

New Report Highlights Trends in Governance Practices and Fund Board Demographics

Washington, DC; October 20, 2021—Boards continue to follow strong governance practices and are making progress on increasing diversity among newer independent directors, according to *Overview of Fund Governance Practices, 1994–2020*, a report released today by the Independent Directors Council (IDC) and the Investment Company Institute (ICI).

“Our report sends a clear message: fund boards set a high standard for independent fund oversight and their strong governance practices continue to serve investors’ best interests,” said IDC Managing Director Thomas Kim. “The demographic data also demonstrate the director community’s progress toward including more women and individuals of diverse backgrounds around the board table. There is still more work to do. Recognizing this, IDC is implementing concrete initiatives—including [partnering with the Robert Toigo Foundation and Diligent](#)—to support a diverse and inclusive fund director community.”

Governance Practices Exceed Regulatory Mandates

Fund directors have a fiduciary duty to protect funds and their shareholders. The Investment Company Act of 1940 and its related rules impose significant responsibilities on fund boards, and dictate elements of board structures and practices. The report finds that fund board practices often go beyond those requirements. For example:

- Independent directors make up three-quarters of boards in 84 percent of fund complexes (page 6).
- Sixty-eight percent of fund complexes have an independent board chair. When lead independent directors also are considered, 93 percent of participating complexes have an independent director in board leadership (page 10).
- Almost all complexes reported that independent directors are served by separate legal counsel. For example, 55 percent of independent directors are represented by dedicated legal counsel, while 40 percent rely on the fund’s legal counsel that is different from the adviser’s counsel (pages 20–22).

The report also contains information on other board policies, including director fund share investment, mandatory retirement, new director orientation, and continuing education.

Report Illustrates Progress on Diversity Among New Independent Directors

IDC’s report began tracking the gender of independent directors in 2012 and the race or ethnicity of independent directors in 2015. The data show that as of 2020:

- 41 percent of newer independent directors were female directors, up from 32 percent in 2012 (pages 12–13).
- 24 percent of newer independent directors were minority directors, up from 8 percent in 2015 (page 14).
- 32 percent of all independent directors were female directors, up from 20 percent in 2012 (pages 12–13).
- 12 percent of all independent directors were minority directors, up from 8 percent in 2015 (page 14).

Newer independent directors are those who started serving in 2020.

About the Overview and IDC

In 1995, ICI began to survey fund governance practices by collecting data from fund complexes. This report updates research on fund boards and their practices, based on a survey of fund complexes in the industry. IDC was formed in 2004, and since then, IDC and ICI have jointly conducted the studies.

IDC represents independent directors who serve on the boards of mutual funds, closed-end funds, exchange-traded funds, and other registered investment companies. IDC serves the fund independent director community by advancing the education, governance, communication, and public policy priorities of fund independent directors in the United States.

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