

Asset Management & Investment Funds Update

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Board Diversity: An Industry Guide for Fund Boards

In January this year, the Independent Non-Executive Director (**INED**) working group within Irish Funds produced guidance for fund boards seeking to achieve greater levels of diversity across a range of factors.

Central Bank & diversity

Since 2012, the Central Bank has been reporting on demographics of the applications received from firms for Central Bank approval for certain senior roles in financial services firms. This forms part of the Central Bank's commitment to monitor and report on the level of the diversity in the sector. The Central Bank considers increased levels of diversity an important component of a 'well-managed, financially resilient, strategically-minded firm'.

Board diversity within FMCs

As part of the CP86 thematic review, the Central Bank obtained data from firms indicating 'a significant gender imbalance on the Boards of [fund management companies or] FMCs. Of the 1,654 directorships across 358 FMCs, only 266 or 16% of director roles are held by women.' FMCs were told to consider gender diversity as part of the governance review required by the findings of the CP86 thematic. In December 2022, the Central Bank published findings from its follow-up survey assessing how FMCs have evolved as a result of the CP86 thematic findings. The results of that survey confirmed a marginal increase in the number of directorships held by women from 16% in 2019 to 20% in 2022. The Central Bank reiterated its expectation that FMCs consider diversity as part of ongoing internal governance reviews including due consideration of factors such as skills, age, gender, culture and ethnicity to address the gender and other imbalances that continue to exist at board level within FMCs.

Industry guidance for enhancing board diversity

The INED paper provides useful background and context to its proposal for a fund board diversity framework comprising actions in conjunction with a D&I questionnaire and maturity model. The actions are pitched as high level with the questionnaire being more specific and so of assistance in determining the board's D&I maturity level and subsequent implementation of the model. The paper also summarises practical guidance from some boards that have put in place diversity targets, diversity target definitions and mission statements.

While the board diversity framework approach in the INED paper is 'directed principally at fund boards...it can be equally applied to the delegates of fund board such as management companies' or for informing the oversight of delegates and their levels of D&I.

Next Steps

Fund boards seeking to increase D&I levels, whether in their own composition and/or across that of their delegates, may find the INED paper a useful resource.

WILLIAM FRY

DUBLIN | CORK | LONDON | NEW YORK | SAN FRANCISCO | SILICON VALLEY

William Fry LLP | T: +353 1 639 5000 | E: info@williamfry.com

williamfry.com

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