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Introduction

Irish undertakings for collective investment plcs continue to be a popular choice for both retail and institutional investors. The Irish UCITS market is currently estimated at €1.9 trillion assets under management.

KPMG analysed 2016 publicly available financial statements of 160 UCITS companies including 1,600 subfunds and assets under management of €1.2 trillion to compile summary data on board composition and directors remuneration of Irish UCITS companies.

The most common legal structure in use at 30 June 2017 was the public limited company ("plc"), accounting for almost 90% of the UCITS market.

We hope that our guide is a beneficial benchmarking tool in terms of directors composition and directors’ remuneration.

Darina Barrett
Head of Financial Services Markets Ireland
Remuneration regulation landscape
The financial services sector continues to experience a plethora of changes to the regulatory requirements around remuneration in the various sub sectors. Below is a snapshot of some of the key regulatory requirements affecting Irish UCITS plc.

**UCITS V**

In the aftermath of the financial crisis, the European Commission believed remuneration and incentive schemes for fund managers led to short-term decision making and encouraged excessive risk taking. In its view, remuneration of UCITS managers based on performance provides an incentive for those managing UCITS to increase risk in order to increase potential returns. Therefore, the Commission sought to introduce sound remuneration principles in UCITS V. The Directive was transposed into Irish law on 21 March 2016 and became effective from 1 January 2017.

UCITS V focuses on 3 key areas, one being, 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.

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).

For UCITS management companies that are considered significant in terms of their size are required to establish a remuneration committee. This committee is required to directly oversee the remuneration of the senior officers in the risk management and compliance functions.

**CRD IV**

The European Union also attempted to reduce excessive risk taking within financial institutions fuelled by inappropriate remuneration policies, with the introduction of Capital Requirements Directive IV (“CRD IV”). CRD IV impacts EU banks, building societies and investment firms as defined under MiFID (those with an initial capital requirement of €730,000).

CRD IV includes enhanced requirements for:

- The quality and quantity of capital.
- A basis for new liquidity and leverage requirements.
- Rules for counterparty risk.
- Macroprudential standards including a countercyclical capital buffer and capital buffers for systemically important institutions.
- Makes changes to rules on corporate governance, including remuneration.
- Introduces standardised EU regulatory reporting, referred to as COREP and FINREP. These reporting requirements will specify the information firms must report to supervisors in areas such as own funds, large exposures and financial information.

The corporate governance requirements for all firms include:

- Separation of role of Chair and Chief Executive Officer (“CEO”).
- Members of the management body are to be of sufficiently good repute, and should possess sufficient knowledge, skills and experience.
- Members of the management body are required to commit sufficient time to perform their functions.

Additional requirements for “significant” firms include:

- Establish an independent remuneration committee composed of Non-Executive Directors (“NEDs”).
- Establish a separate independent risk committee composed of NEDs.
- Establish an independent nomination committee composed of NEDs.
MIFID II

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 subject to MiFID II may already be subject to remuneration requirements under CRD IV and/or UCITS V. Such firms are already under an obligation to have remuneration policies in places 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.

In addition, MiFID II focuses on staff who might have a material impact on "services" provided to clients and conflicts of interest rather than their risk impact.

Companies Act 2014

The Companies Act 2014 ("the Act") increased disclosure requirements in relation to directors remuneration.

Section 305 of the Act provides for the requirement that the directors’ remuneration disclosure 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 receivables 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 plc’s have to assess if any of their payments to an administrator, investment manager or third party service provider were payments for services of directors.
Directors Board Composition & Remuneration
Board composition - Directors

Of the 160 companies analysed, the number of directors varied from 2 to 9 directors. The majority of companies (62%) had either 4 or 5 directors.

![Directors per Company](image)

The number of directors did not vary significantly with the number of subfunds as illustrated below. The average number of independent and non independent directors is roughly the same.

![Average number of Directors by subfund](image)
Board composition - Independent Directors

All 160 companies analysed had independent directors.
- 20 companies had 1 independent director
- 91 companies had 2 independent directors
- 36 companies had 3 independent directors
- 10 companies had 4 independent directors
- 3 companies had 5 independent directors.

Of the 160 companies KPMG analysed, we found that 49% of the Directors were Independent Directors. Within the Independent Directors 145 were male (87%). For new Independent Directors appointed during the year 78% were male. Of the 160 companies 45% had all male Directors and 1% had all female Directors.

<table>
<thead>
<tr>
<th>Number of Independent Directors</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>80</td>
</tr>
<tr>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
</tr>
</tbody>
</table>

Of the 160 companies KPMG analysed, we found that 49% of the Directors were Independent Directors. Within the Independent Directors 145 were male (87%). For new Independent Directors appointed during the year 78% were male. Of the 160 companies 45% had all male Directors and 1% had all female Directors.
Of the 160 companies we analysed
- 10% of companies had total directors remuneration less than €20,000.
- 31% of companies had total remuneration in the ranges €20,000 - €40,000
- 18% of companies had total remuneration in the range €40,000 - €60,000
- 28% of companies had total remuneration in the range €60,000 - €100,000
- 13% companies had total directors remuneration greater than €100k
- 5 companies had total directors remuneration greater than €200k
- 6 companies did not disclose any directors remuneration

In the majority of companies, the executive directors waived their remuneration.
Of the 160 companies we analysed how directors remuneration varied compared to the number of subfunds and the Assets Under Management (“AUM”) of the companies as illustrated below. The chart below showing number of companies, total directors remuneration and colour coded for assets under management.

**Total Directors’ Remuneration for a Company**

<table>
<thead>
<tr>
<th>Number of Active Subfunds</th>
<th>Total Directors Remuneration by Number of Active Subfunds</th>
<th>Total Directors Remuneration by AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 subfund</td>
<td><img src="#" alt="Graph 1" /></td>
<td><img src="#" alt="Graph 2" /></td>
</tr>
<tr>
<td>2 - 5 subfunds</td>
<td><img src="#" alt="Graph 1" /></td>
<td><img src="#" alt="Graph 2" /></td>
</tr>
<tr>
<td>6 - 10 subfunds</td>
<td><img src="#" alt="Graph 1" /></td>
<td><img src="#" alt="Graph 2" /></td>
</tr>
<tr>
<td>11 - 20 subfunds</td>
<td><img src="#" alt="Graph 1" /></td>
<td><img src="#" alt="Graph 2" /></td>
</tr>
<tr>
<td>Greater than 20 subfunds</td>
<td><img src="#" alt="Graph 1" /></td>
<td><img src="#" alt="Graph 2" /></td>
</tr>
</tbody>
</table>
Remuneration by Assets Under Management ("AUM")

The following table illustrates the range of total directors remuneration and does indicate the higher the assets under management the higher the directors remuneration.

<table>
<thead>
<tr>
<th>Assets under Management</th>
<th>Lower Quartile (€ ('000s))</th>
<th>Median (€ ('000s))</th>
<th>Upper Quartile (€ ('000s))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than €100m</td>
<td>15</td>
<td>29</td>
<td>37</td>
</tr>
<tr>
<td>€100m - €500m</td>
<td>30</td>
<td>38</td>
<td>55</td>
</tr>
<tr>
<td>€500m - €2bn</td>
<td>36</td>
<td>65</td>
<td>80</td>
</tr>
<tr>
<td>€2bn - €10bn</td>
<td>41</td>
<td>60</td>
<td>90</td>
</tr>
<tr>
<td>Greater than €10bn</td>
<td>35</td>
<td>68</td>
<td>118</td>
</tr>
</tbody>
</table>

Lower quartile – is the median of the lower half of the data set
Median – is the number that is the “middle” value of the data set
Upper Quartile – is the median of the upper half of the data set
The 160 companies we analysed included 1,600 subfunds as follows:

As expected the average directors remuneration for each subfund basis decreases the more subfunds are in a platform.

### Remuneration by Number of Active Sub funds

<table>
<thead>
<tr>
<th>Number of sub funds per Company</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 subfund</td>
<td>21</td>
</tr>
<tr>
<td>2 - 5 subfunds</td>
<td>65</td>
</tr>
<tr>
<td>6 - 10 subfunds</td>
<td>27</td>
</tr>
<tr>
<td>11 - 20 subfunds</td>
<td>23</td>
</tr>
<tr>
<td>Greater than 20 subfunds</td>
<td>24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average directors remuneration</th>
<th>Total €</th>
<th>Per subfund €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 subfund</td>
<td>34,583</td>
<td>34,583</td>
</tr>
<tr>
<td>2 - 5 subfunds</td>
<td>49,323</td>
<td>16,458</td>
</tr>
<tr>
<td>6 - 10 subfunds</td>
<td>74,211</td>
<td>9,879</td>
</tr>
<tr>
<td>11 - 20 subfunds</td>
<td>94,680</td>
<td>6,326</td>
</tr>
<tr>
<td>Greater than 20 subfunds</td>
<td>88,081</td>
<td>2,684</td>
</tr>
</tbody>
</table>
Appendix: 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 personal circumstances that are attached to each company.

Data Sources
- In 2017 we downloaded from the internet 160 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.

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.

Median and Quartile Points
- For the purposes of the report, median information has been provided where there are four data points or more. Inter-quartile ranges have been provided where there are nine or more data points.
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