



# Analysis of Directors' Remuneration & Board Composition

**Irish UCITS Funds plc**

February 2021

***Your Partner For What's Next***





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# Introduction

**2020 presented various and multi-faceted challenges, not just in Ireland but globally. It was an incredibly challenging year for everyone as the pandemic caused personal loss and hardship.**

The asset management industry was confronted with Covid-19 related asset price volatility and operational risks including the abrupt advent of remote working. In spite of these headwinds, the Irish Asset Management Industry had a successful 2020.

At the end of November 2020, there were 7,903 funds and assets under management totalling over €3.2 trillion, of which UCITS structures represent 4,882 funds and €2.4 trillion assets under management.\* In addition, the year closed with a revised and enhanced Investment Limited Partnership Act passing into law.

We are pleased to provide our fourth annual analysis on directors remuneration and board composition.

In 2020, we analysed over 200 publicly available financial statements of UCITS companies including 2,290 sub funds and assets under management of €1.8 trillion.

We have expanded this year's report to provide additional details surrounding the profile of directors such as age and nationality. We have also included details of the diversity trends in Board composition by looking at nationality and gender allocation at Board level over the last three years.

Our guide offers a broad overview on board composition and directors remuneration and we hope that it is a beneficial benchmarking tool.

\* Source: Irish Funds website on 18/01/2021 (<https://www.irishfunds.ie/facts-figures>)

## Highlights of this year's report



**82% of directors are male. However, for director appointments during the year (per 2020 analysis), 49% of independent directors appointed were female.**



**61% of companies had 2 nationalities on the Board of Directors and 32% of companies had more than 2 nationalities.**



**The average age of a male director was 59. The average age of a female director was 51. The average age of a female iNED appointed during the year was 52.**



**The average aggregate remuneration of directors per company increased slightly in 2020 compared to 2019 (€72,405 in 2020, €70,767 in 2019).**





# Remuneration Regulation Landscape





## UCITS V

At a European level, UCITS V, as transposed into Irish law, remains the key piece of legislation for UCITS plcs on the topic of remuneration. UCITS V focuses on 3 key areas one of which is in relation to remuneration, namely, the requirement to establish a remuneration policy which aligns with the interests of the UCITS and in particular, how variable remuneration should be paid to certain “identified staff” of the UCITS’ management company and delegates whose activities have a material impact on the risk profile of the UCITS or the UCITS management company. UCITS management companies that are considered significant in terms of their size are required to establish a remuneration committee, which is required to directly oversee the remuneration of the senior officers in the risk management and compliance functions.

Furthermore, UCITS V introduced a requirement that the total remuneration paid by the management company and by the UCITS, to its staff, be disclosed in the annual

report of the UCITS (similar to the requirement under AIFMD). In a Q&A in May 2018, ESMA stated that UCITS managers can ensure compliance with delegate remuneration disclosures by means of (a) equivalent local disclosure requirements on the delegate or (b) by appropriate contractual arrangements.

The Central Bank of Ireland has added Regulation 99 to the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (S.I.230 of 2019), published on 6th June 2019. This Regulation captures the requirement placed on UCITS Management Companies to ensure that its remuneration policies and practices as required in Regulation 24A of the UCITS Regulations are consistent with the ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (Ref: ESMA/2016/411).

## AIFMD Reform

The European Commission has published both its report on the operation of the Alternative Investment Fund Managers Directive (EU/2011/61) (“AIFMD”) and the consultation on proposed amendments to the AIFMD closed in January 2021. The AIFMD Report found that:

- existing remuneration guidelines, including those under AIFMD have proved to be effective, and a move away from variable in favour of fixed remuneration appears to have introduced greater risk-aversion in the AIFM sector and increased overall awareness of good remuneration systems.
- there were however some calls that AIFMD remuneration rules should align with those applicable to MiFID investment firms under MiFID II/CRD V.

The recent Commission consultation on AIFMD Reform, asks only one question on the topic of remuneration. Namely, ‘should the AIFMD rules on remuneration be adjusted to provide for the de minimis thresholds?’

As such, it would appear as such that no major reforms in the area of remuneration will transpire in the Commission’s AIFMD reform proposals. This notwithstanding, it is important to note that any changes that are proposed for AIFMD will also be considered for UCITS as there is a general call for AIFMD/UCITS harmonisation as appropriate.





## MiFID II / CRD IV: Until June 2021

Markets in Financial Instruments Directive II ("MiFID II") entered into effect on 3 January 2018 and is one of the most significant regulatory initiatives undertaken by the European Union. MiFID II updates the existing MiFID framework and addresses issues in relation to transparency, investor protection and market infrastructure as well as introducing new corporate governance requirements for investment firms. Investment firms that are subject to MiFID II may already be subject to similar remuneration requirements under CRD IV and/or UCITS V. Such firms have an obligation to have remuneration policies in place which are implemented and overseen by management bodies.

They are also required to incorporate measures to avoid conflicts of interest and require an appropriate balance

between fixed and variable remuneration. Any incentive payments should be calibrated on the basis of both quantitative and qualitative criteria.

In addition, MiFID II focuses on staff who might have a material impact directly or indirectly on investment or ancillary "services" provided to clients and any conflicts of interest that might arise on the basis of that staff member's remuneration and the interests of the client (MiFID Article 24(10) and MiFID Article 27).

To date, where UCITS Management Companies have utilised the MiFID add-on permissions, regard has to be paid to the relevant provisions of MiFID II, however, the remuneration requirements under UCITS V are not replaced by the MiFID requirements.

## IFR / IFD

In November 2019, the European Council and Parliament agreed the Investment Firm Regulations and the Investment Firm Directive. The IFD and the IFR were published in the Official Journal of the European Union on 5 December 2019 and are expected to come into effect in June 2021.

For most existing investment firms, the IFD and IFR will replace the existing prudential requirements for investment firms set out in the Capital Requirements Regulation ("CRR") and CRD IV, and will also amend MiFID II and the Markets in Financial Instruments Regulation (600/2014) ("MiFIR"). Although for many asset management firms, who would fall under the non-systemic or Class 2 and Class 3 firms, the requirements will remain more similar to the MiFID provisions than those in CRD.

The remuneration requirements captured topics such as ratios for fixed and variable pay, remuneration governance and policies, remuneration committee oversight, disclosure and regulatory reporting.

The IFD remuneration requirements apply to all staff whose professional activities have a material impact on the investment firm's risk profile, senior management, risk takers, control functions and employees receiving overall remuneration equal to at least the lowest remuneration of any risk taker or member of senior management. In specifying the criteria that should be taken into account when identifying staff whose professional activities have a material impact on the investment firm's risk profile, the EBA will have regard to the ESMA guidelines under the AIFM and UCITS Directive in order to minimize the risk of divergence across sectors.

## Companies Act 2014

As with previous publications of this report we note that the Companies Act 2014 ("the Act") increased disclosure requirements in relation to directors' remuneration.

Section 305 of the Act provides for the requirement for directors' remuneration disclosures in the financial statements. A considerable change under the Act required that Company accounts disclose not only the remuneration received by the Director but also reflect any payments to or receivable by third parties for services

of directors of the company or any of its subsidiaries or otherwise in connection with the management of the company (or its subsidiaries).

Irish UCITS plcs have to assess if any of their payments to an administrator, investment manager or third party service provider were payments for services of directors. These requirements have not substantively changed or been amended since January 2019.



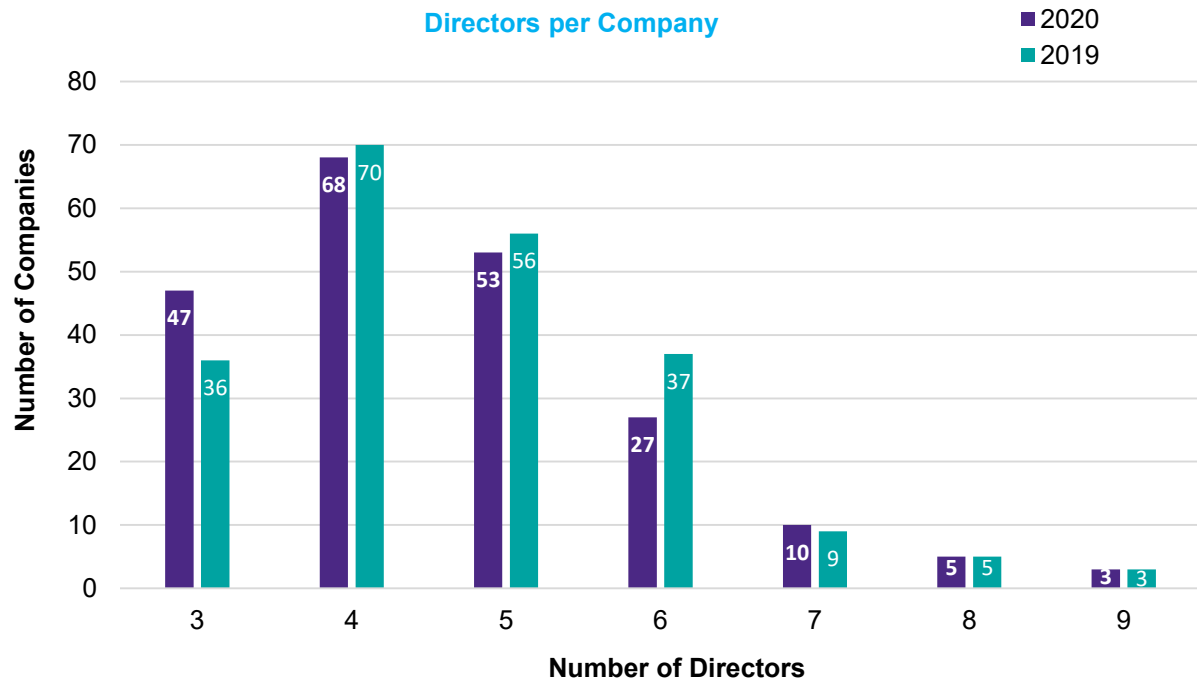


# Board Composition

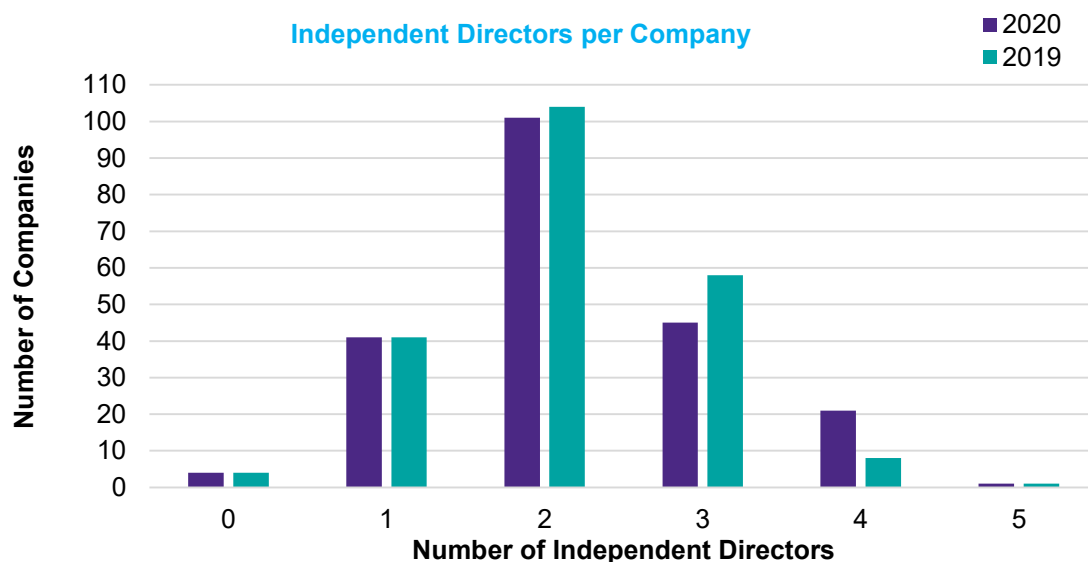


# Board Composition - Number of Directors

Of the 213 companies analysed in 2020 and 216 in 2019, we found that the number of directors varied from 3 to 9 directors. The majority of companies (57% 2020, 58% 2019) had either 4 or 5 directors.



- We only identified 4 companies in 2020 with no independent directors. (2019: 4 companies)
- We also identified 22 companies with 4 or more independent directors. (2019: 9 companies)

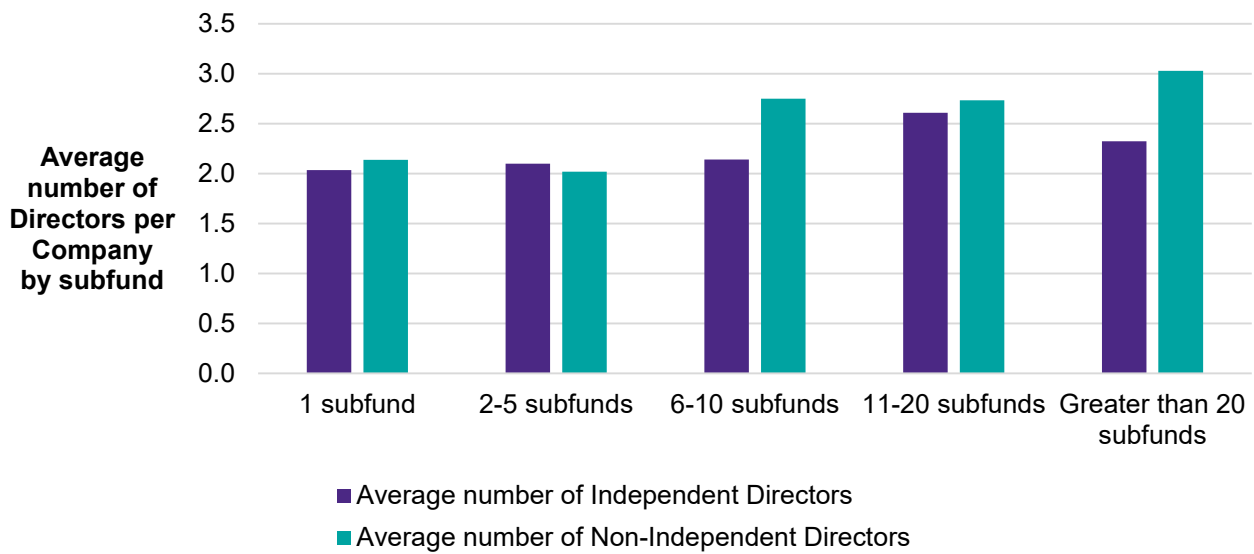


# Board Composition - Independent Directors

The number of directors did not vary significantly with the number of subfunds as illustrated below, however the average number of non-independent directors did increase as the number of subfunds increased.

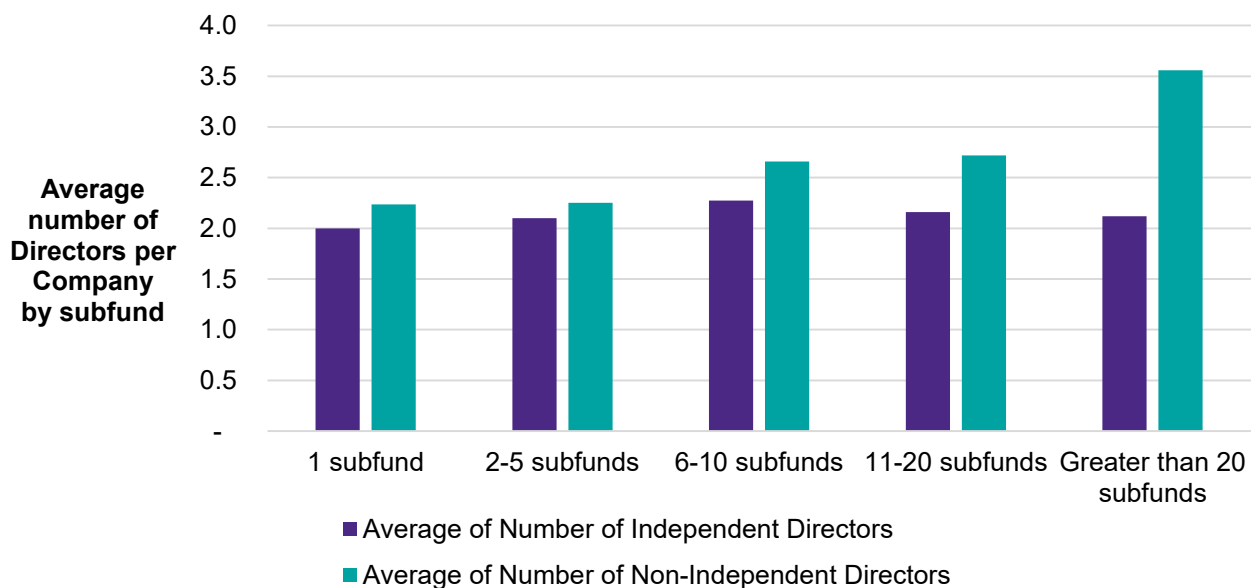
2020

Average number of Directors by subfund



2019

Average number of Directors by subfund



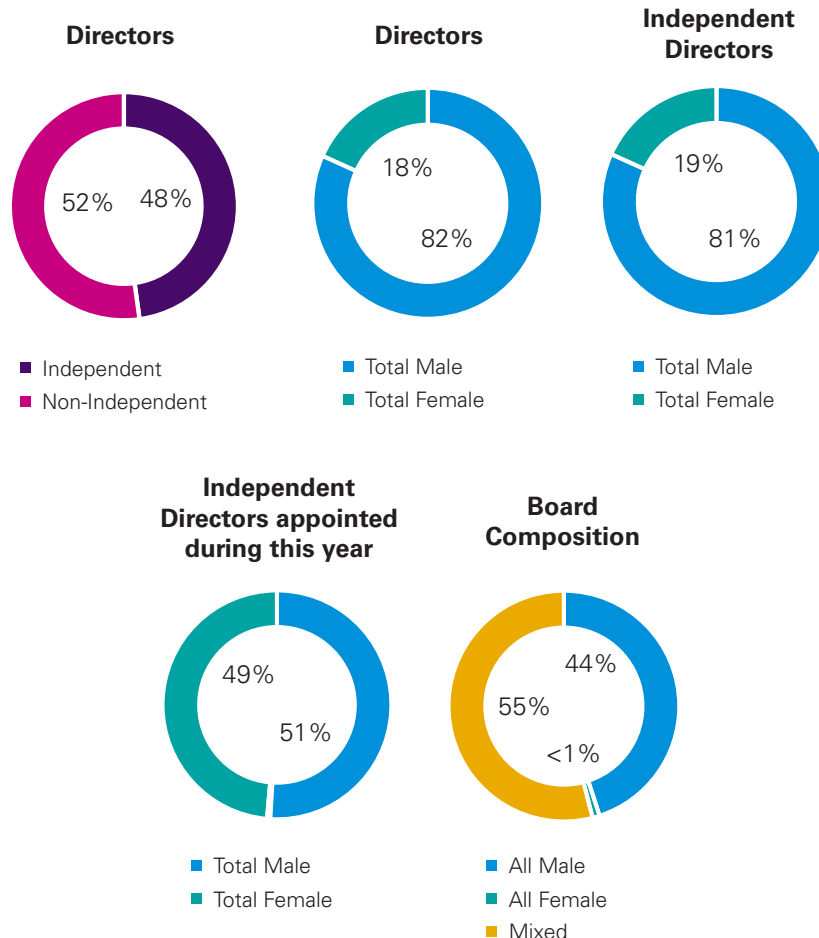


# Board Composition - Gender of Directors

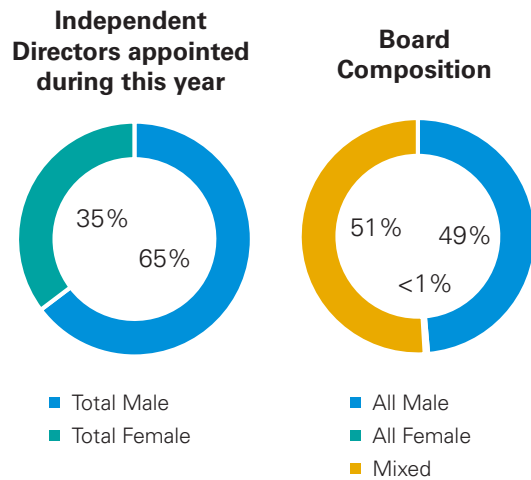
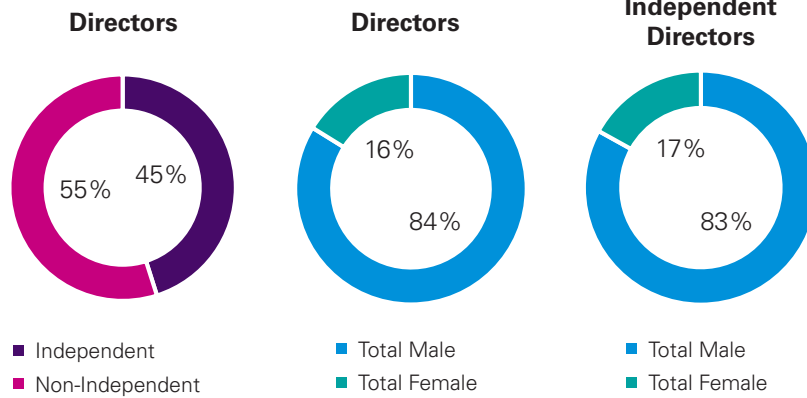
**We noted the following trends in regards to the composition of the board of directors for the 213 companies (216 companies in 2019, 217 companies in 2018) analysed:**

- 48% of directors were independent directors in 2020 (45% in 2019, 43% in 2018).
- 82% of directors serving on the boards of the companies were male (84% in 2019, 87% in 2018).
- For independent directors appointed during the year, 49% were female and 51% were male directors, compared to 35% female and 65% male in 2019.
- 44% of companies had all male directors (49% in 2019, 45% in 2018) and 1 board had all female directors (1 board in 2019).

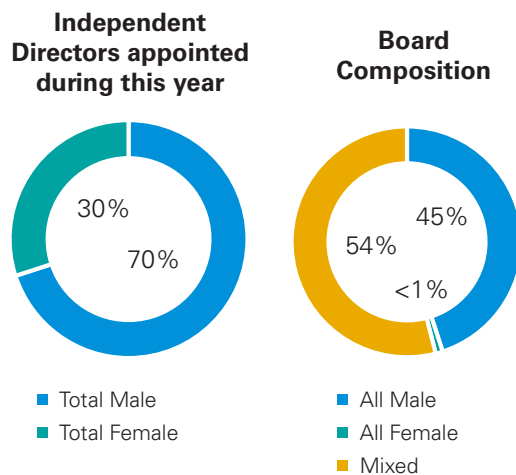
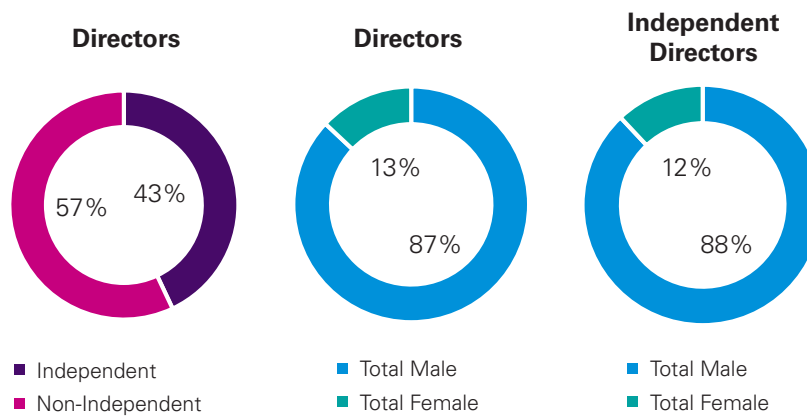
**2020**



2019



2018

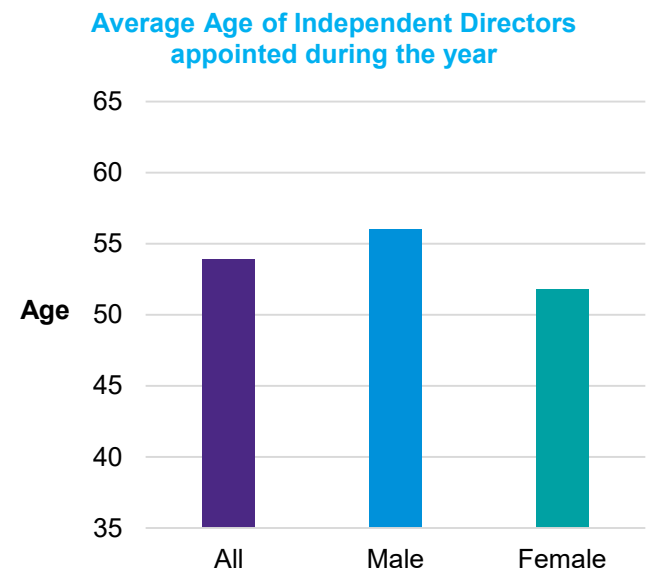
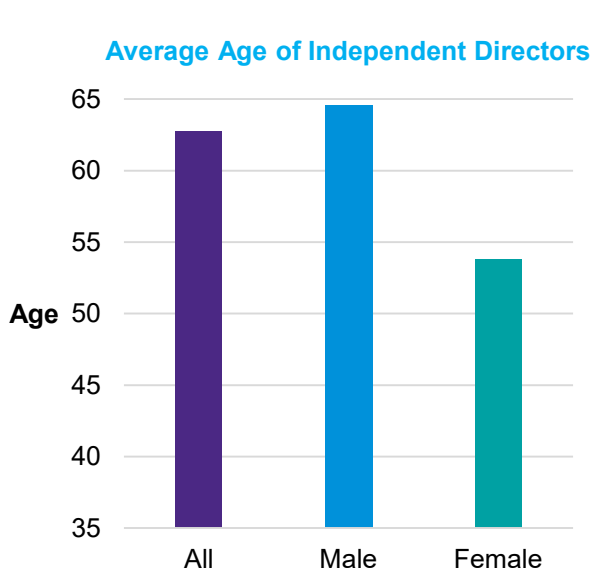
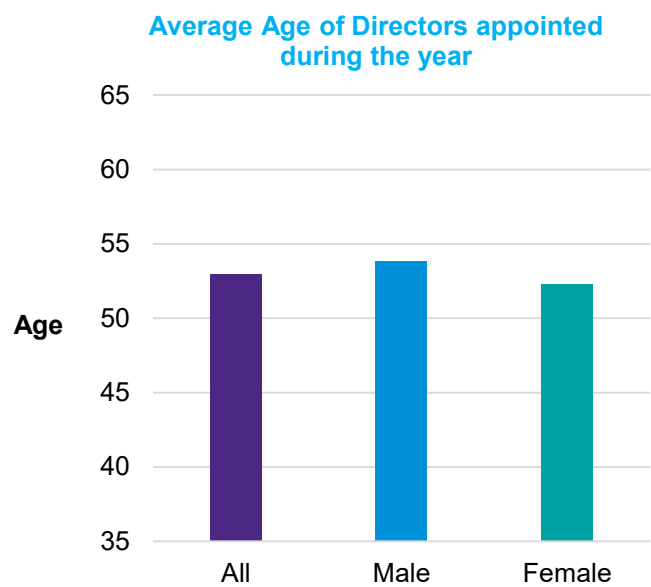
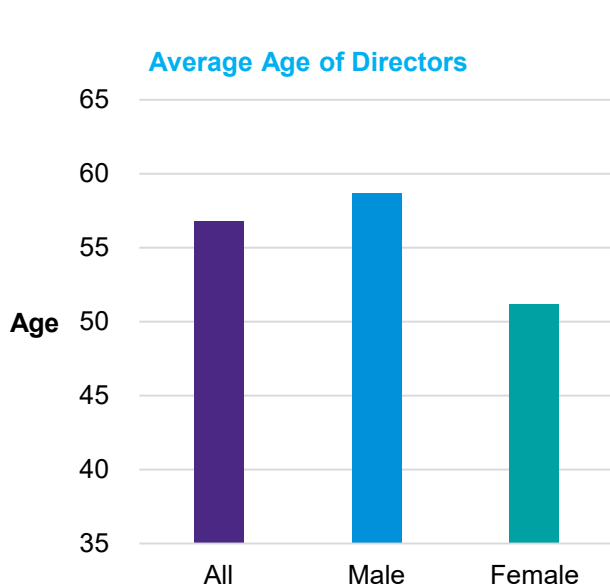




# Board Composition – Age Profile of Directors

**We analysed the average age of directors appointed to companies.**

- The average age of a director on a company board was 57. The average age for a male director was 59 and a female director was 51.
- This average age of directors appointed during the year was 53. For males it was 54 and females it was 52.
- This average age of independent directors appointed during the year was 54. For males it was 56 and females it was 52.

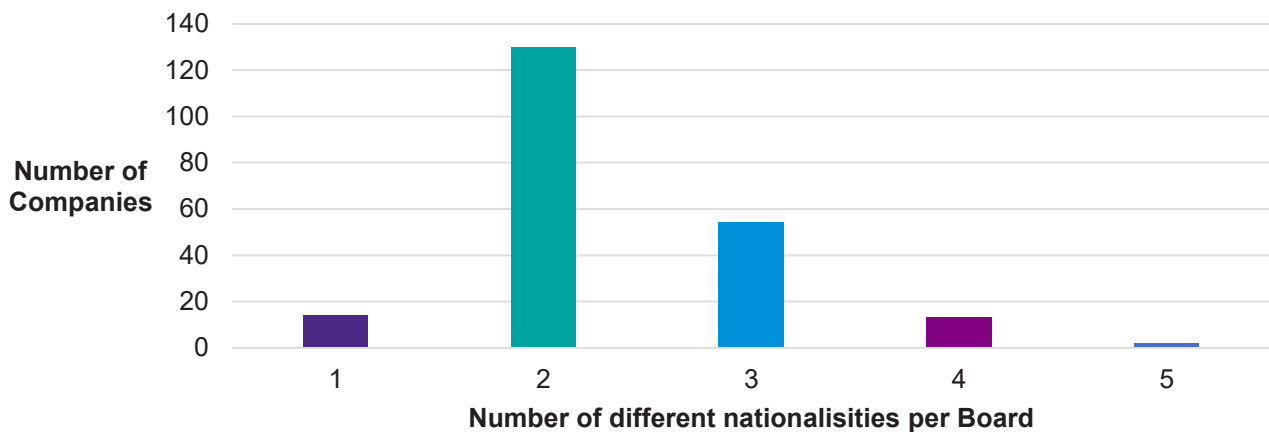


# Board Composition - Nationalities of Directors






**We analysed the profile of directors appointed to boards by analysing their nationalities disclosed in the financial statements.**

- Most companies had directors of two different nationalities. 130 companies had two nationalities on the board representing 61% of companies analysed.
- 54 companies had directors with three different nationalities, 13 companies had directors with four nationalities and 2 companies had directors with five different nationalities. 14 companies had boards with only one nationality.
- The most popular nationality of directors was Irish with 54%. 19% of directors were British while 12% of directors were American.

**Companies with Multiple Nationalities on their Boards**



**Top 10 Nationalities of Directors**

Position	Nationalities	Position	Nationalities
1	Irish 	6	Swiss 
2	British 	7	Italian 
3	American 	8	Canadian 
4	German 	9	Indian 
5	French 	10	South African 





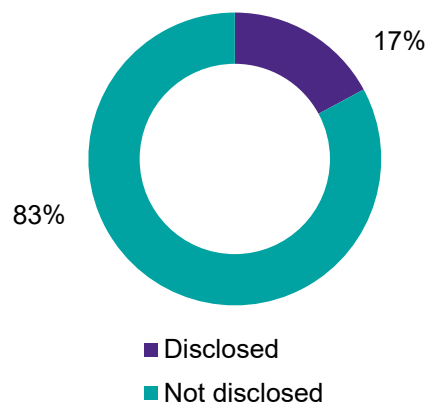
# Remuneration of Directors

# Total Directors' Remuneration for a Company

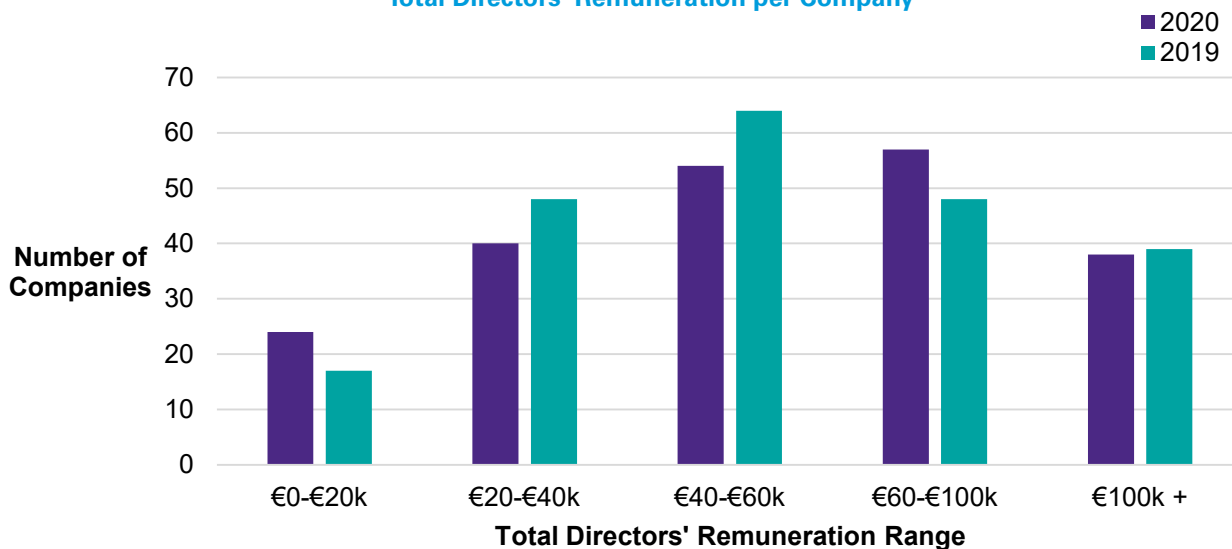
**The average aggregate remuneration of directors per company increased slightly in 2020 compared to 2019 (€72,405 in 2020, €70,767 in 2019).**

- 11 % of companies had total directors' remuneration less than €20,000 (2019: 8%).
- 19% of companies had total directors' remuneration in the range €20,000 - €40,000 (2019: 22%).
- 25% of companies had total directors' remuneration in the range €40,000 - €60,000 (2019: 30%).
- 27% of companies had total directors' remuneration in the range €60,000 - €100,000 (2019: 22%).
- 18% of companies had total directors' remuneration greater than €100,000 (2019: 18%).
- 10 companies had total directors' remuneration greater than €200,000 (included in 18% above) (2019: 11 companies).

**Number of Companies that disclosed  
Individual Director's Remuneration**



**Total Directors' Remuneration per Company**

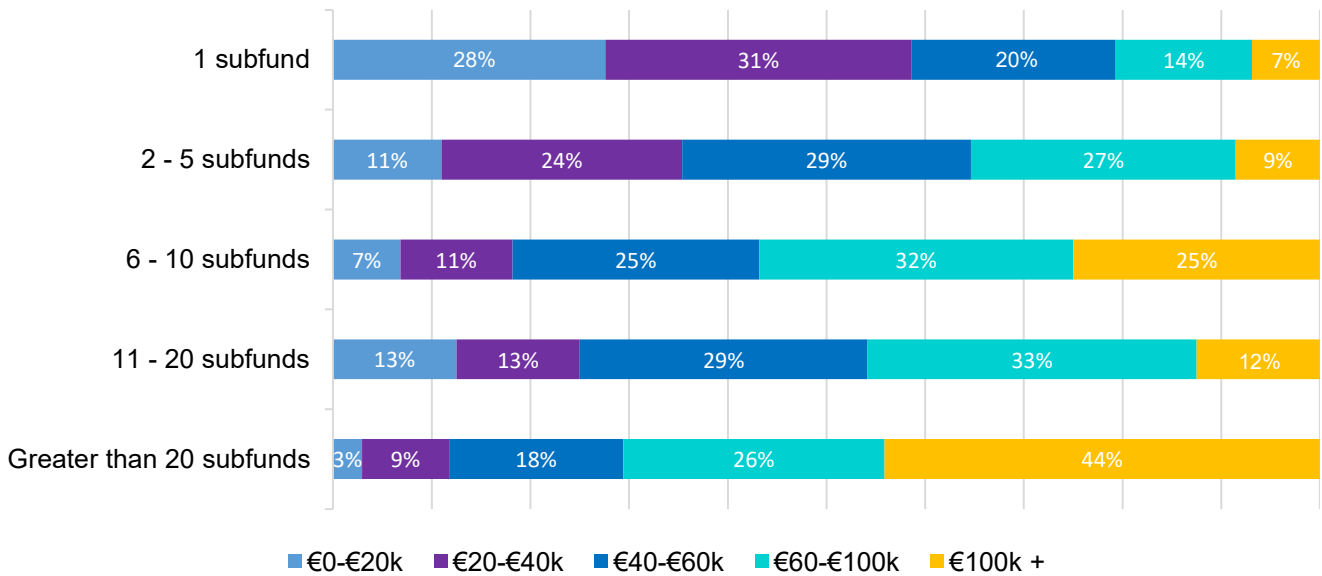




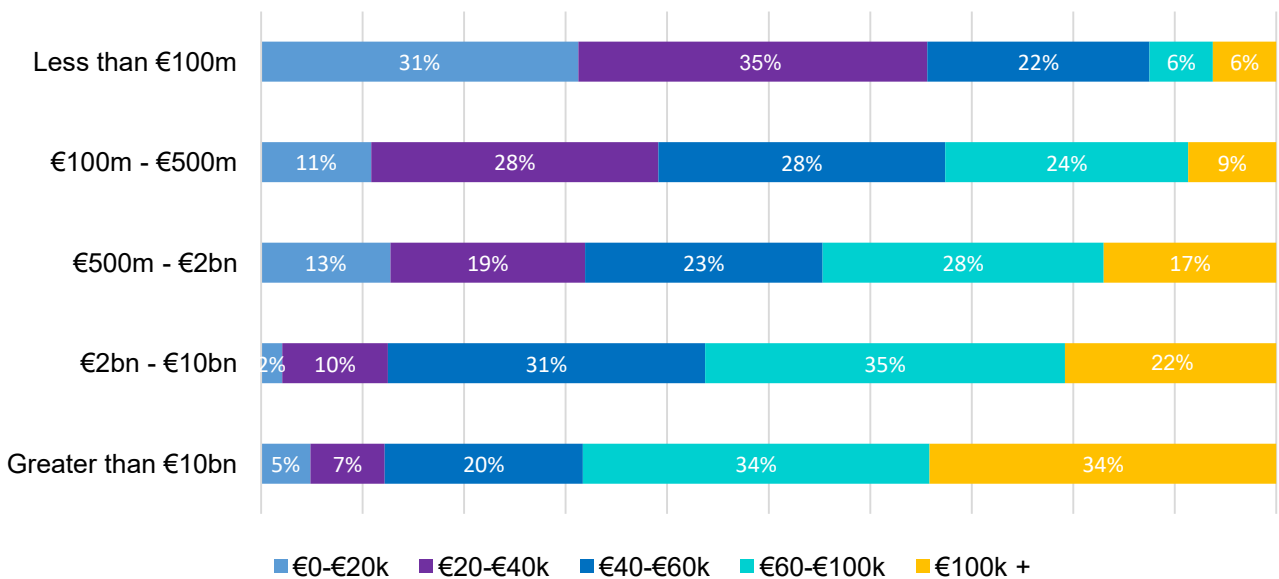
# Total Directors' Remuneration for a Company

We analysed how directors' remuneration varied compared to the number of subfunds and the Assets Under Management ("AUM"). This analysis was completed for 213 companies.

Total Directors' Remuneration by number of active subfunds

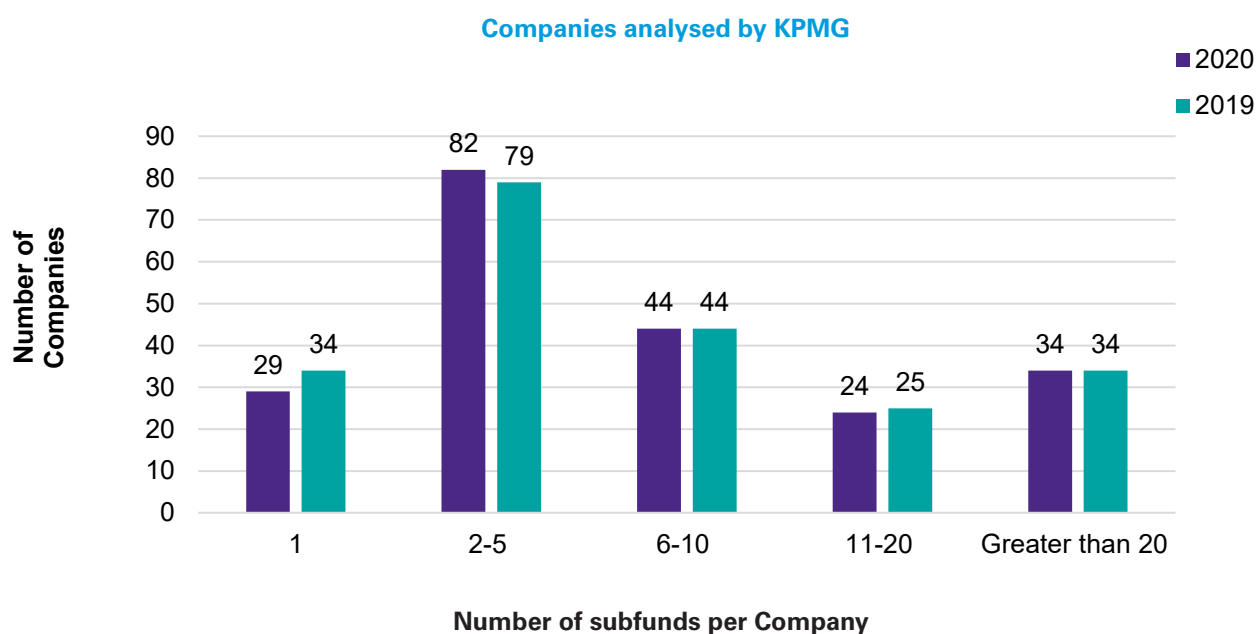


Total Directors' Remuneration by AUM



# Remuneration by Number of Active Sub funds

The 213 companies we analysed in 2020 included 2,290 subfunds (2019: 216 companies and 2,300 subfunds)



Average of Aggregate Directors' Remuneration for Irish UCITS plc				
Average of Aggregate Directors' Remuneration	Total 2020 €	Total 2019 €	Average Aggregate Remuneration per sub fund 2020 €	Average Aggregate Remuneration per sub fund 2019 €
1 subfund	43,638	42,795	43,638	42,795
2-5 subfunds	54,565	56,675	17,623	17,688
6-10 subfunds	81,549	75,246	11,289	10,368
11-20 subfunds	99,807	64,850	6,522	4,179
Greater than 20 subfunds	108,792	130,034	3,171	3,996

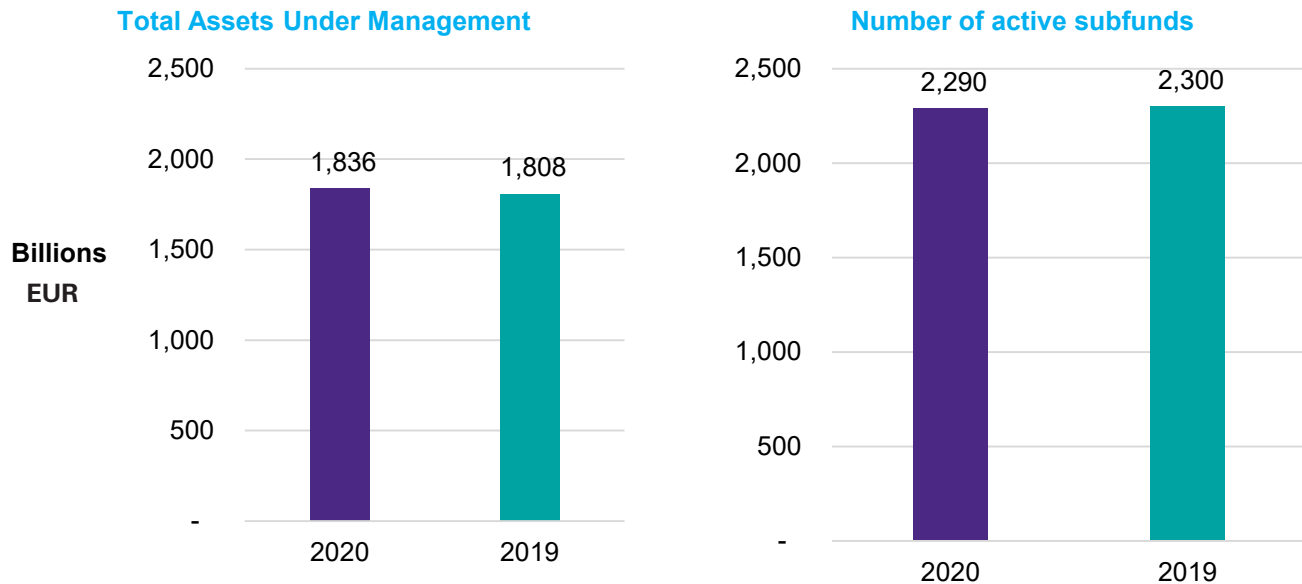




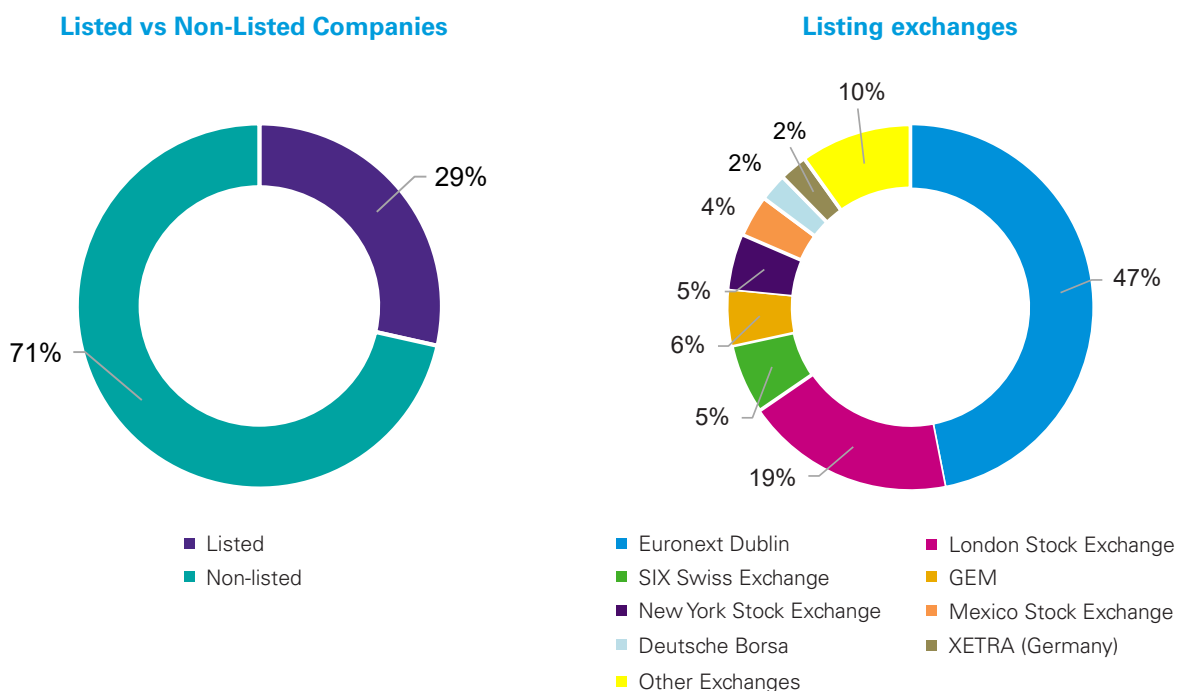
# Profile of Companies Analysed

# AUM and Listings

KPMG analysed the financial statements of over 200 UCITS companies.



- 29% of the 213 companies that we analysed were listed on an official stock exchange. Some companies were listed on multiple stock exchanges.
- Euronext Dublin was the most popular exchange. 47% of UCITS plcs which were listed on an official exchange, chose Euronext Dublin for their listing.
- London Stock Exchange proved to be the second most popular exchange. 19% of UCITS plcs which were listed on an official exchange, chose London Stock Exchange.

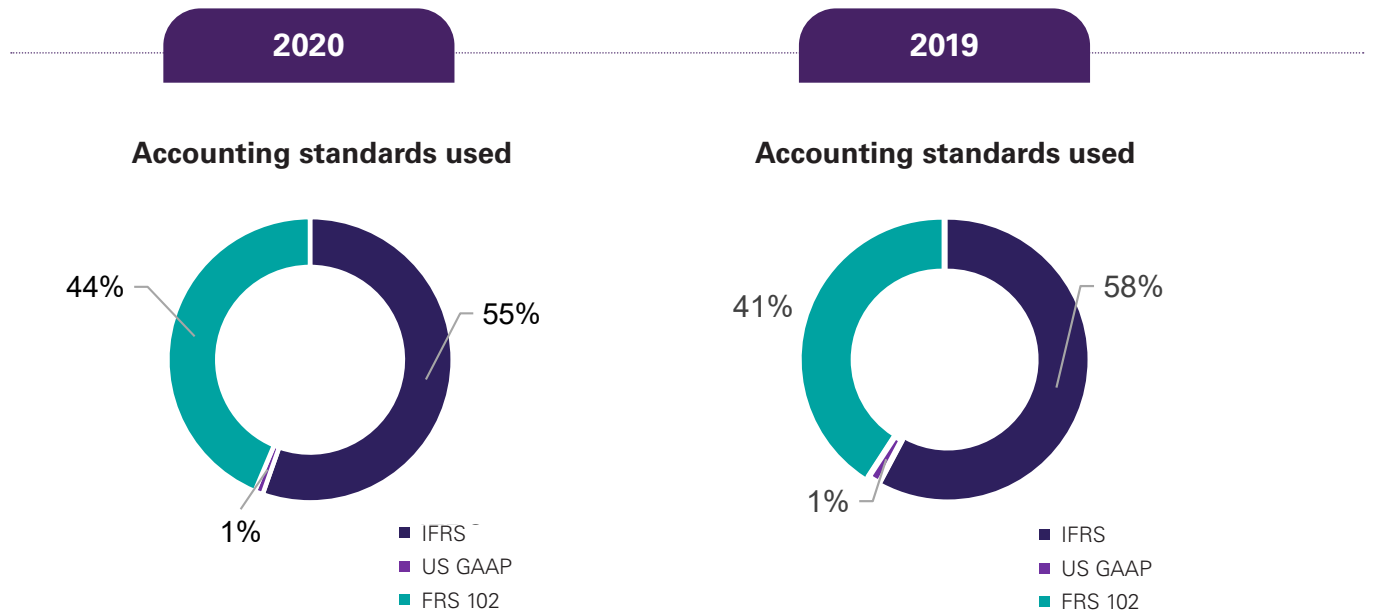




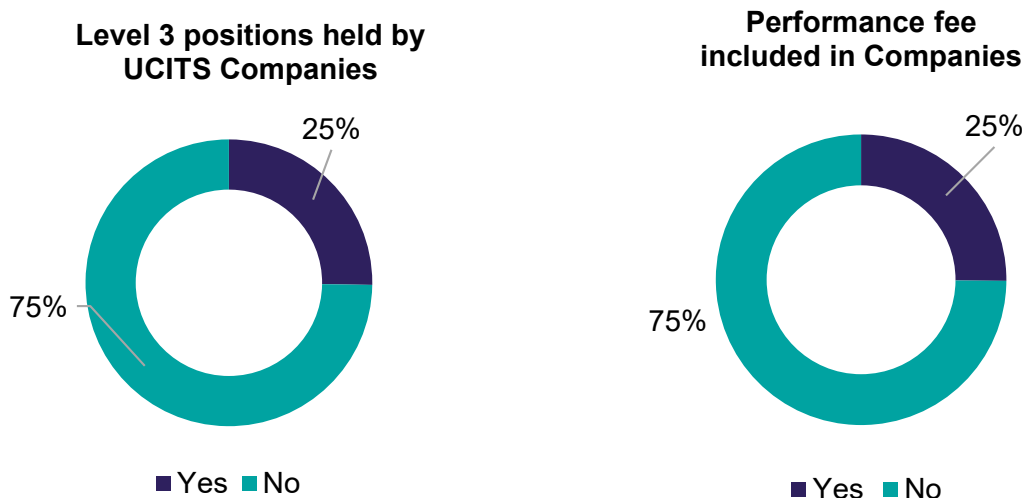
# Financial Reporting Data

**We observed the following trends in regards to financial reporting in 2020.**

- The most popular accounting standard for companies was IFRS. This is similar to 2019.
- However, the usage of FRS 102 increased from 41% in 2019 to 44% in 2020.



**Other additional data observed during our review of the financial statements analysed in 2020.**





# Appendix

## Methodology and Assumptions



# Methodology and Assumptions

**This publication is designed to be a guide to you to assist in benchmarking remuneration of directors in an Irish UCITS company. We have analysed the data from publicly available financial statements into groupings by assets under management and by number of sub funds.**

- This guide should only be used in conjunction with other relevant information to ensure the data is interpreted and is relevant to your entity.
- While data provides a useful guide, it is important to note its historical nature, together with the specific circumstances that are attached to each company.

## Data Source

- In 2020 we downloaded from the internet 213 publicly available financial statements for Irish UCITS companies.
- Graphs and tables have been created by KPMG, from data obtained from the publicly available financial statements.
- The 2020 report carried out reviews on the 2019 financial statements of 213 Irish UCITS plcs, whilst the 2019 report performed reviews on the 2018 financial statements of 216 Irish UCITS plcs. 2019 data contained within the report relates to the 216 Irish UCITS plcs' 2018 financial statements analysed for the 2019 publication unless otherwise stated. 157 of the Irish UCITS plcs reviewed in the 2019 report were also reviewed in the 2020 report.

## Data Sample

- The amounts included figures used for the analysis are as at the relevant reporting date for each company and have been translated to Euro where necessary for the purpose of the analysis.
- The remuneration figures have been included exclusive of directors expenses where details are specifically disclosed in the company financial statements.





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