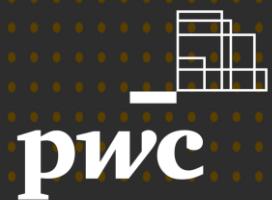


PwC 2021 Mutual Fund Directors Governance Survey



About the survey

PwC 2021 Mutual Fund Directors Governance Survey has gauged the views of Mutual Fund Directors (“Directors”) across a diverse range of complexes from large to small as well as geography on a variety of matters. In 2021, nearly **120 independent directors** participated in our survey. The respondents represent a cross-section of complexes, nearly 40% of which oversee \$100 billion or more in assets under management. Seventy percent (70%) of the respondents were men and 27% were women (3% preferred not to say). Board tenure varied, but 62% of respondents have served on their board for more than eight years.



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Complete (unedited) PwC 2021 Mutual Fund Directors Governance Survey Results are included in the Appendix of these materials. Questions are cited for ease of reference on insight slides. Not all graphs will sum to 100 where it was permissible for survey participants to select more than one answer.



Executive summary

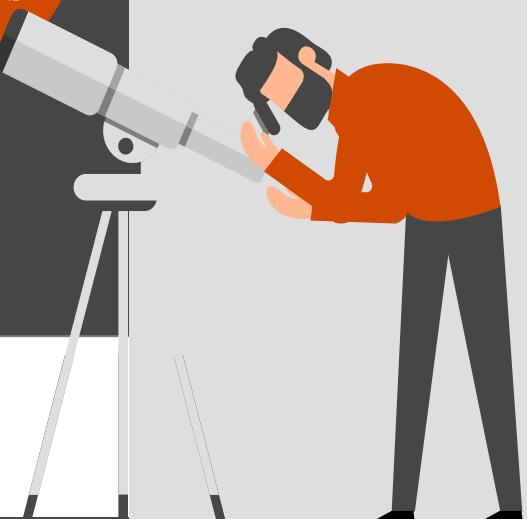
Key themes of survey

While ESG is a *significant opportunity* in the mutual fund industry, **boards need more information**

Directors recognize the benefits, but most are taking a **passive approach to implementing diversity**

Board culture is strong, but **virtual meetings are taking its toll**

Board members value *self-assessments*, but recognize **there are limitations**



Mutual Fund Industry Expectations

An industry under pressure

More than half of directors expect **fee pressure** to be the most significant impact on the mutual fund industry over the next five years – with **product evolution** a close second.



PwC Perspective

Downward pressure on fees and changing investor preferences compiled with inflationary pressures, increasing talent and real estate costs, and an ongoing pandemic deepens the challenge for asset managers.

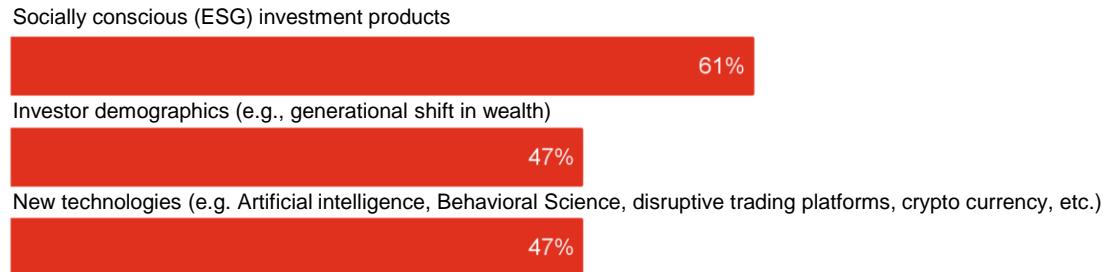
PwC discusses tighter margins and a changing workplace in [COVID 19 and the mutual fund industry: an acceleration of trends.](#)

Most Anticipated Impact to MF Industry



Q2: In your opinion, which trends do you expect will have the most significant impact on the mutual fund industry over the next five years? (select up to three)
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Directors characterize top industry disruptors as *significant opportunities*



PwC Perspective

Beyond compliance: Consumers and employees want business to do more on ESG

For more information, including how business can close the expectations gap, refer to PwC [2021 Consumer Intelligence Series survey on ESG](#).

Bitcoin, cryptocurrency, blockchain... So what does it all mean?

PwC's [Making sense of bitcoin, cryptocurrency and blockchain](#) gives an overview of blockchain and cryptocurrency as well as providing links to additional pieces for a deeper dive into these technologies.

Q3: Which of the following disruptions occurring in the industry, the economy and society, would you characterize as significant opportunities for fund managers (select up to 3)?

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Directors have upskilling to do on ESG

Less than half,

48%

of directors believe environmental or sustainability experience is *an important competency* of the board

With only

29%

of directors who believe their board has a *strong understanding of the ESG issues* impacting the funds' respective strategy and performance

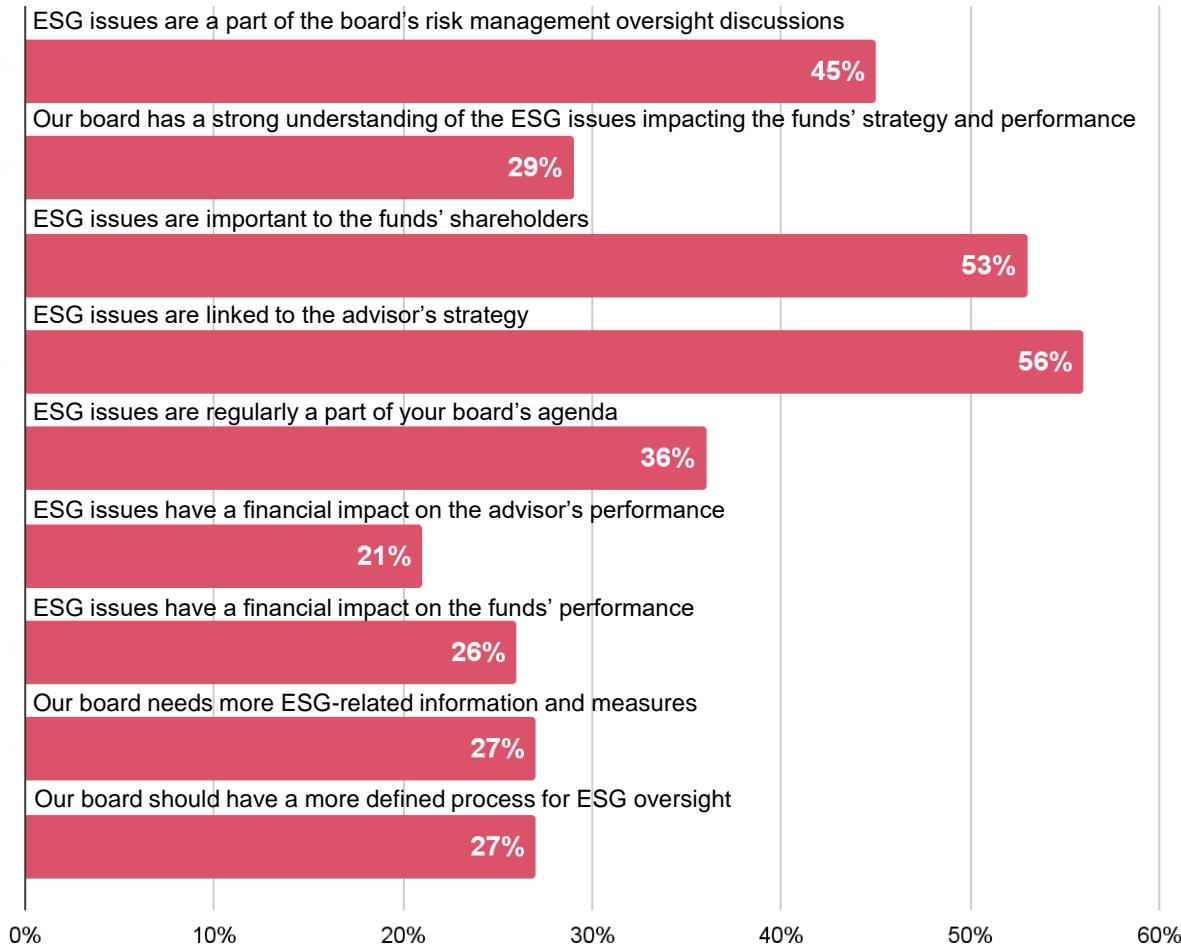


Q5: How would you describe the importance of the following skills, competencies or attributes on your board?; Q17: Which of the following statements do you agree with about ESG? (select all that apply)

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Growing importance of ESG

More than **50%** of
directors agree ESG issues
are linked to the advisor's
strategy and important to the
funds' shareholders.



Q17: Which of the following statements do you agree with about ESG? (select all that apply); Which of the following areas would you like to spend more time and focus on with fund management? (select up to 3)

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Directors want to spend more time and focus on the following with fund management -

60%

Product innovation (e.g., Cryptocurrency products, ESG funds, etc.)

41%

Technology transformation, including expanding use of digital cybersecurity risks at the advisor and other fund service providers

38%

Competitive landscape

34%

Strategic business initiatives, including mergers and acquisitions



Q4: Which of the following areas would you like to spend more time and focus on with fund management? (select up to 3)
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Emerging regulatory areas, directors want to hear more about -

More than half

of Directors want more on ESG in anticipation of the SEC expected proposed rules on 1) creating uniform climate change disclosures and 2) standardizing ESG fund marketing and advertising.

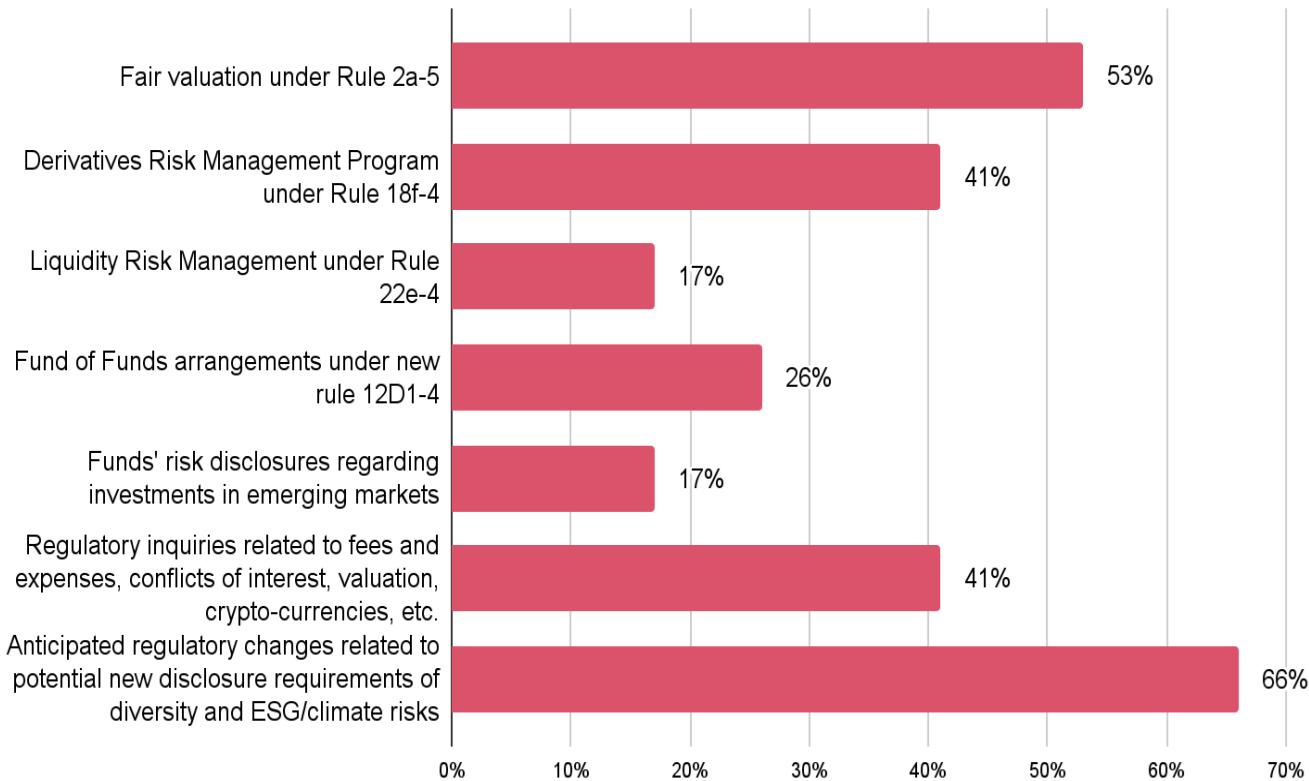
Ask PwC!



Pete Driscoll

PwC Partner, National Quality Organization
Former Director, Division of Examinations the SEC

Pete joined PwC in October 2021 and is an excellent resource on recent developments at the SEC. Reach out to your engagement team to schedule some time with Pete to share insights and his views.



Q20—Which of the following emerging regulatory areas do you want to hear more about from management or your service providers (including external legal and audit)? (select all that apply)
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

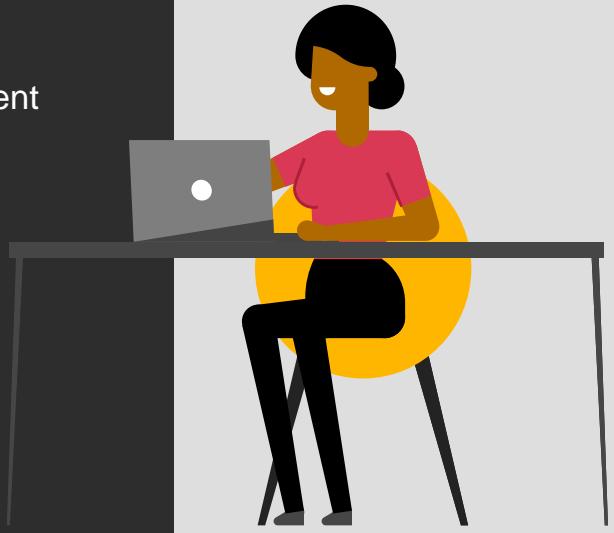
Board Culture

Board culture is *really* strong

70%

More than 70% of directors are saying:

- Board meetings are characterized by a **free/open exchange of ideas**
- Board members **trust each other's judgment and opinions**
- Shareholder interests are front and center of the board's focus
- The board spends **adequate time** on its own without management present
- **Sufficient time** is allocated to discuss issues important to the board



Q6: To what extent do you agree with the following statements about your board's culture (select all that apply)

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Most directors don't have critical feedback for their peers



Reluctant to challenge management



Oversteps the boundaries of his/her oversight role



Interaction style negatively impacts board dynamics



Advanced age has led to diminished performance



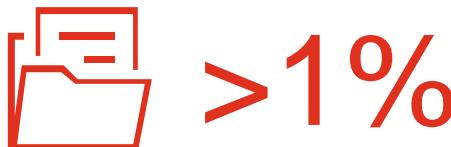
None of the above apply



Board service largely driven by director fees



Serves on too many boards



Consistently unprepared for meetings



Lacks appropriate skills/expertise

Q7: Do you believe any of the following about any of your fellow board members? (select all that apply)

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

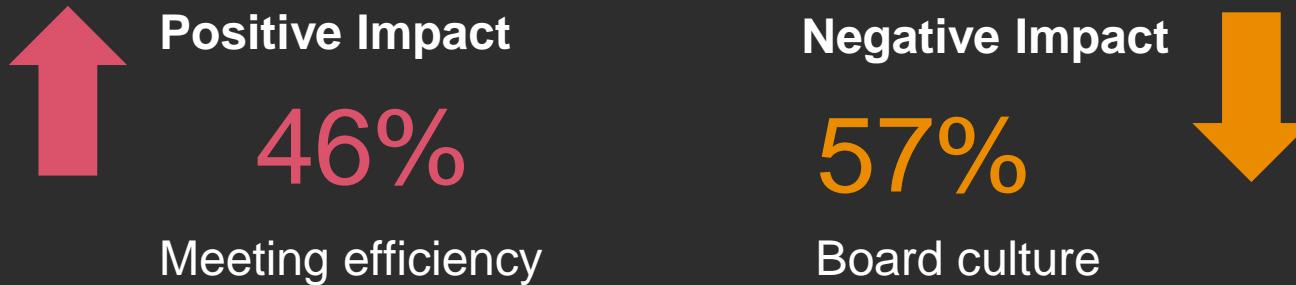
How many directors on your board should be replaced?



27%
of directors say that one or
more directors on their board
should be replaced

Q8: In your opinion, how many directors on your board should be replaced?
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Virtual meetings are more efficient, but there is a price...



Meetings are more efficient, but directors see the price as board culture (57%), meeting effectiveness (34%), director engagement (30%), and ability to challenge management (29%) are negatively impacted.

As **61%** of directors expect virtual meetings to continue in some capacity, it's worth boards' time to think about how to ***make improvements to the process now.***



Q14: In your view, how has the shift to virtual board/committee meetings impacted the following?; Q15: Given the relative success of board meetings during the pandemic, how do you anticipate board/committee meetings will be conducted in the future? (select only one)
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Board Diversity

What is the effect of board diversity?

Directors recognize the benefits of a diverse board - it **improves the discussion and board performance**. They are less convinced that it benefits the fund itself.

Brings unique perspectives to the boardroom



Enhances board performance



Enhances fund performance



Improves strategy/risk oversight



Board diversity efforts are driven by political correctness



Stakeholders are too preoccupied with board diversity



Results in boards nominating unqualified candidates



Results in boards nominating additional unneeded candidates



Q9: To what extent do you agree with the following statements about board diversity?

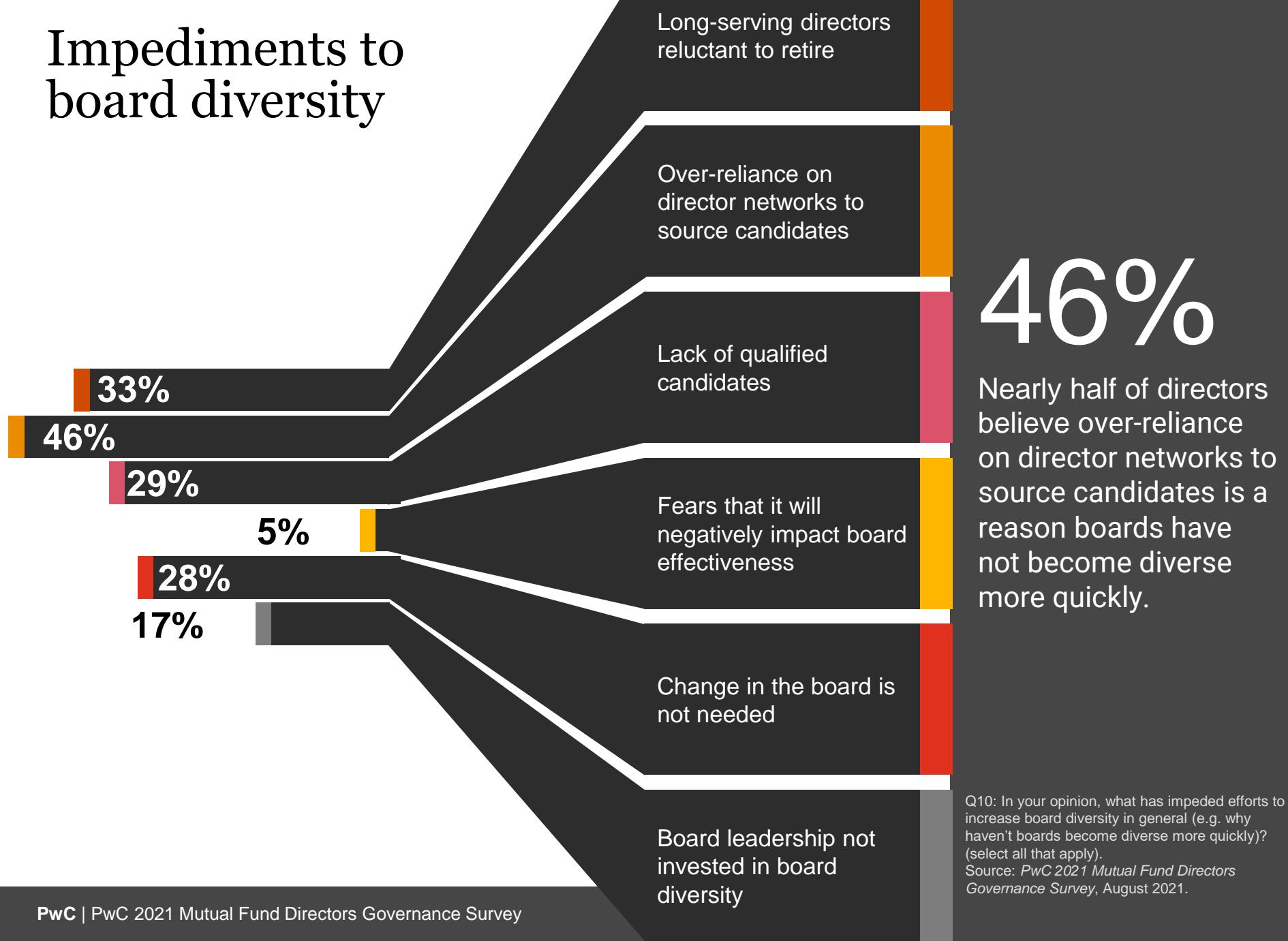
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.



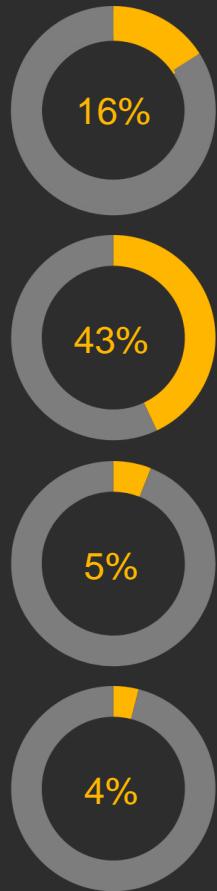
■ Agree

■ Disagree

Impediments to board diversity



Directors are taking a passive approach to implementing diversity on the board



increased board size to add a diverse director

replaced a retiring director with a director who increases the board's diversity

Amended/modified the board's succession plan to ensure increased board diversity in the future

considered committee assignments to increase diversity of board leadership

22%

of directors state their board has not taken action for board diversity in the past two years...

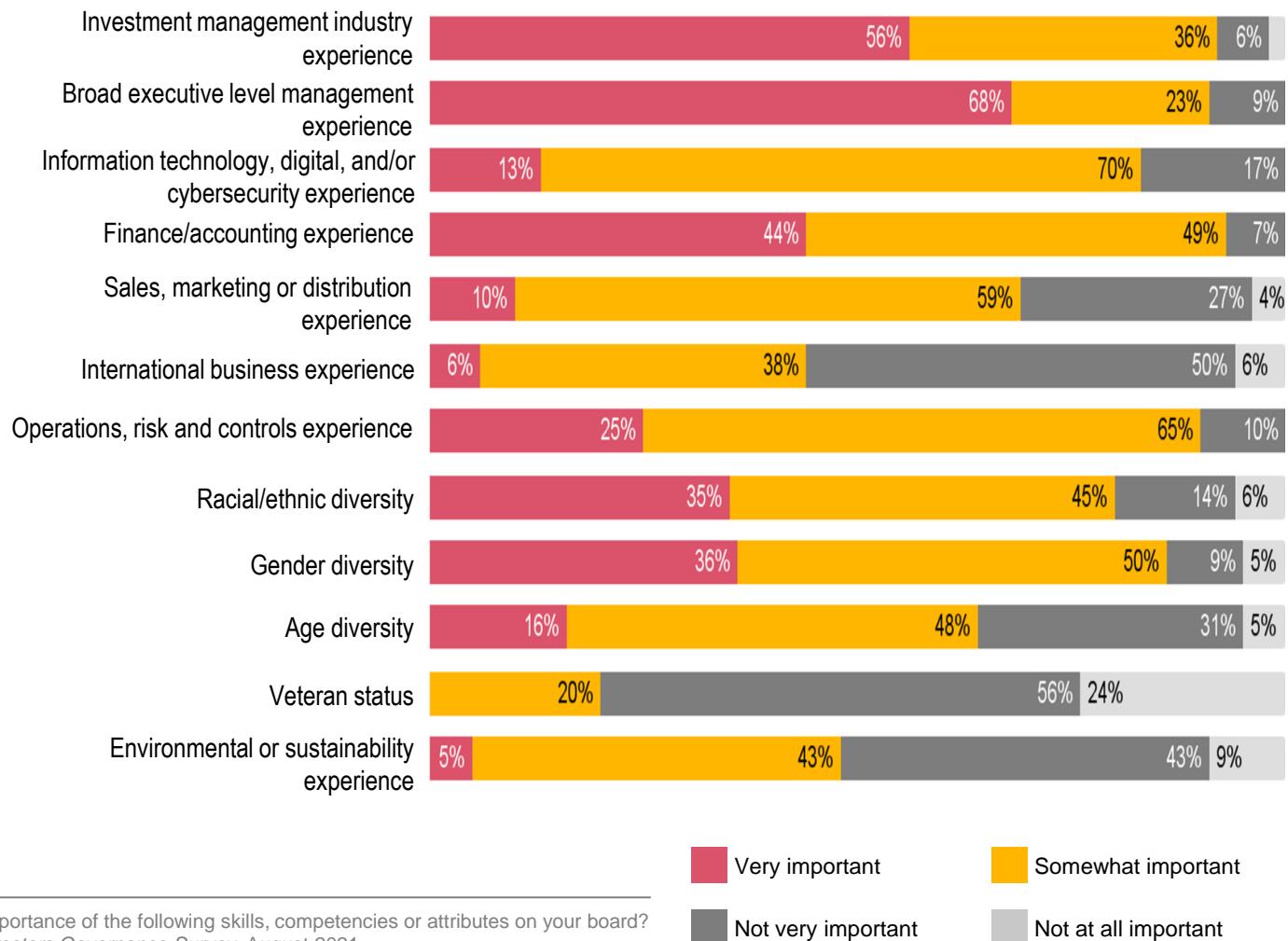
They agree that diversity brings benefits to mutual fund boards - are they doing *enough* to ensure that it happens?

Q11: Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Which director attributes are most important?

When asked which attributes are most important on their boards, directors emphasize **broad executive management experience** as well as **industry and financial expertise** above any other attributes.



Q5: How would you describe the importance of the following skills, competencies or attributes on your board?

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

The Future of Work

Future of work: what directors anticipate

77%

of directors believe the COVID-19 pandemic and associated business disruptions have not exposed any vulnerabilities at your fund complex, although agree the

future of work will evolve

Increase in employees' ability to work remotely or flexible work arrangements

84%

Decrease employee travel

84%

Reduction in number or size of physical office locations

57%

Increase in industry consolidation

13%

Increase in service provider consolidation

10%

Increase employee benefits

6%



PwC Perspective

Our latest [PwC US Pulse Survey: Next in work](#) discusses a pivotal moment for the future of work, companies can help their businesses and employees thrive.

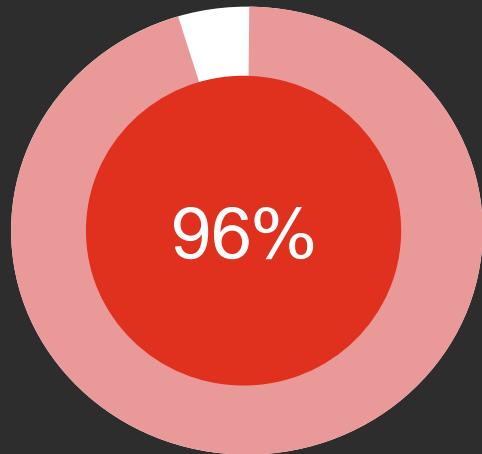
Q18: In your opinion, has the COVID-19 pandemic and associated business disruptions exposed vulnerabilities at your fund complex in any of the following areas? (select all that apply); Q19: Do you believe COVID-19 will have any of the following long-term structural impacts on the mutual fund business in general? (select all that apply);

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

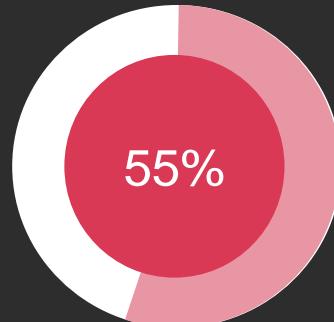
Board Self-Assessments

Board reflection: self-assessments

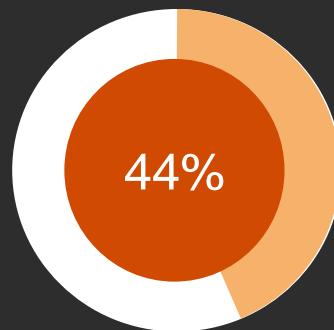
96% of directors agree that they have an effective assessment process



Yet



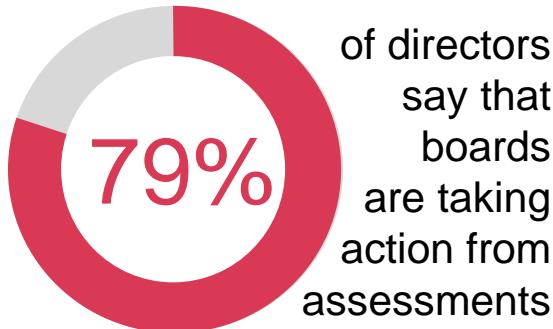
55% of directors believe that there are inherent limitations to being “frank” in assessments



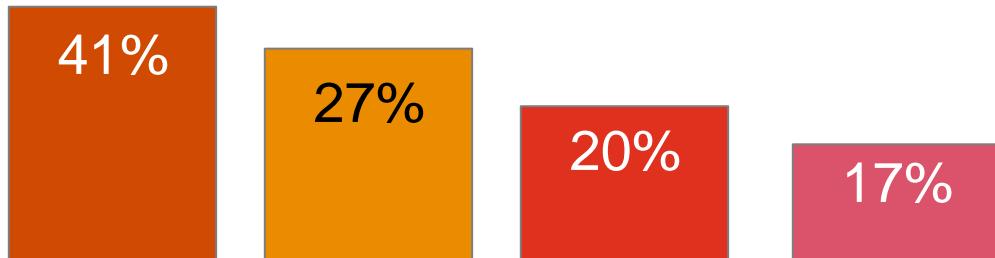
44% of directors believe that assessments are too much of a “check the box exercise”

Q12: Regarding board/committee self-assessments, to what extent do you believe the following(select all that apply);
Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

Taking assessments seriously means changes - but not in all areas or drastic measures



Some of the actions boards are taking:



Enhance board materials and agenda

Undertake additional board training

Diversify the board

Change composition of board committees

Boards are focused on improvement of the group as a whole, enhancing the experience, and diversifying.

Boards are less interested in removing existing members or providing counsel to individual board members.

Q13: In response to the results of your last board/committee assessment process, did your board/committee decide to do any of the following? (select all that apply).

Source: PwC 2021 Mutual Fund Directors Governance Survey, August 2021.

PwC contacts

To have a deeper discussion about how this topic might impact your board, please contact myself, your engagement leader, or any member listed below.



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Bill Donahue

US Asset & Wealth Management Managing Director

 bill.j.donahue@pwc.com
 617-318-8847



Janeka Doyle

US Asset & Wealth Management Senior Manager

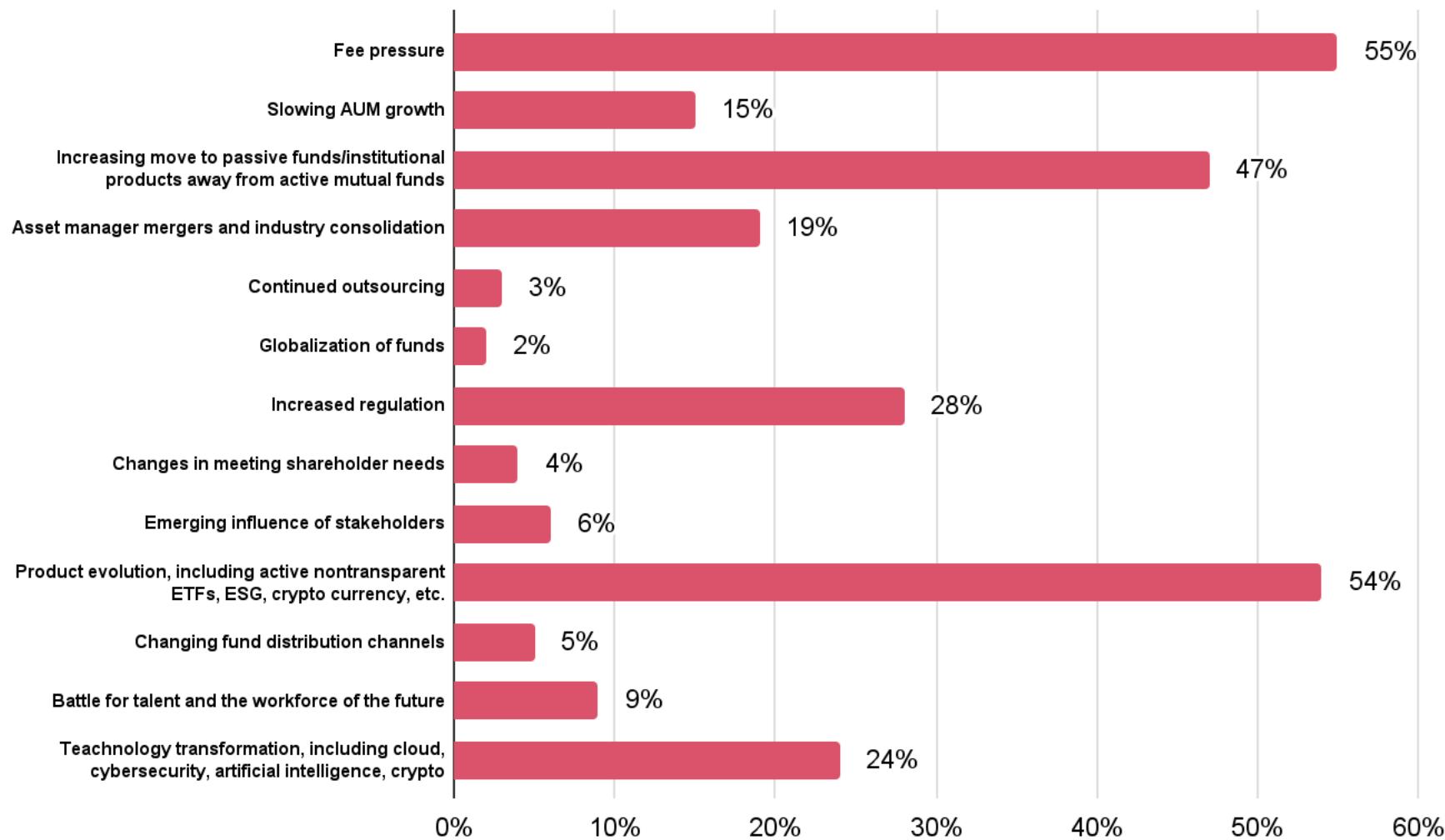
 janeka.s.doyle@pwc.com
 207-266-0356

Appendix

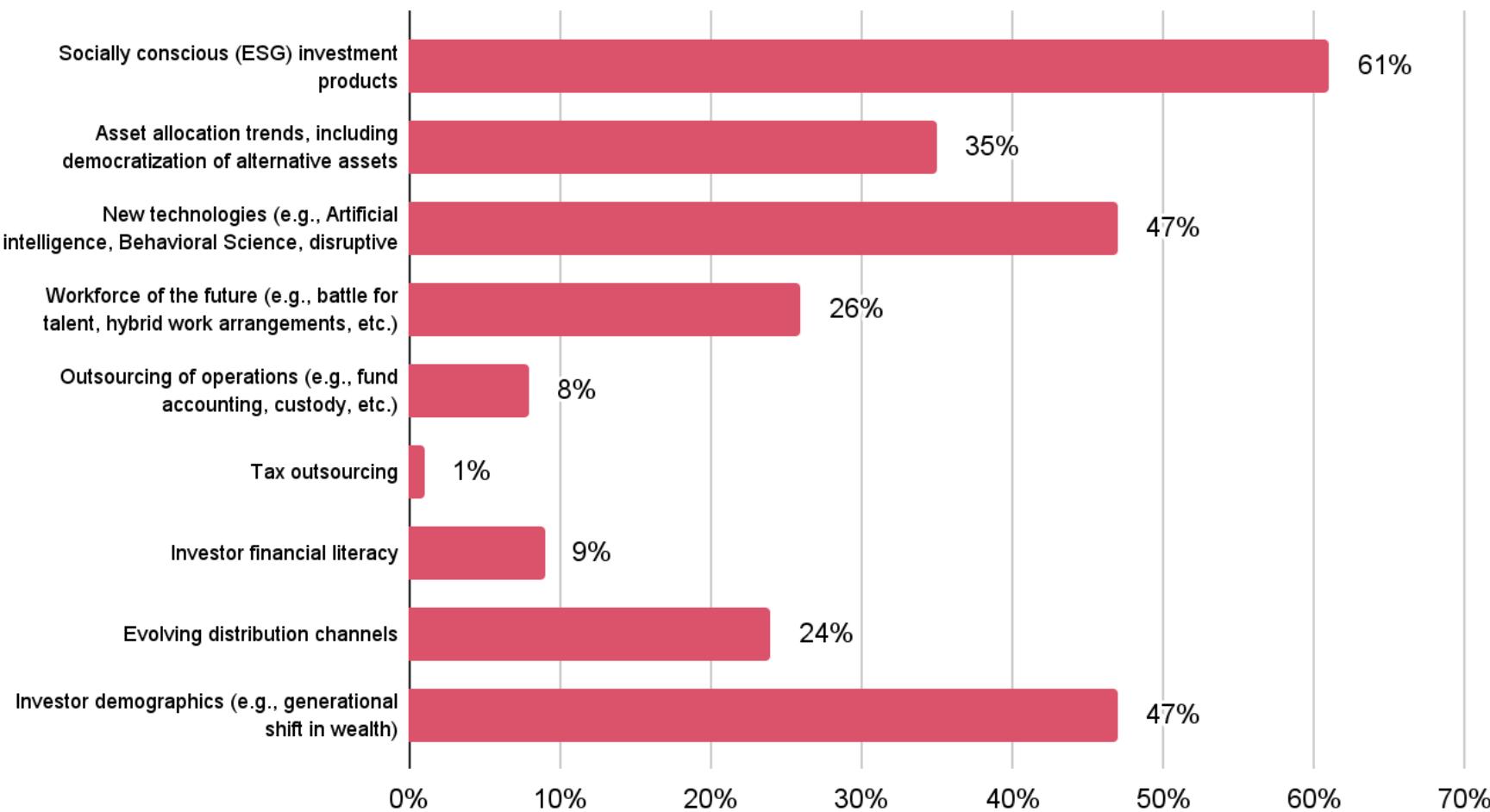
PwC 2021 Mutual Fund Directors Governance Survey Results



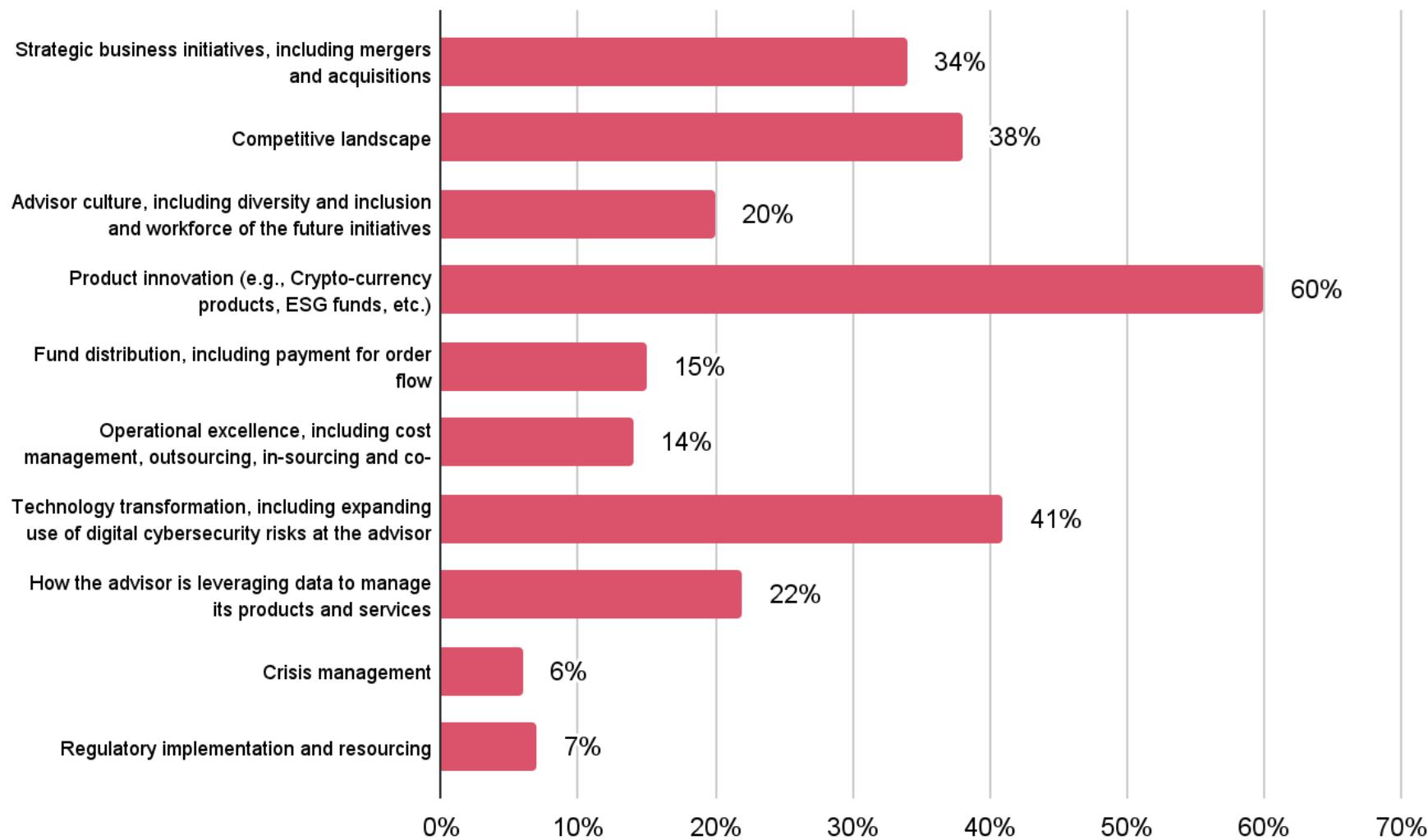
Q2—In your opinion, which trends do you expect will have the most significant impact on the mutual fund industry over the next five years? (select up to three)



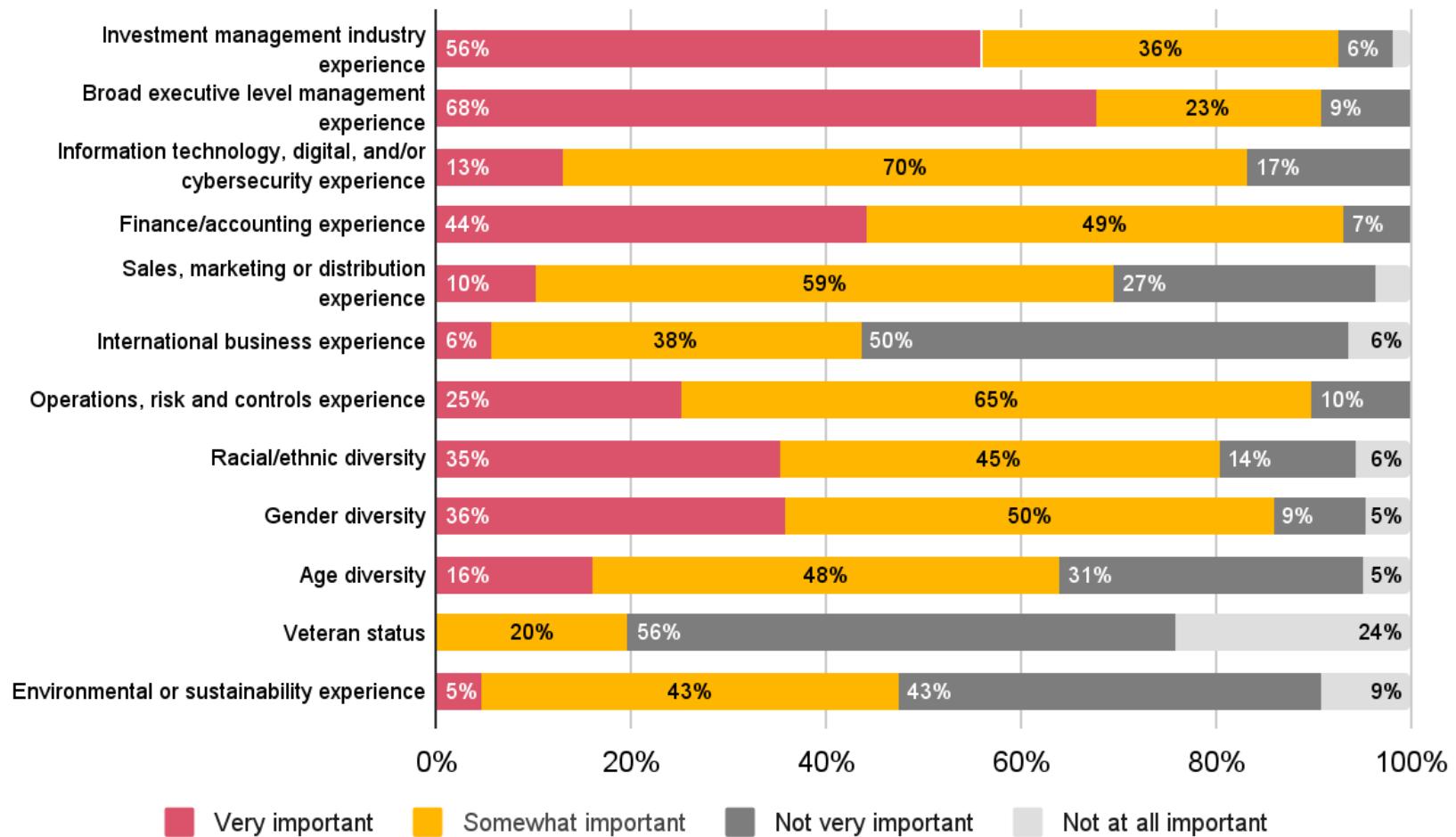
Q3—Which of the following disruptions occurring in the industry, the economy and society, would you characterize as significant opportunities for fund managers (select up to 3)?



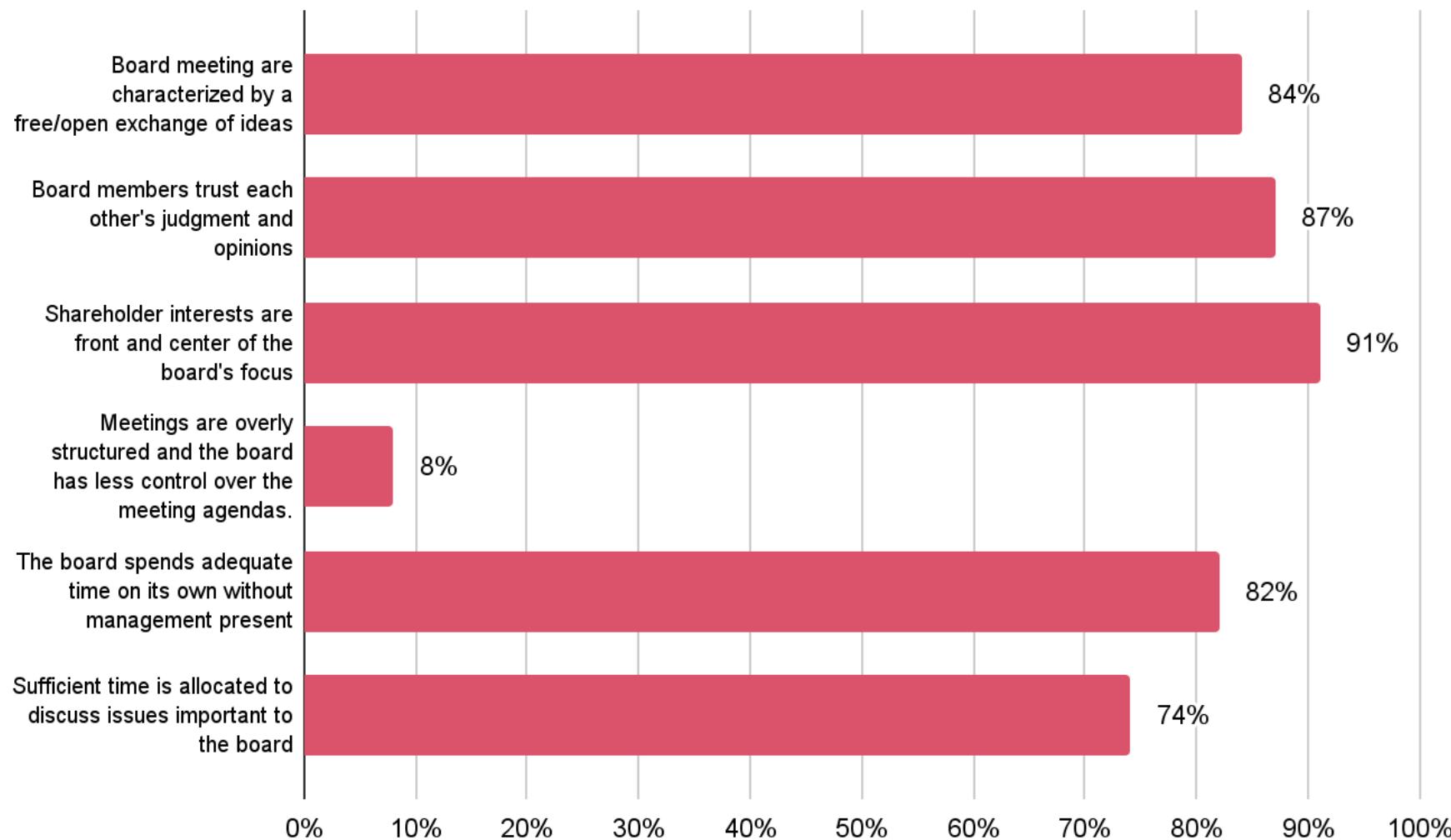
Q4—Which of the following areas would you like to spend more time and focus on with fund management? (select up to 3)



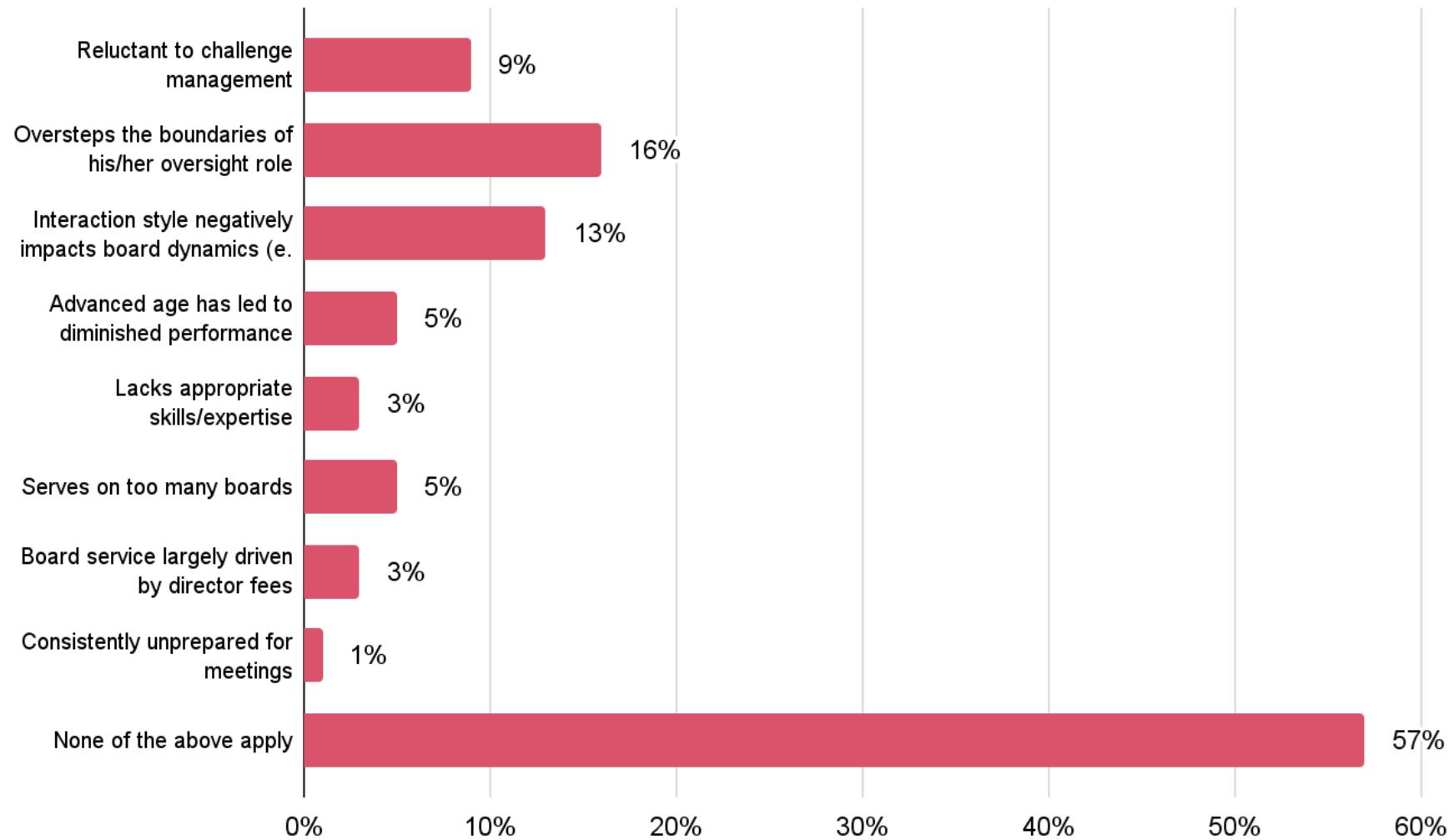
Q5—How important do you think that the following skills, competencies, and/or attributes are for your board?



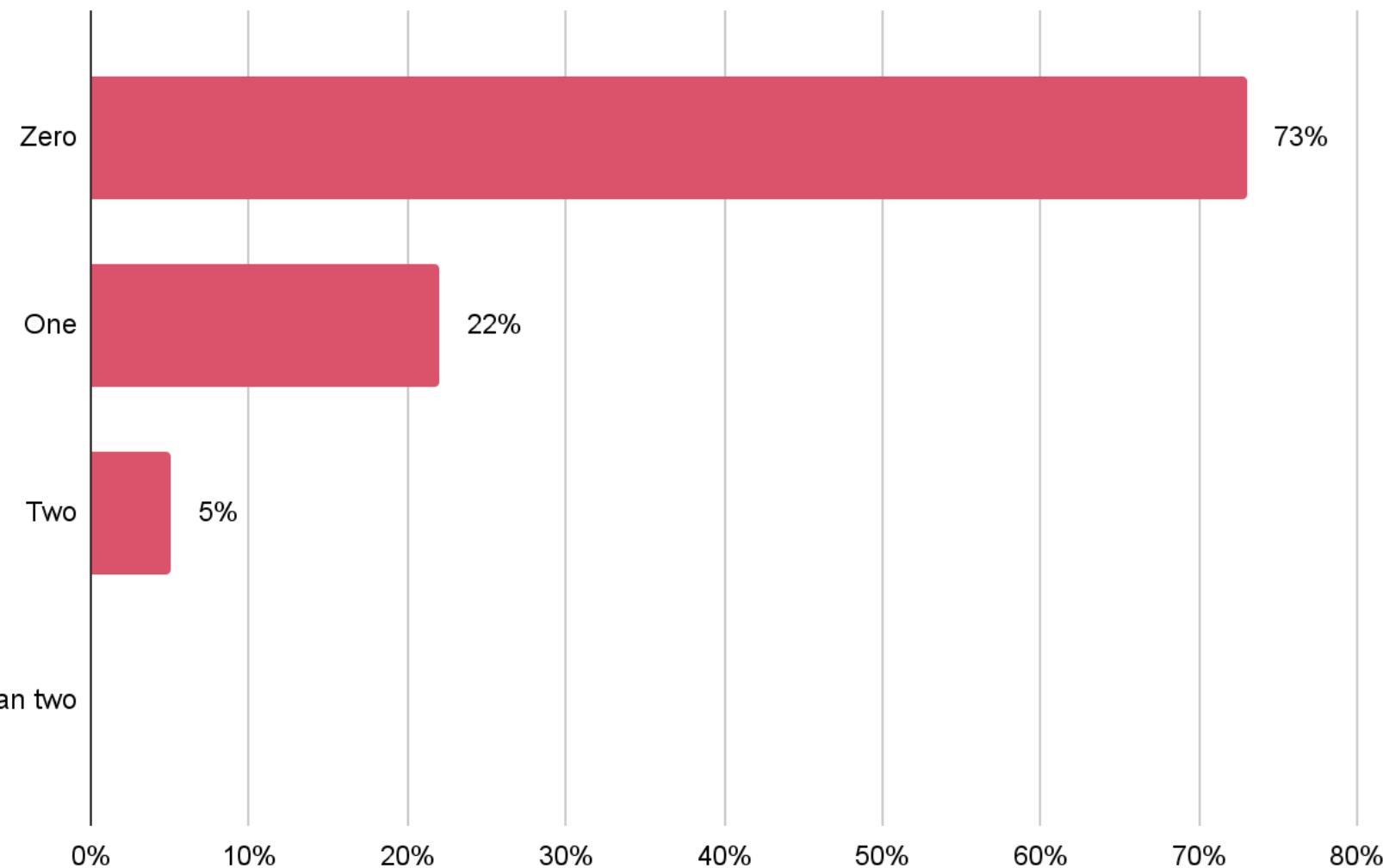
Q6—To what extent do you agree with the following statements about your board's culture (select all that apply)



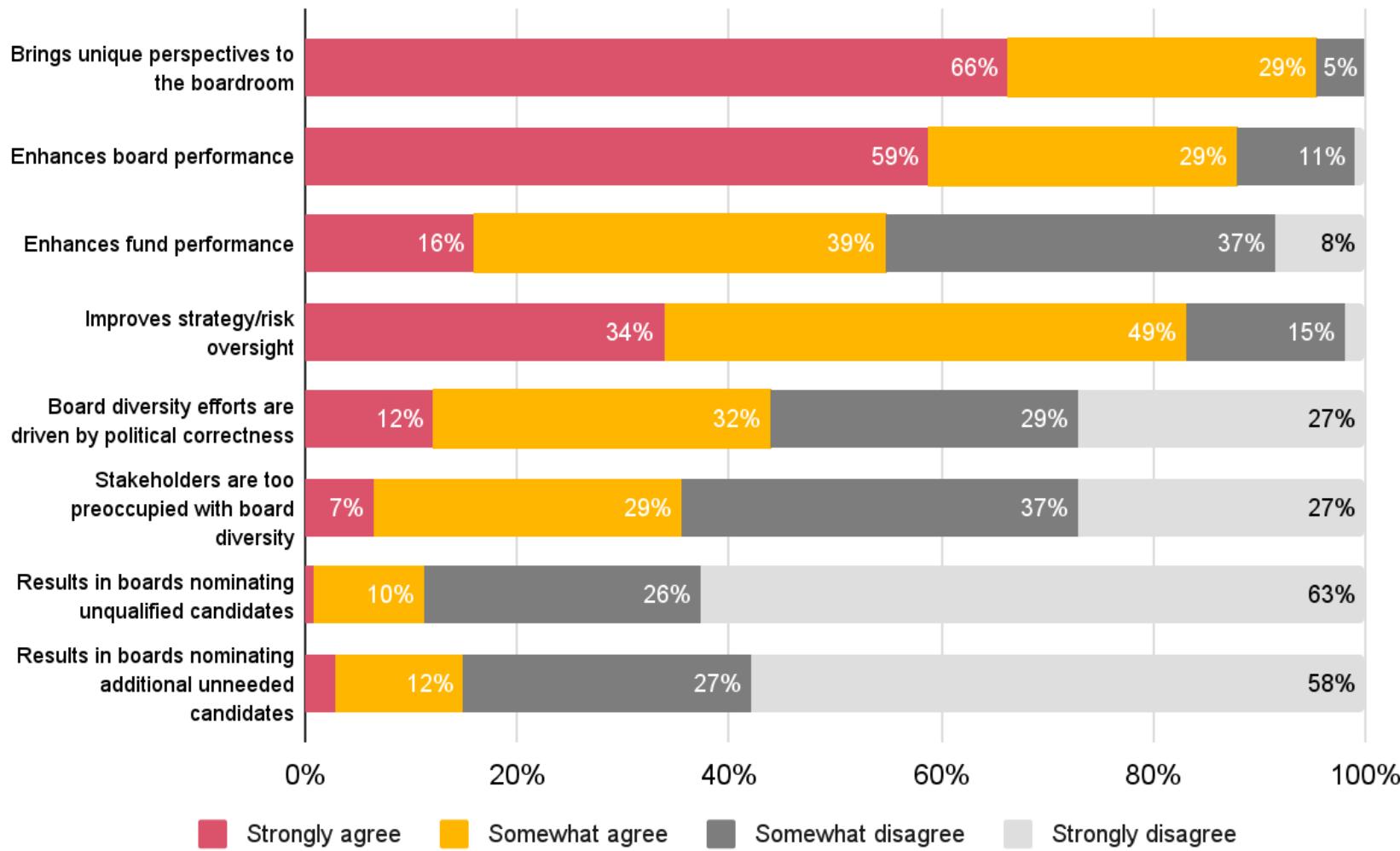
Q7—Do you believe any of the following about any of your fellow board members? (select all that apply)



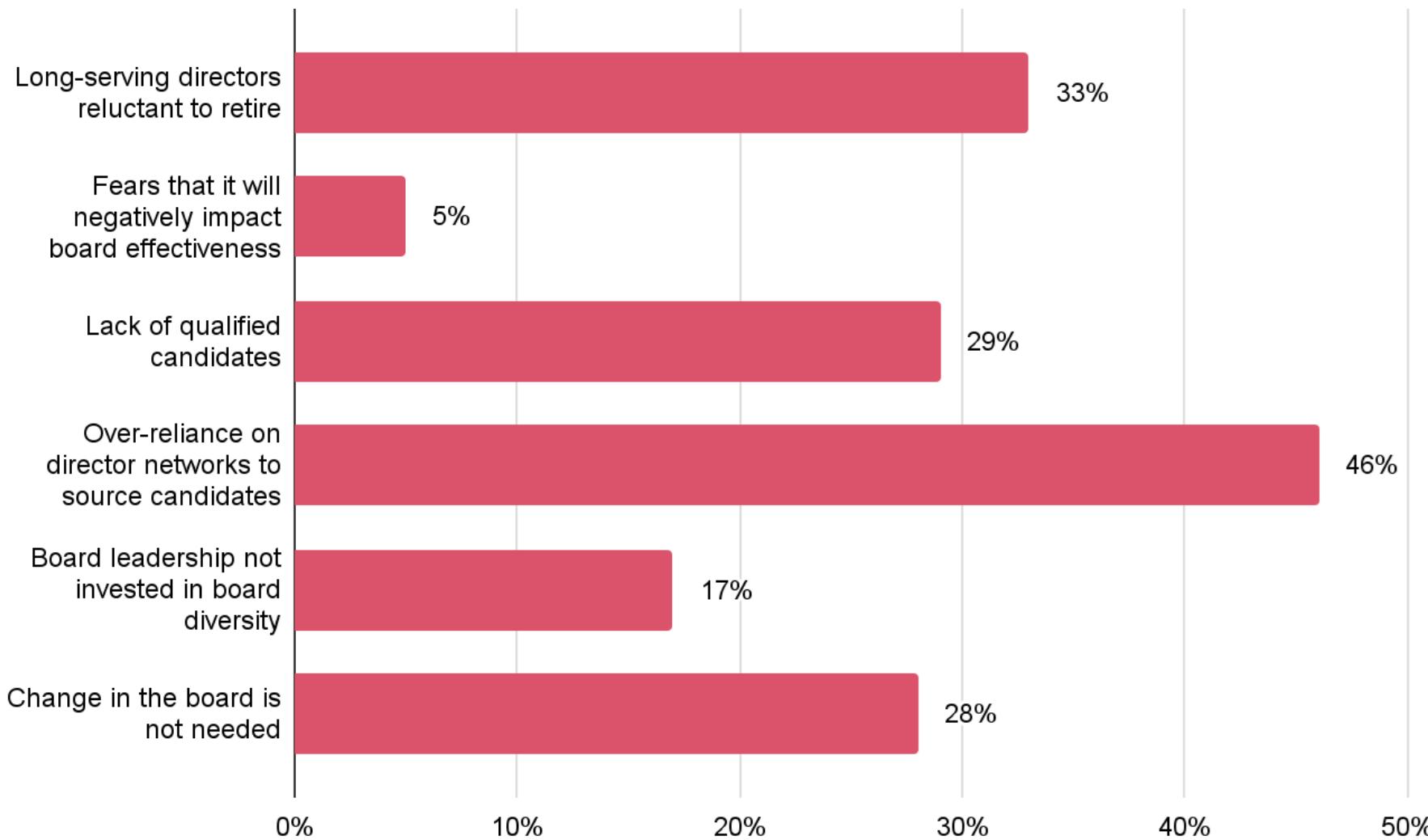
Q8—In your opinion, how many directors on your board should be replaced? (select one)



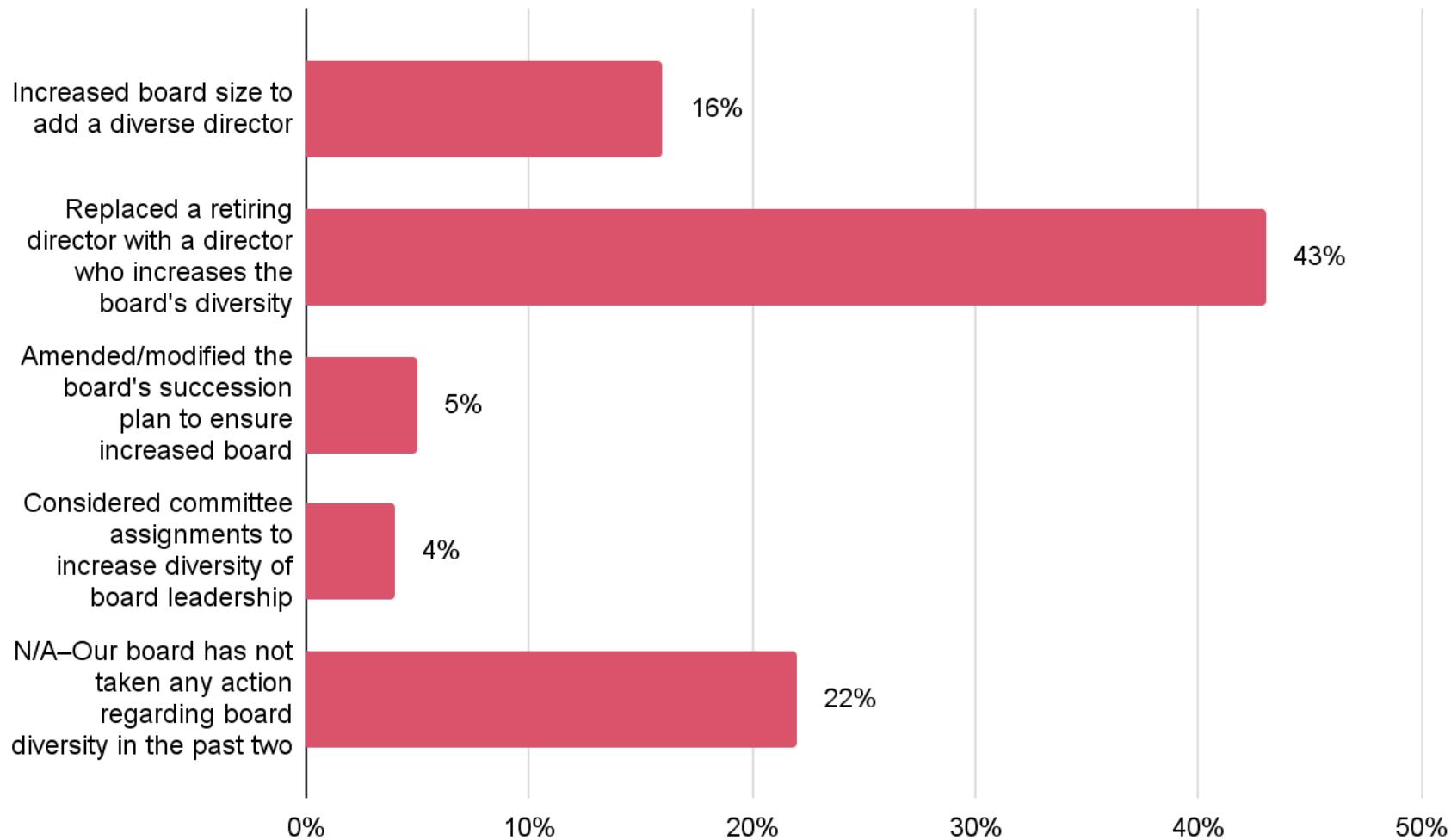
Q9—To what extent do you agree with the following statements about board diversity?



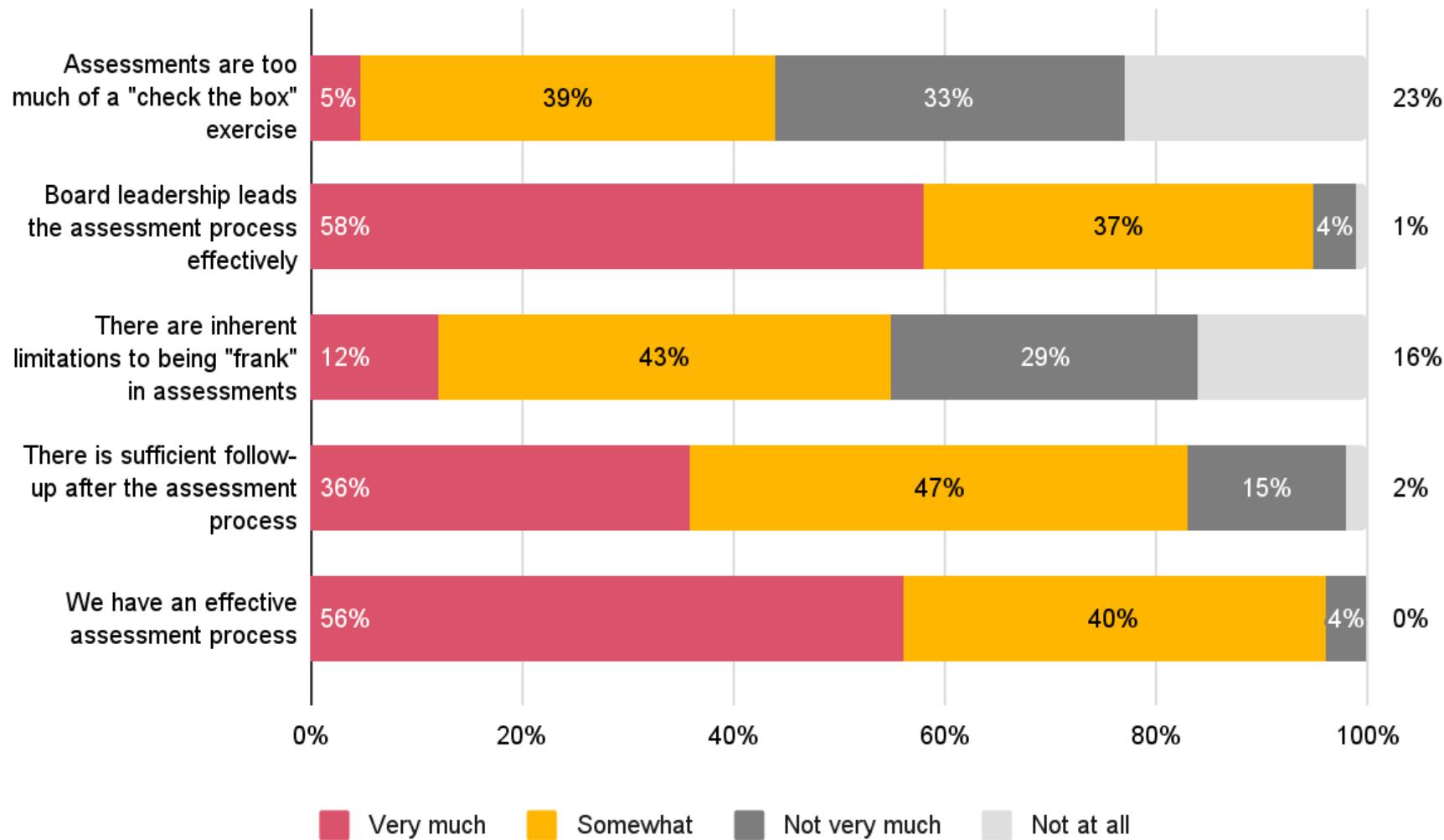
Q10—In your opinion, what has impeded efforts to increase board diversity in general (e.g., why haven't boards become diverse more quickly)? (select all that apply).



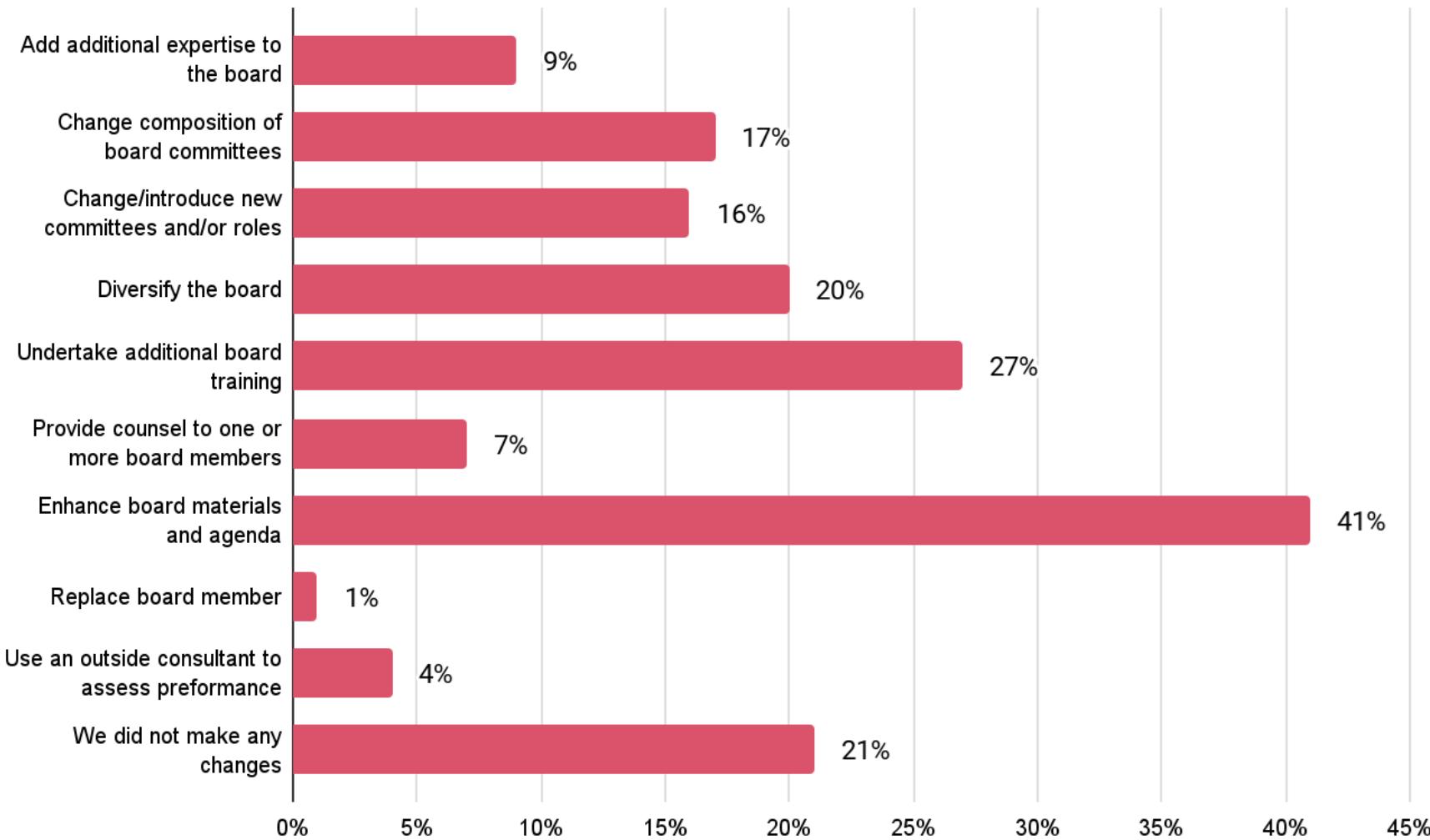
**Q11—Which of the following actions has your board taken over the past two years regarding board diversity?
(select all that apply)**



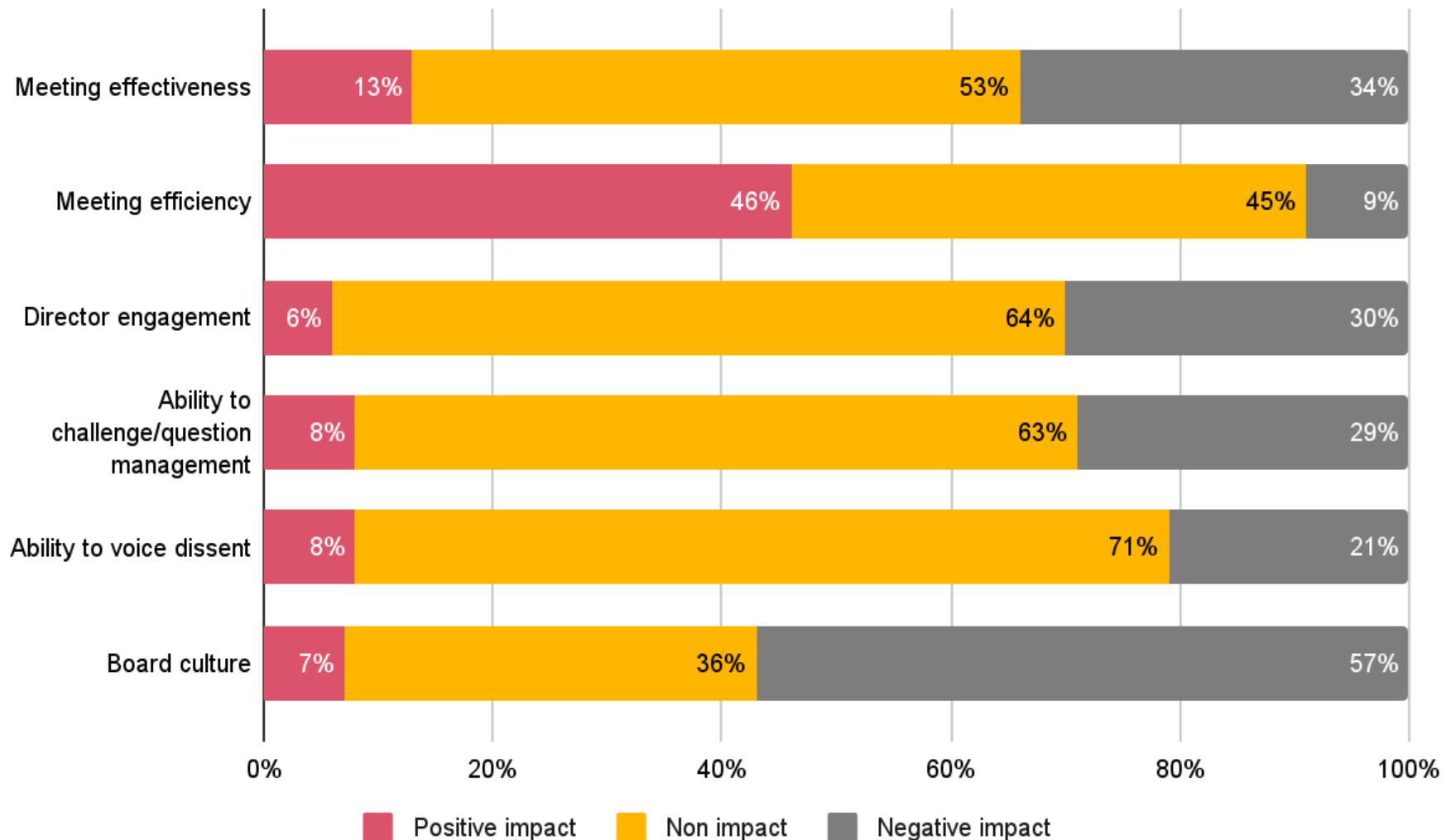
Q12—Regarding board/committee self-assessments, to what extent do you believe the following?



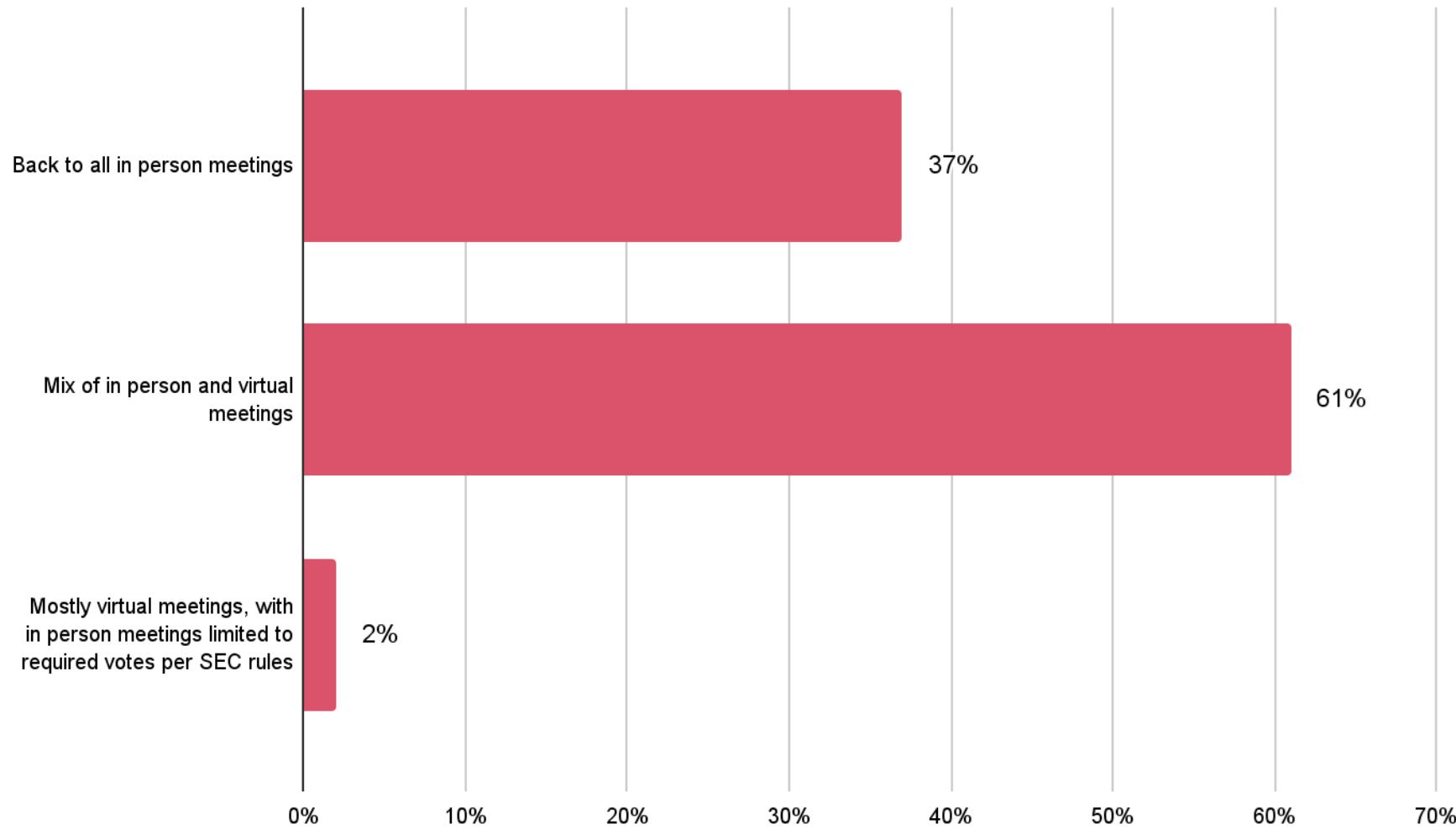
Q13—In response to the results of your last board/committee assessment process, did your board/committee decide to do any of the following? (select all that apply)



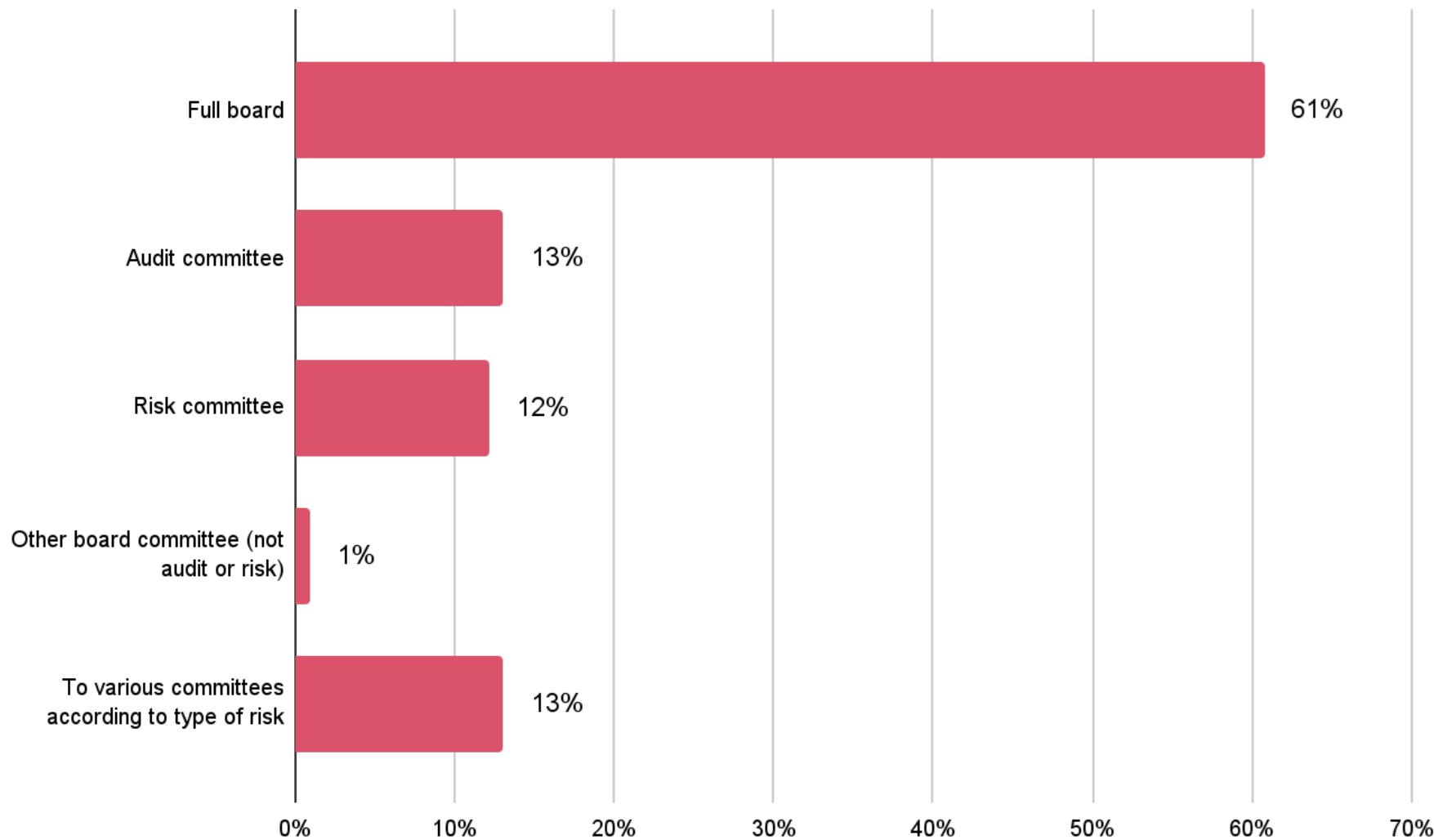
Q14—In your view, how has the shift to virtual board/committee meetings impacted the following?



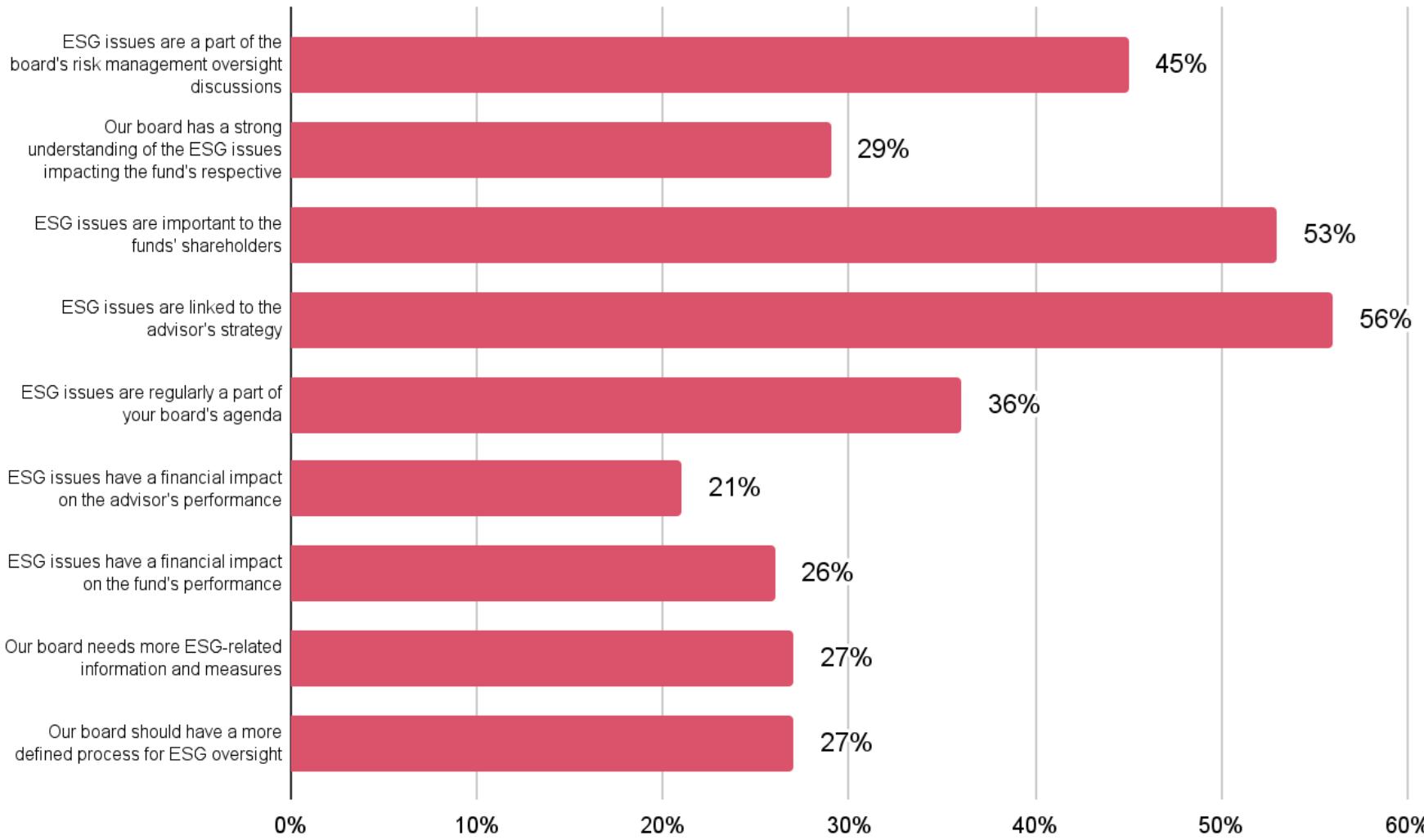
Q15—Given the relative success of board meetings during the pandemic, how do you anticipate board/committee meetings will be conducted in the future? (select only one)



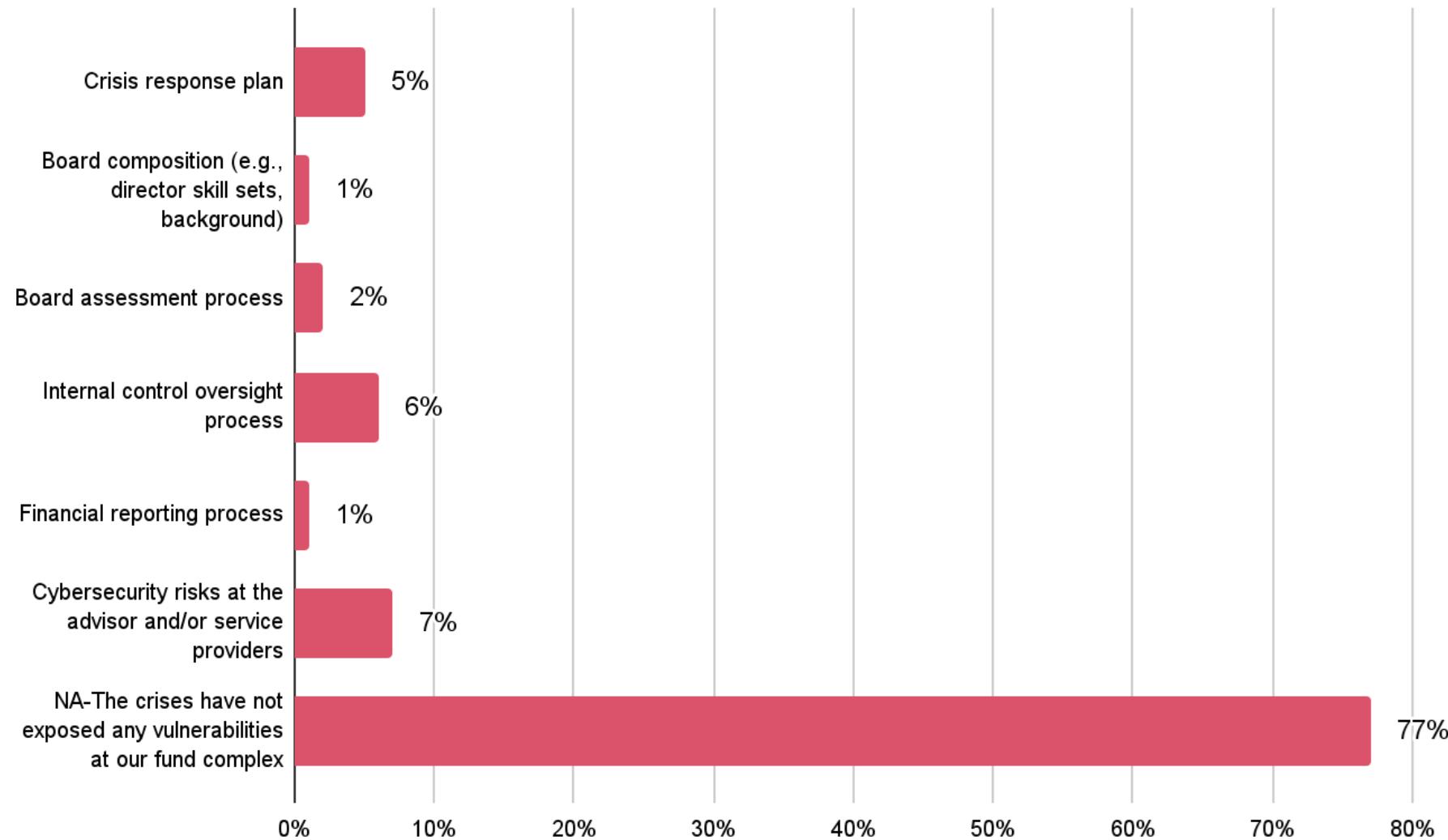
Q16—How does your board primarily allocate oversight of risk? (select only one)



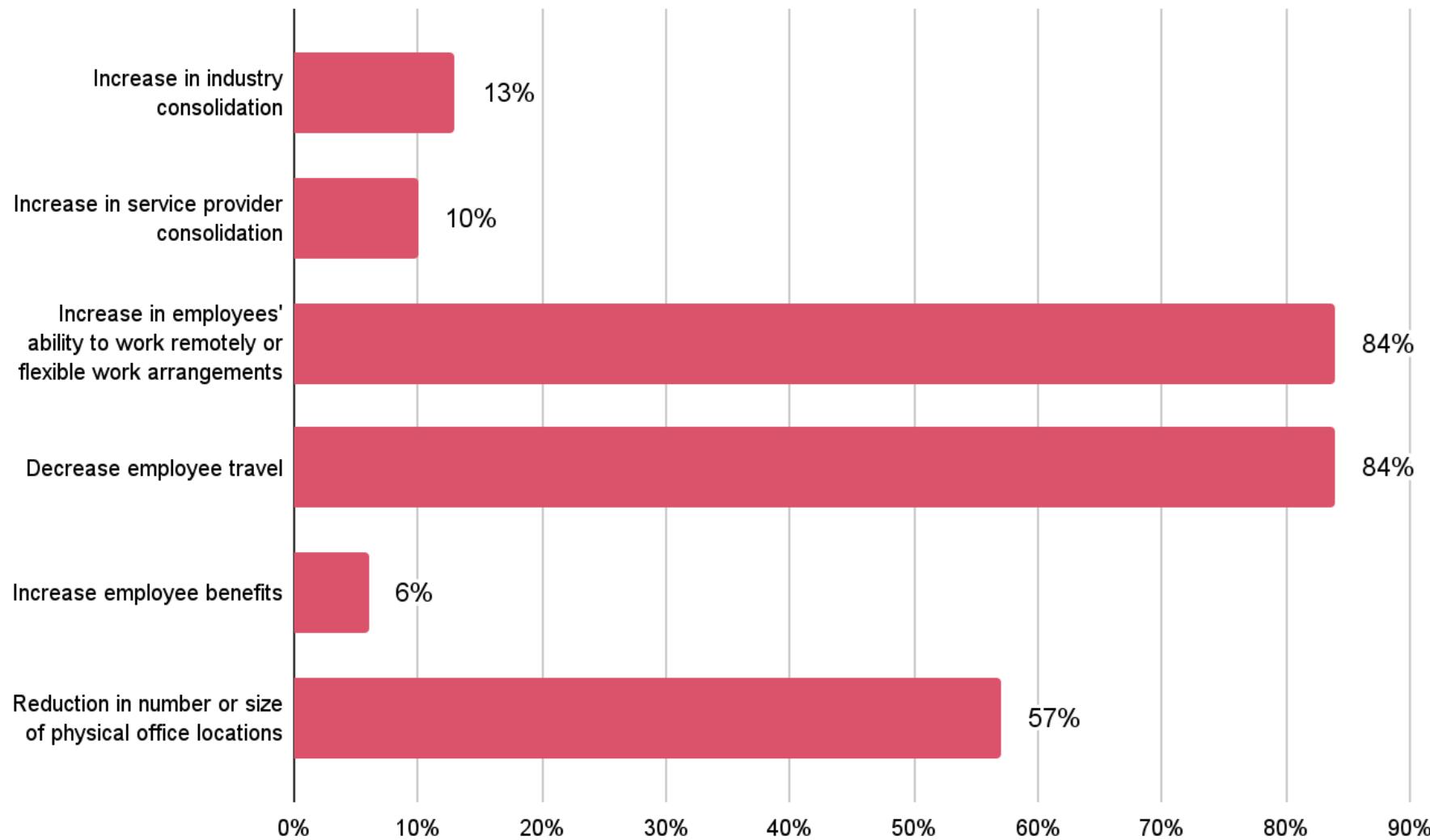
Q17—Which of the following statements do you agree with about ESG? (select all that apply)



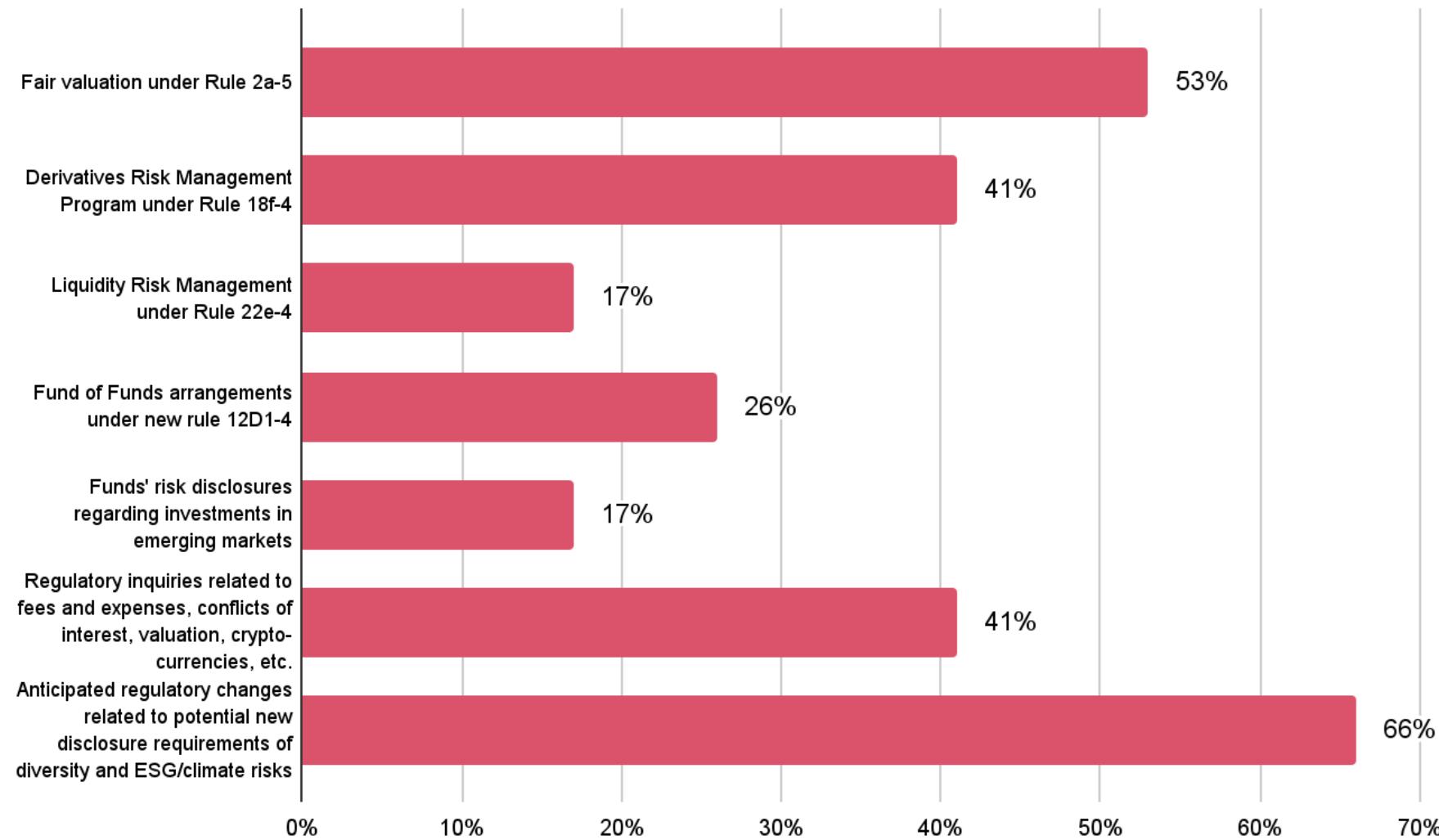
Q18—In your opinion, has the COVID-19 pandemic and associated business disruptions exposed vulnerabilities at your fund complex in any of the following areas? (select all that apply)



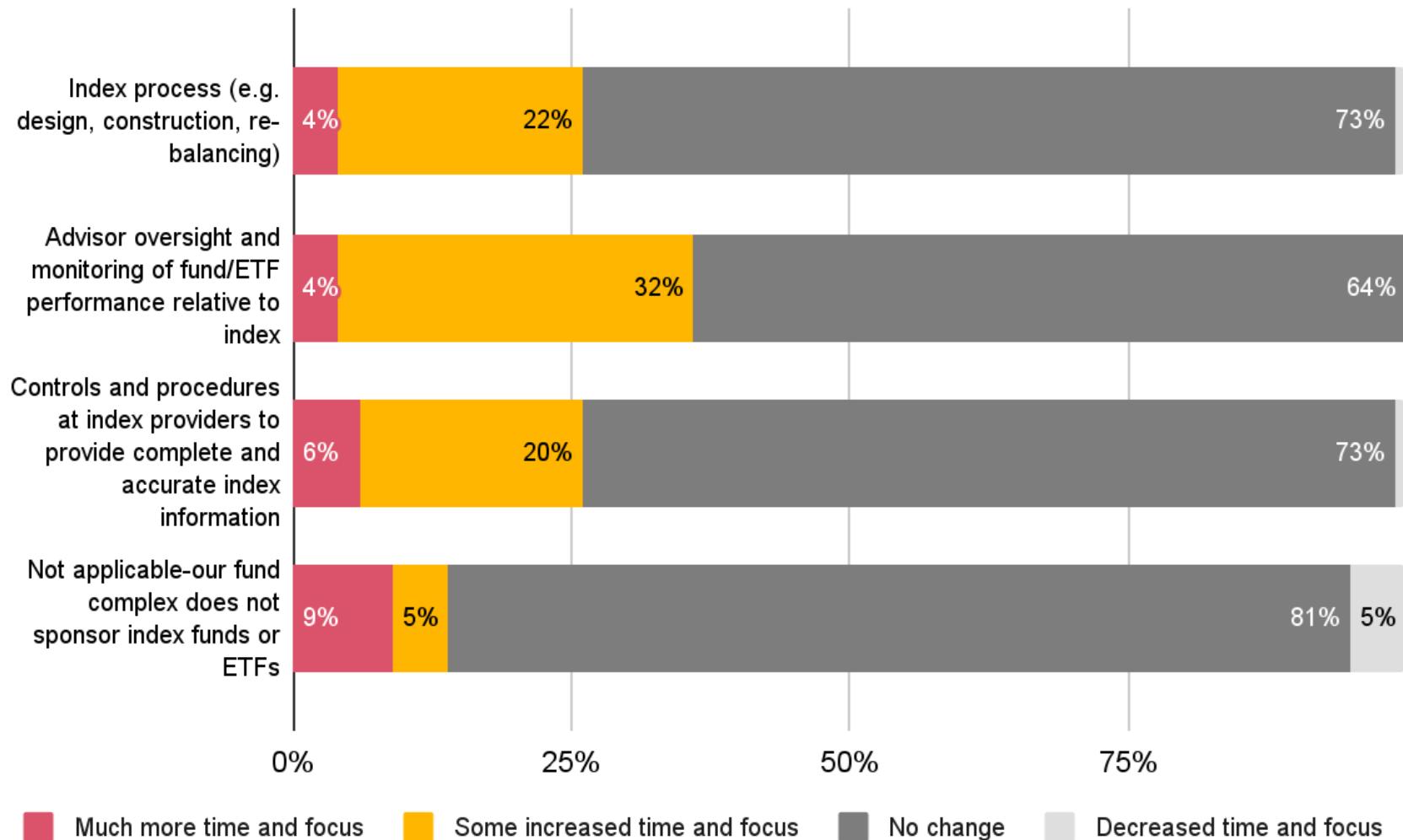
Q19—Do you believe COVID-19 will have any of the following long-term structural impacts on the mutual fund business in general? (select all that apply)



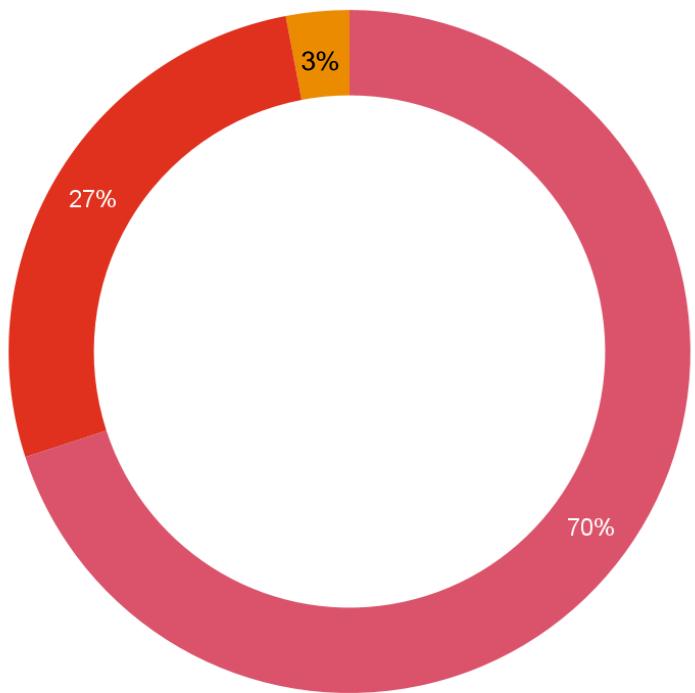
Q20—Which of the following emerging regulatory areas do you want to hear more about from management or your service providers (including external legal and audit)? (select all that apply)



Q21—Please indicate if you believe your board or audit committee should change the amount of time it spends understanding the risks and controls in the following areas with respect to index funds and ETFs.

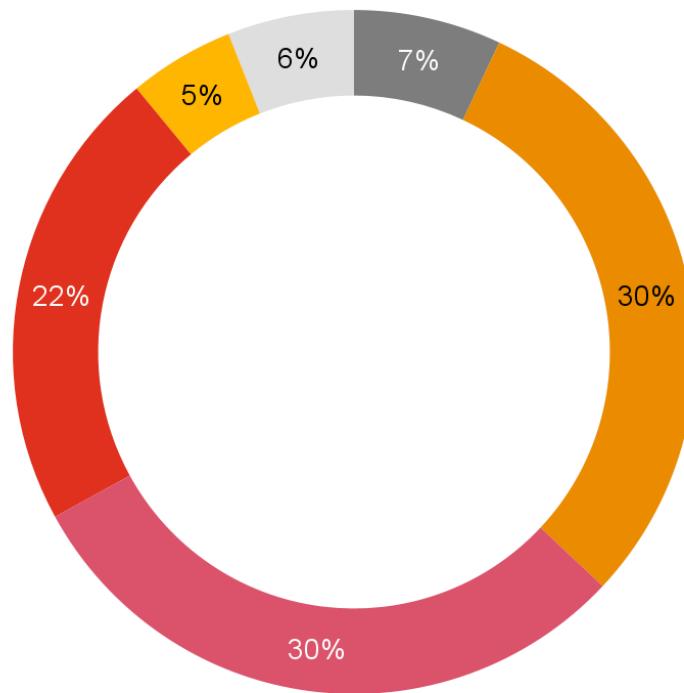


Q22—You are



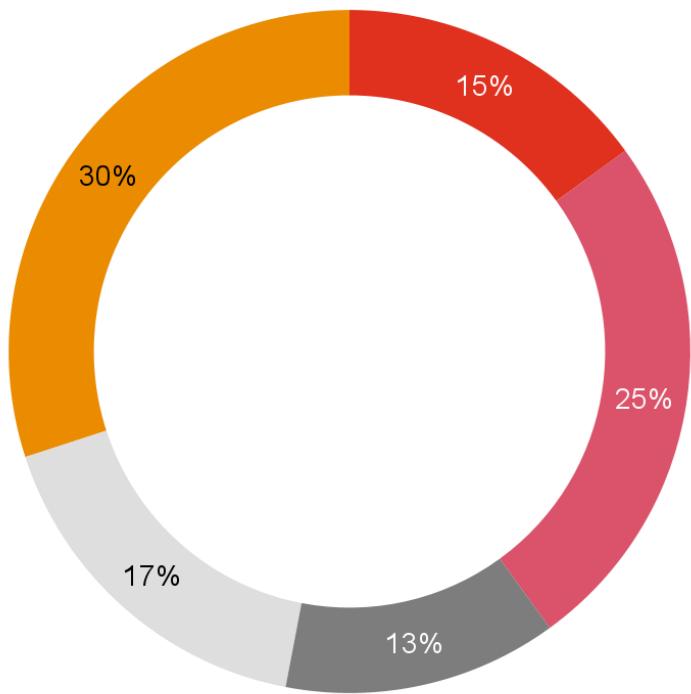
- Male
- Female
- Prefer not to say

Q23—Your age is



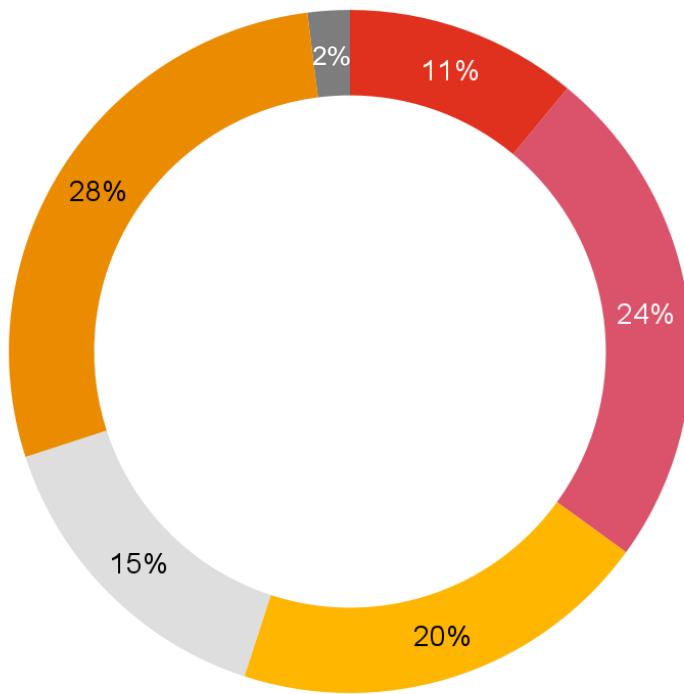
- Under 40
- 41 - 50
- 51 - 60
- 61 - 65
- 66 - 70
- 71-75
- 76 or older
- Prefer not to say

Q24—How many funds do you oversee?



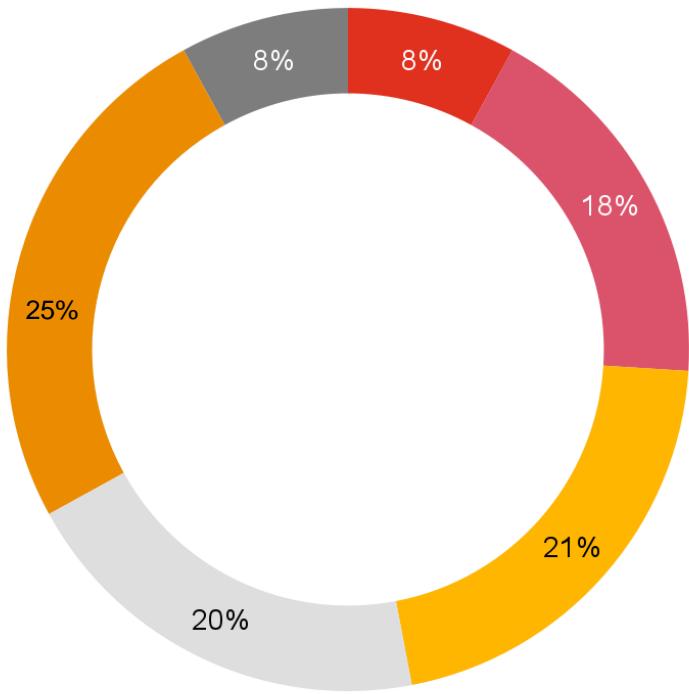
- 1 to 10 funds
- 11 to 25 funds
- 26 – 50 funds
- 51 – 100 funds
- Over 100 funds

Q25—What are the total assets under management for the funds that you oversee as a director?



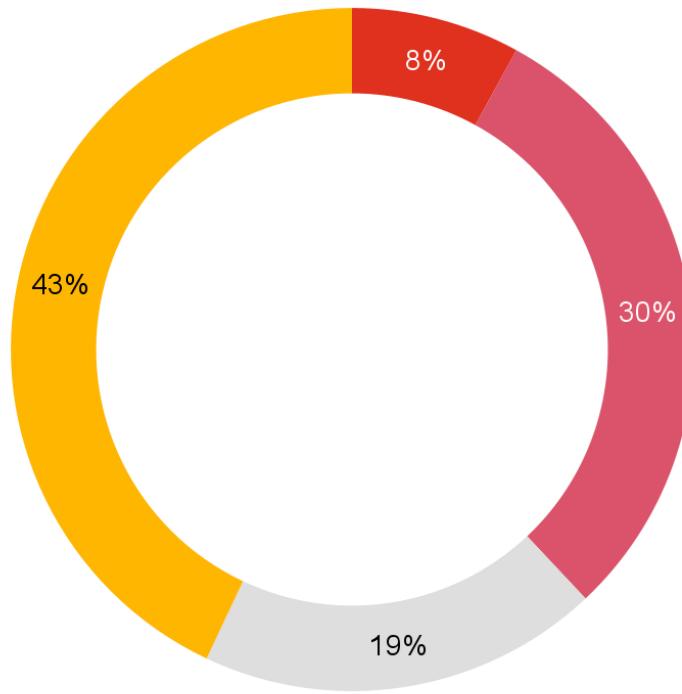
- Less than \$10 billion
- \$10 billion to \$50 billion
- \$50 billion to \$100 billion
- \$100 billion to \$250 billion
- \$250 billion to \$1 trillion
- More than \$1 trillion

Q26—Approximately how many hours per year do you spend in your board oversight role, including preparation and committee service?



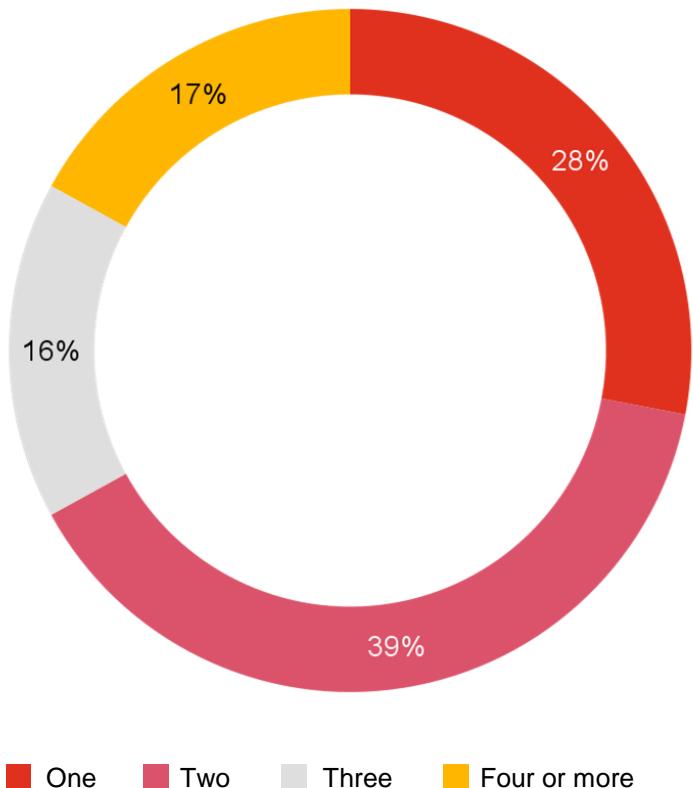
- Fewer than 100 hours
- 100 to 150 hours
- 150 to 200 hours
- 200 to 300 hours
- 300 to 500 hours
- More than 500 hours

Q27—How long have you been a director?

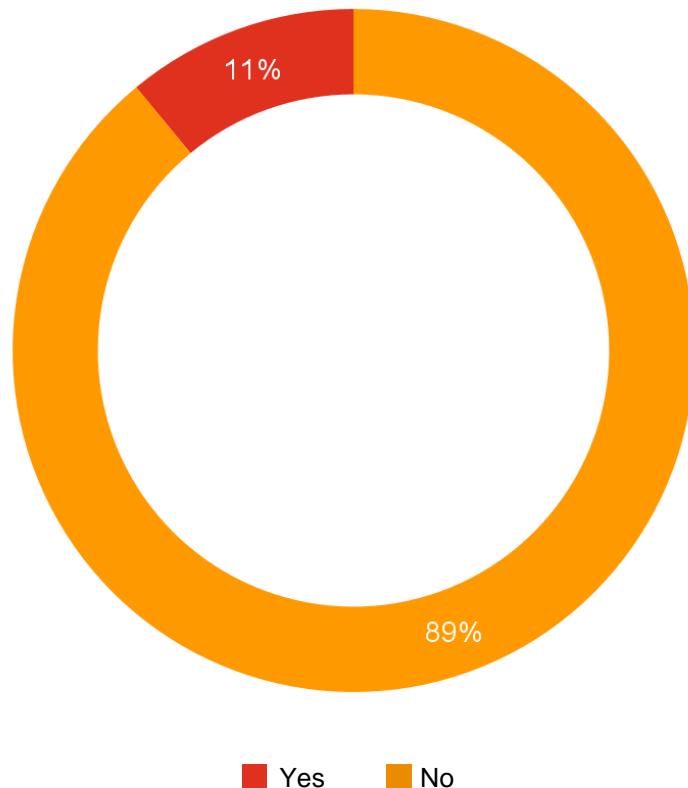


- 1 to 3 years
- 4 to 7 years
- 8 to 12 years
- More than 12 years

Q28—How many boards (public or nonpublic) do you currently serve on?



Q29—Do you serve on multiple unaffiliated fund boards?



Thank you!

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