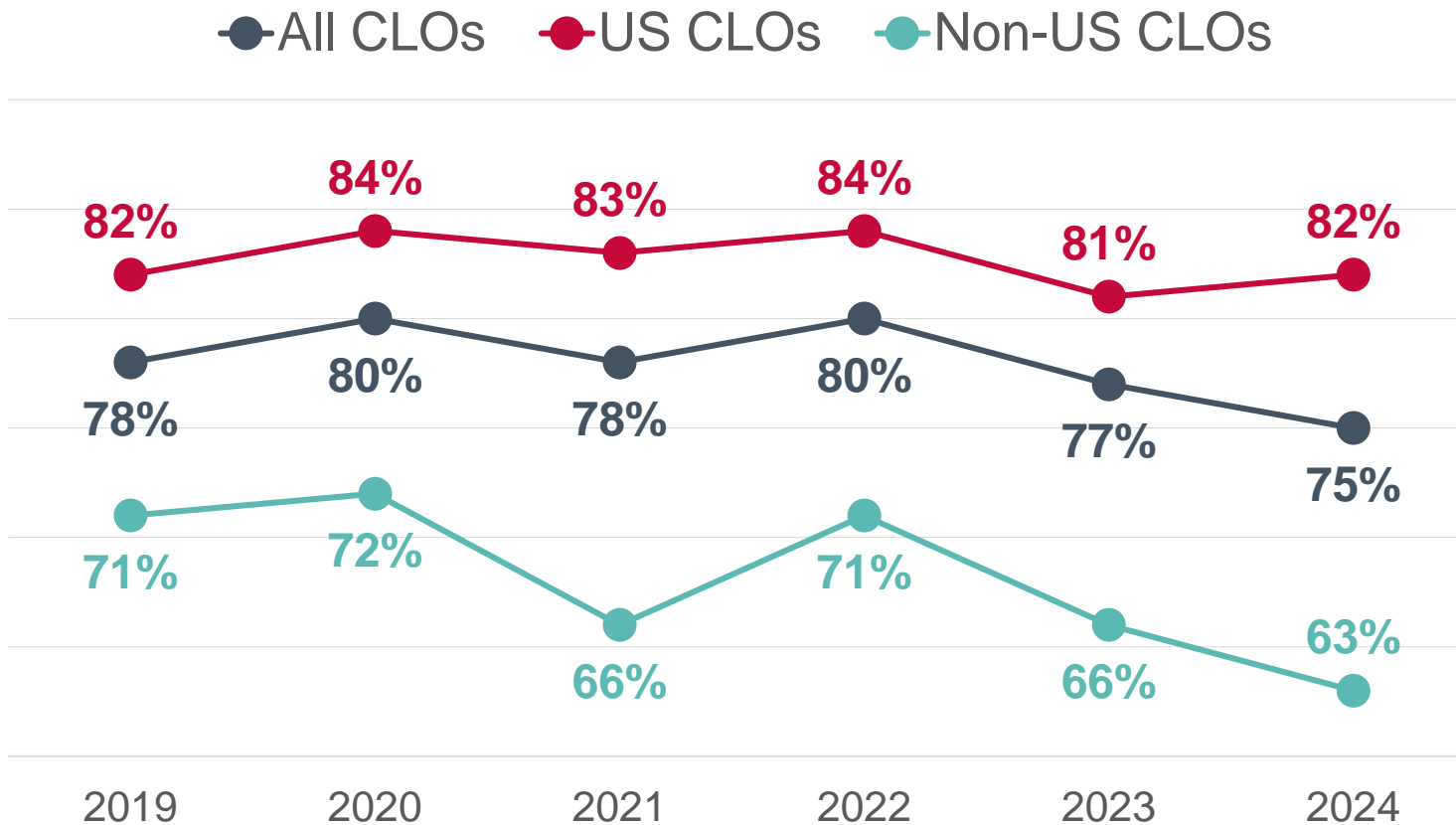
"In today's intricate regulatory landscape, the CLO plays a pivotal role in ensuring an organization's adherence to legal and ethical standards. By having a seat at the table among top executives and board members, the CLO is better positioned to offer invaluable legal insights in strategic planning and additional business functions, giving companies a competitive edge.

ACC's Seat at the Table initiative advocates for reporting structures that empower CLOs to cultivate a compliance-centric culture within organizations, providing members with essential resources to champion this cause and disseminate thought leadership effectively."

Examining the Current State

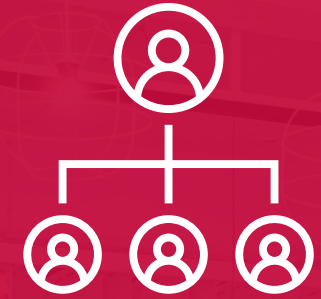
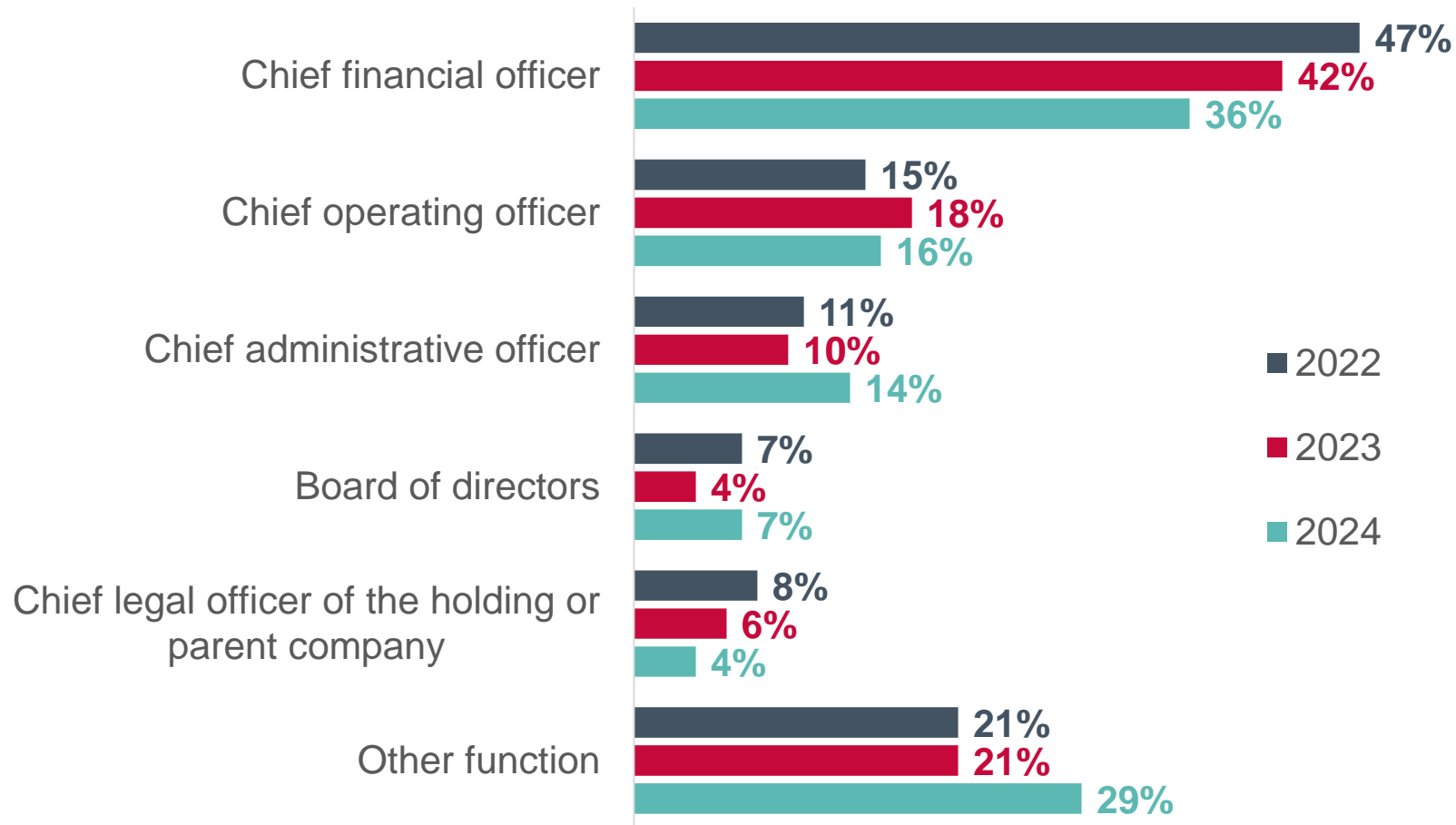


MOST CLOs TODAY REPORT DIRECTLY TO THE CEO, BUT THERE IS GREATER VARIATION OUTSIDE OF THE US



- 75 percent of participant CLOs globally report directly to the CEO
- In the US, more than four out of five CLOs have consistently reported to the CEO since 2019
- Just 63 percent of CLOs in other countries reported to the CEO in 2024.

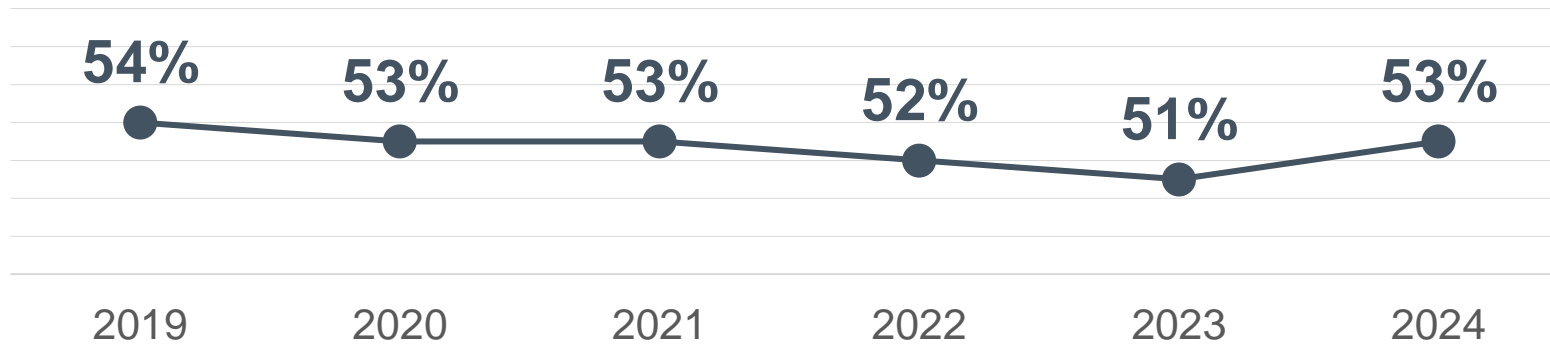
FEWER CLOs ARE REPORTING TO THE CHIEF FINANCIAL OFFICER



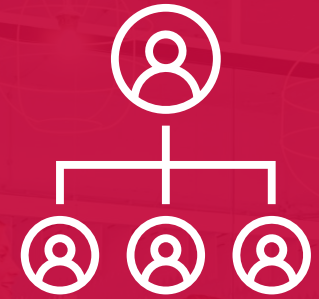
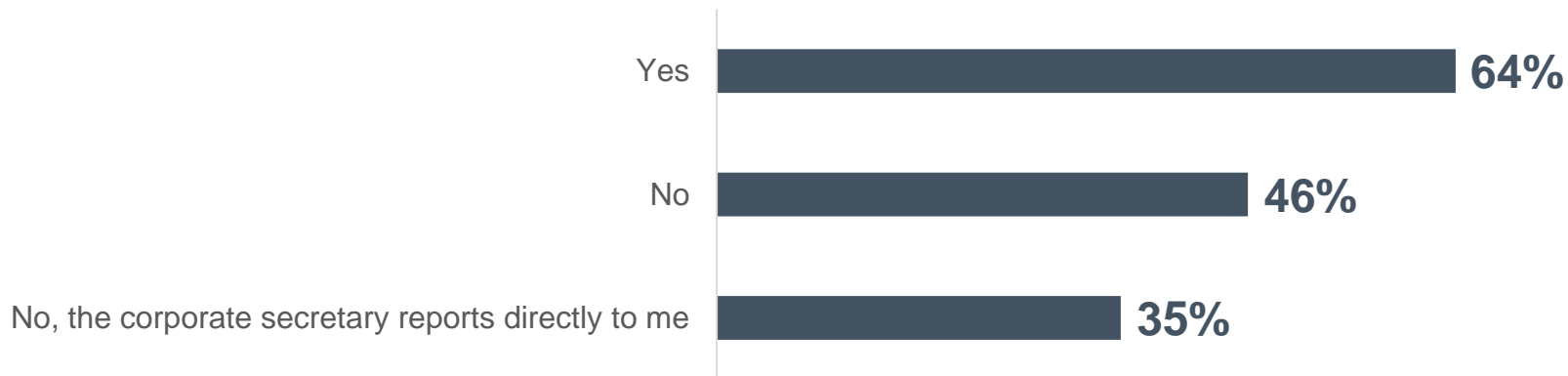
CLOs who do not report to the CEO most often report to the CFO, but the percentage who do so has been steadily declining over the past three years.

SLIGHT MAJORITY OF CLOs ALSO HAVE A DIRECT REPORTING LINE TO THE COMPANY'S BOARD

Percentage of CLOs with a direct reporting line to the board

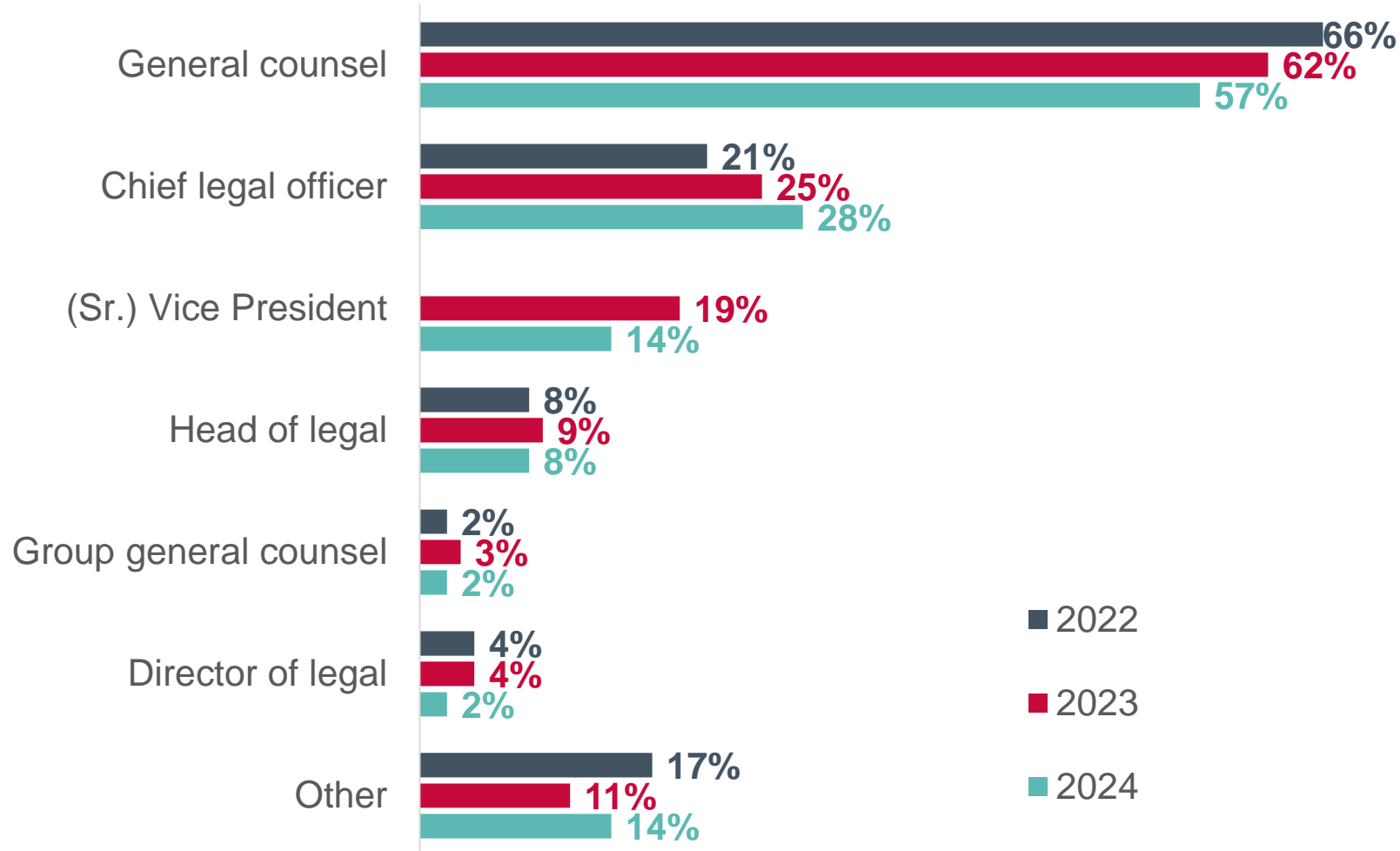


Percentage of CLOs who have a direct reporting line to the board based on whether they also hold the corporate secretary title



Over half of participant CLOs have a direct reporting line to the company's board, but those who are not the corporate secretary fall below the fifty-point mark.

THE CHIEF LEGAL OFFICER TITLE IS BECOMING MORE COMMON



Although general counsel is still the most frequently used title among survey participants, the use of the chief legal officer title has increased from 21 percent to 28 percent since 2022, while the general counsel has decreased from 66 percent to 57 percent.

Shaping Strategy: The Advantages of a CLO Reporting Directly to the CEO

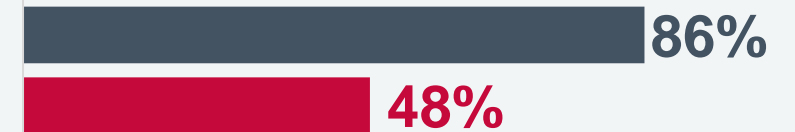


CLOs WHO REPORT TO THE CEO ARE MORE INVOLVED IN CORPORATE GOVERNANCE AND BUSINESS STRATEGY

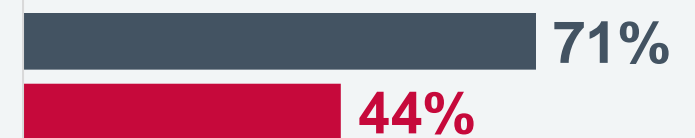
Percentage of CLOs who are "*almost always*" involved in the following situations based on whether they report directly to the CEO

■ CLOs who report to the CEO ■ CLOs who don't report to the CEO

When your organization holds a board meeting, how often do you attend?



How often do you meet with business leaders at your organization to discuss operational issues and risk areas?



How often does the executive leadership team seek your input on strategic business decisions?

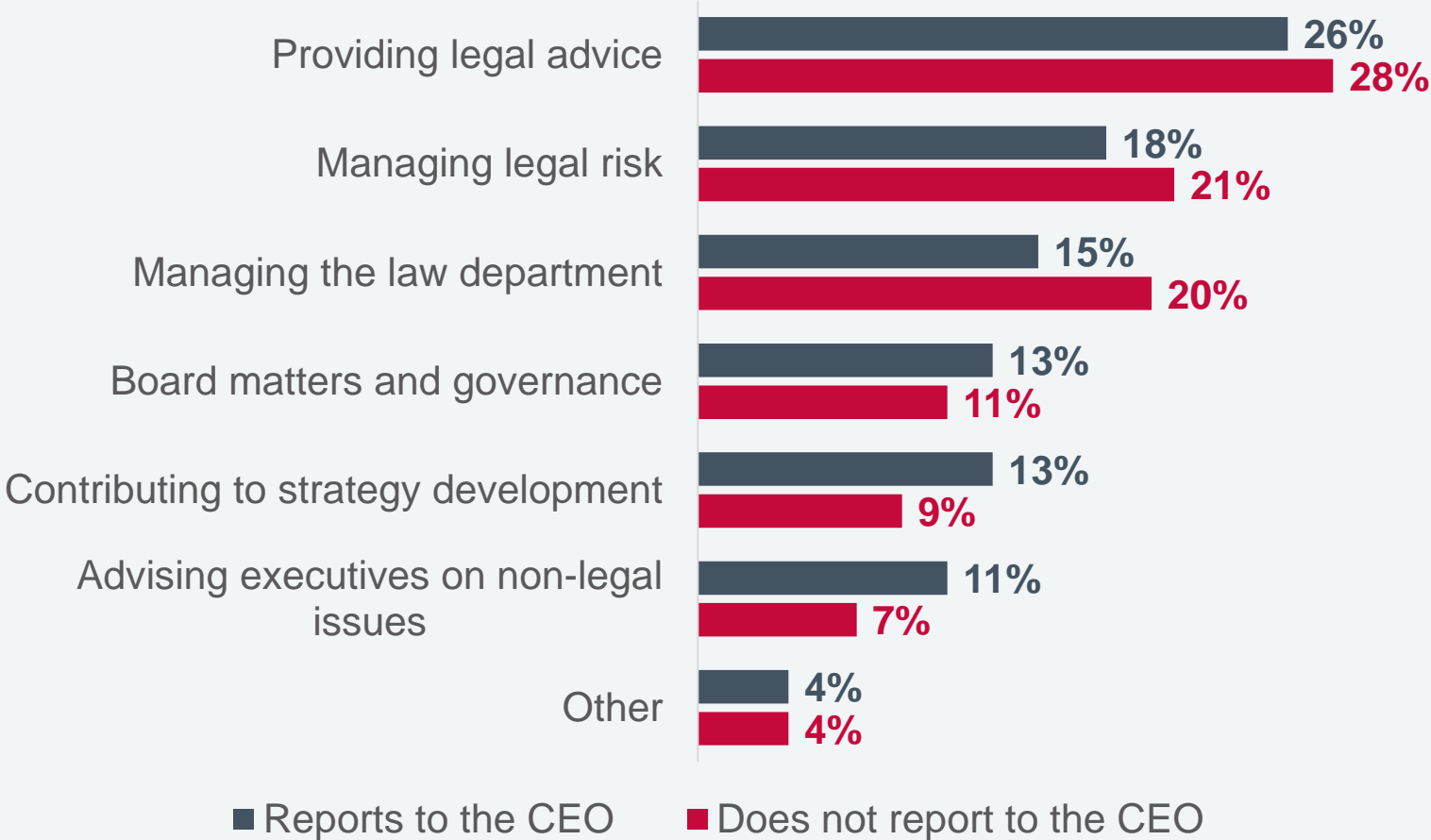


More than half of CLOs who report directly to the CEO are regularly consulted by leadership on strategic business decisions, compared with just 25 percent among those who do not.

CLOs WHO REPORT TO THE CEO SPEND MORE TIME ON GOVERNANCE AND STRATEGY

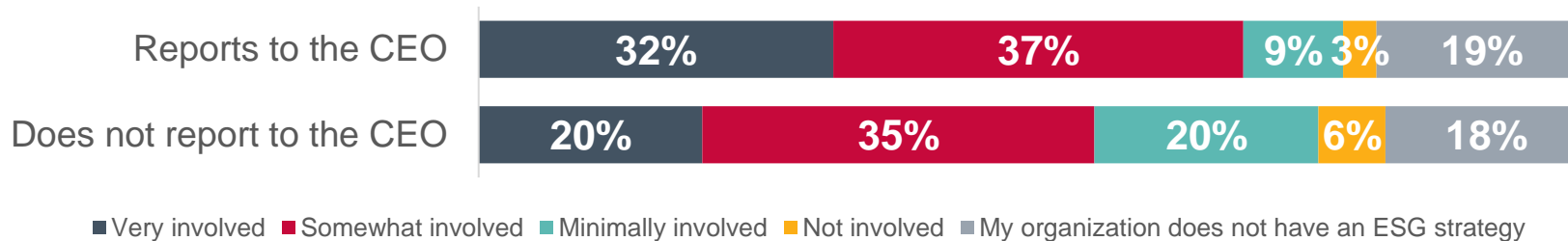
CLOs were asked to allocate their percentage of their time across a variety of high-level areas. A higher percentage of CLOs spend more time contributing to corporate strategy, governance issues, and advising executives on non-legal issues when they report directly to the CEO.

Those who do not report to the CEO tend to spend more of their time “on the ground” managing the day-to-day of their legal department.

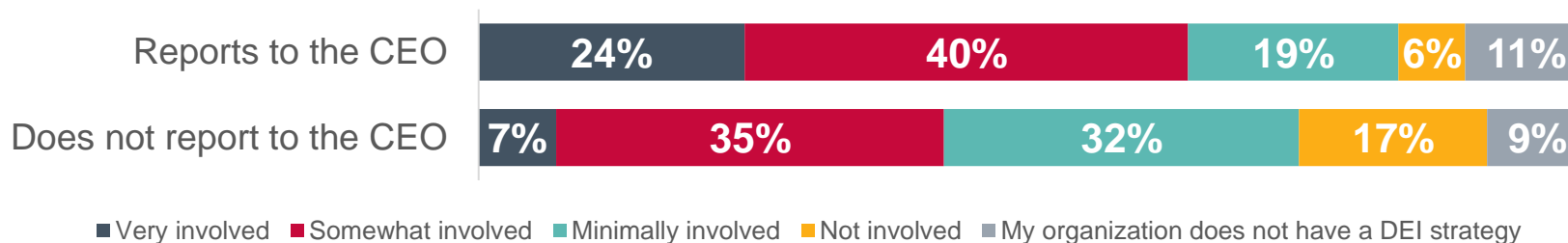


CLOs WHO REPORT DIRECTLY TO THE CEO ARE MORE INVOLVED IN LEADING THEIR ORGANIZATIONS' DEI AND ESG STRATEGIES

How involved are you in leading your organization's environmental, social, and governance (ESG) strategy?



How involved are you in leading your organization's diversity, equity, and inclusion (DEI) strategy?



Thirty-two percent of CLOs say they are “very involved” in leading their organization’s ESG strategy when reporting to the CEO compared to just 20 percent who do not report to the CEO.

Similarly, CLOs who report to the CEO say they are “very involved” in leading DEI strategy at three times the rate than those who do not report to the CEO.

Why CLOs Need Direct Access to the CEO and Board



1

Proactive Risk Management

A CLO's legal expertise allows them to identify potential legal roadblocks and risks associated with new business ventures or strategic decisions. Their involvement helps ensure strategies comply with regulations and mitigate legal challenges before they arise. Direct reporting ensures these risks are effectively communicated and addressed at the highest levels.

2

Enhanced Corporate Governance

A CLO with direct access to the board fosters a culture of strong corporate governance. They can advise on ethical practices and compliance, safeguarding the company's reputation. This allows for unfiltered legal advice without being diluted by other executives, which is crucial for informed decision-making by the CEO and board.

3

Alignment with Business Goals

Direct communications allows the CLO to understand the company's strategic goals and tailor legal strategies to support them. This fosters alignment and ensures that legal compliance does not hinder business objectives.

4

Early Warning System

The CLO is often the first to identify potential legal issues arising from new ventures or changing regulations. Direct reporting allows for early warnings and swift responses, minimizing potential damage.

5

Crisis Management

In the event of a legal crisis, a CLO's leadership and legal knowledge become crucial. Their proactive involvement in business strategy can help prevent crises in the first place and ensure a swift and effective response if one occurs. By promoting ethical practices and responsible business conduct, they can also help to shape the narrative, ultimately strengthening the company's brand.

6

Innovation and Growth

The legal landscape is constantly evolving. A CLO with a forward-thinking approach can help the company navigate new legal issues related to emerging technologies or business models, fostering innovation and growth.

7

Global Expansion

Businesses operating internationally face complex legal environments. A CLO's understanding of international regulations and compliance can be valuable when entering new markets, minimizing legal risks and ensuring smooth operation.

8

Talent Acquisition and Retention

Legal issues can be a major concern for top talent. A CLO who understands the business strategy can help create a work environment that fosters legal compliance and ethical practices. This attracts and retains high-performing legal professionals who are crucial for the company's success.

9

Cost Optimization

Legal issues can be costly. A CLO involved in business strategy can identify potential legal pitfalls and recommend cost-effective solutions. They can also help negotiate better terms with vendors and partners, reducing overall legal expenses.

10

Data Privacy and Security

Data privacy regulations are continually evolving. A CLO's involvement in business strategy can ensure the company's data practices are compliant, protecting both customer information and the company's reputation from potential breaches.

11

Increased Visibility and Influence

A direct reporting line elevates the CLO's position within the company. They gain a stronger voice in shaping the overall direction and decision-making processes. They can also help to instill ethical behavior into the company culture.

12

Improved Communication and Collaboration

Direct access fosters better communication and collaboration between the legal department, CEO, and board. This streamlines decision-making and ensures everyone is on the same page.

ADVOCACY AT ACC

From its inception, ACC recognized the importance of advocacy by, and for, its membership.

ACC's advocacy initiatives focus on issues that directly affect the practice of law by its members in their capacity as in-house counsel.

ACC's advocacy efforts span the courts, legislative bodies and regulatory agencies, and in media and professional journals.

Learn more at www.acc.com/advocacy

KEY ACC ADVOCACY INITIATIVES

- **Legal Professional Privilege:** ACC advocates for the recognition and protection of legal privilege for in-house counsel globally.
- **Multijurisdictional Practice:** ACC advocates for clarification and simplification of multijurisdictional practice rules to promote flexibility.
- **Gatekeeper Liability:** ACC advocates for the position that in-house counsel who act ethically in representing or defending their clients should not be held liable for their actions simply because they are attorneys.
- **Seat at the Table:** ACC supports the position that CLOs should report directly to the CEO and that by doing so, they are in a better position to foster a culture of compliance.
- **Diversity, Equity, and Inclusion:** ACC supports the use of DEI best practices through [ACC Foundation](#) programs.

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