



# Analysis of Directors Remuneration & Board Composition

**Irish UCITS Funds plc**

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# Contents

1 Remuneration Regulation Landscape .....	2
2 Directors Remuneration & Board Composition .....	5
3 Appendix .....	12





# Introduction



Darina Barrett

Irish UCITS continue to be the most popular choice of Irish domiciled fund, with the market currently estimated at €1.9 trillion assets under management.

In 2018, KPMG analysed 2017 publicly available financial statements of over 200 UCITS companies including 2,200 subfunds and assets under management of €1.2 trillion. Our guide offers a broad overview on board composition and directors remuneration of Irish UCITS companies.

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

A handwritten signature in black ink that reads "Darina Barrett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**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 plcs.**

### 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, 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.

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 an 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.

For 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.

### 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 II (i.e. 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. 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 members remuneration and the interests of the client.

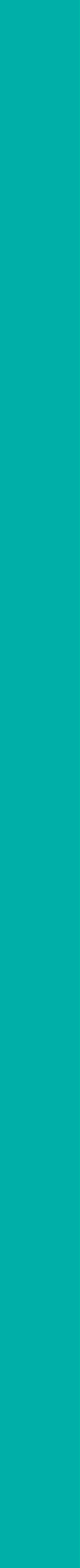
## Companies Act 2014

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 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.

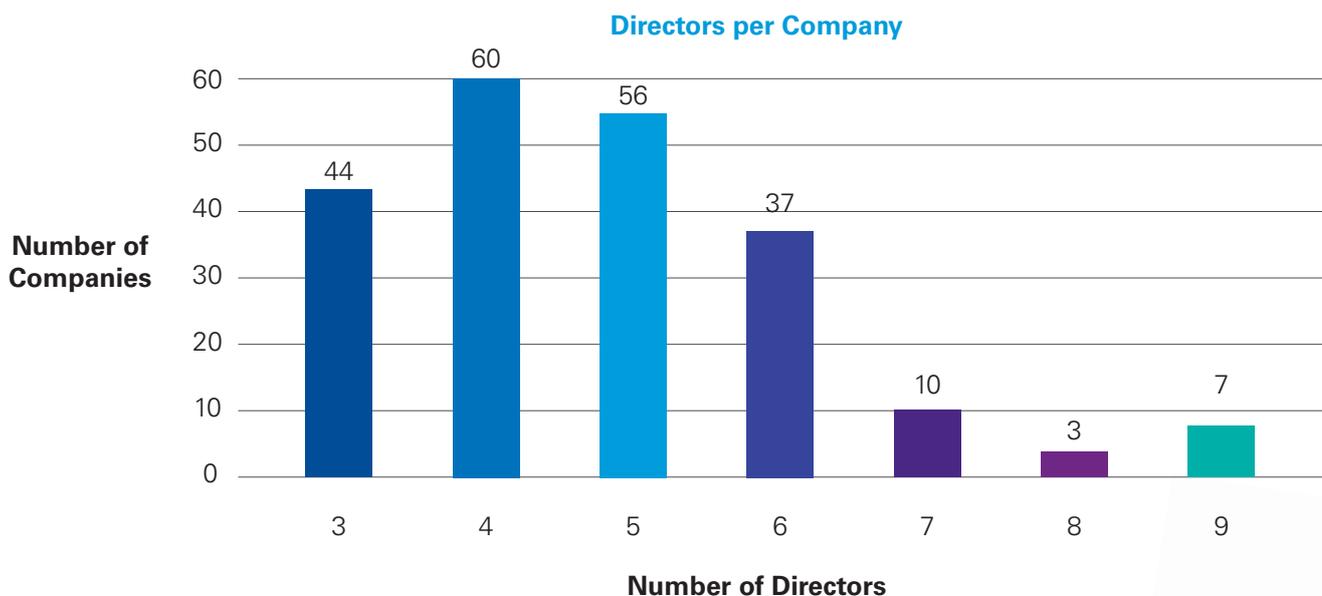




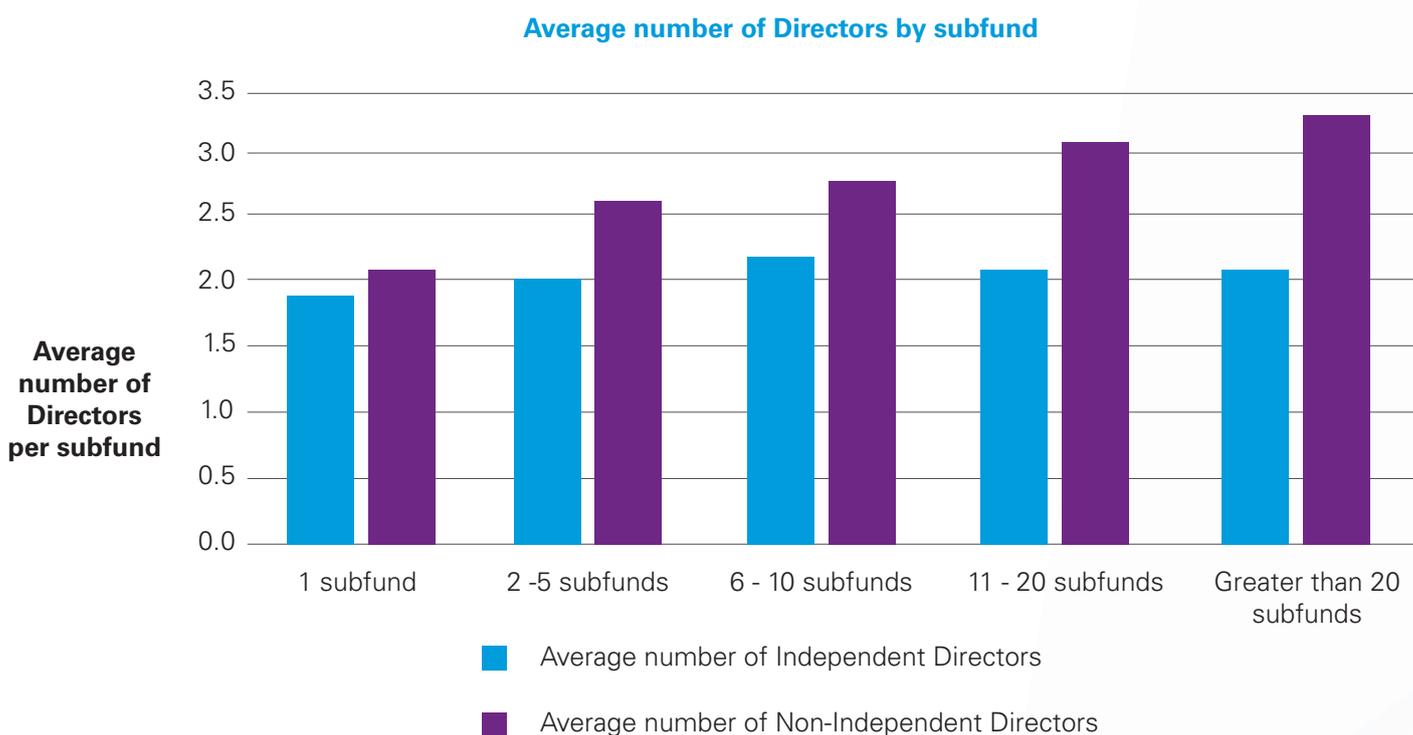
# Directors Board Composition & Remuneration

# Board composition - Directors

Of the 217 companies analysed in 2018 and 160 in 2017, the number of directors varied from 3 to 9 directors. The majority of companies (53% 2018, 62% 2017) had either 4 or 5 directors.



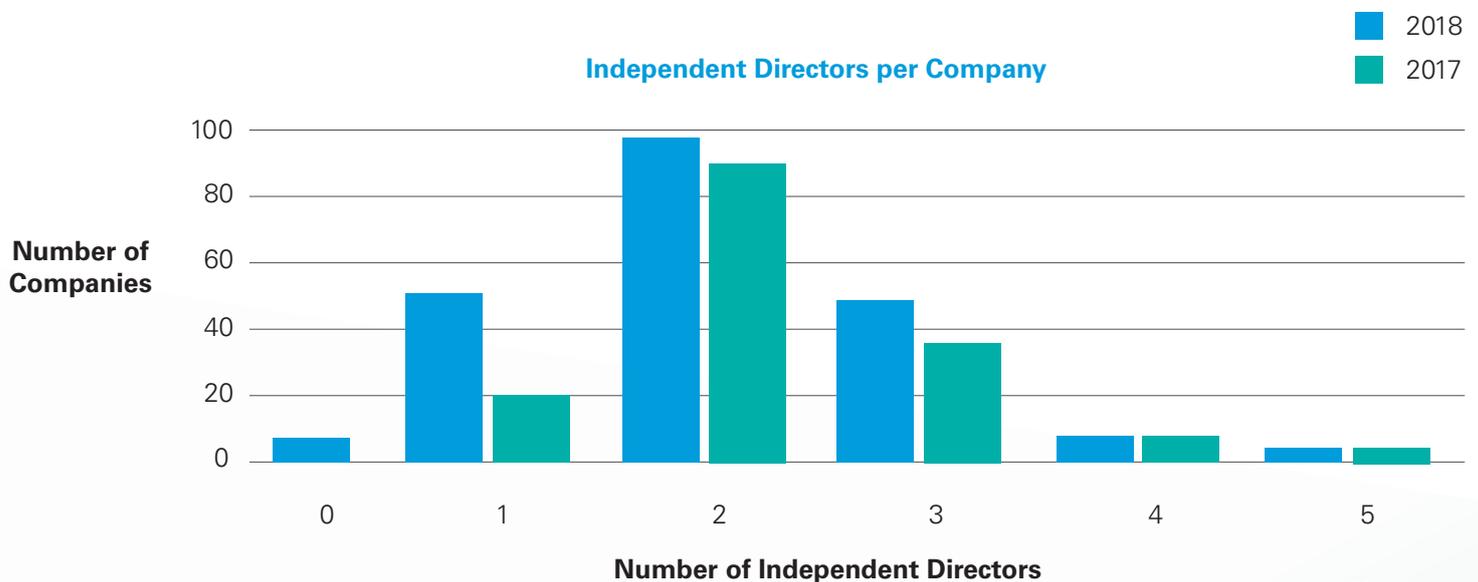
The number of directors did not vary significantly with the number of subfunds as illustrated below. The average number of non independent directors increase as the number of subfunds increase.



# Board composition - Independent Directors

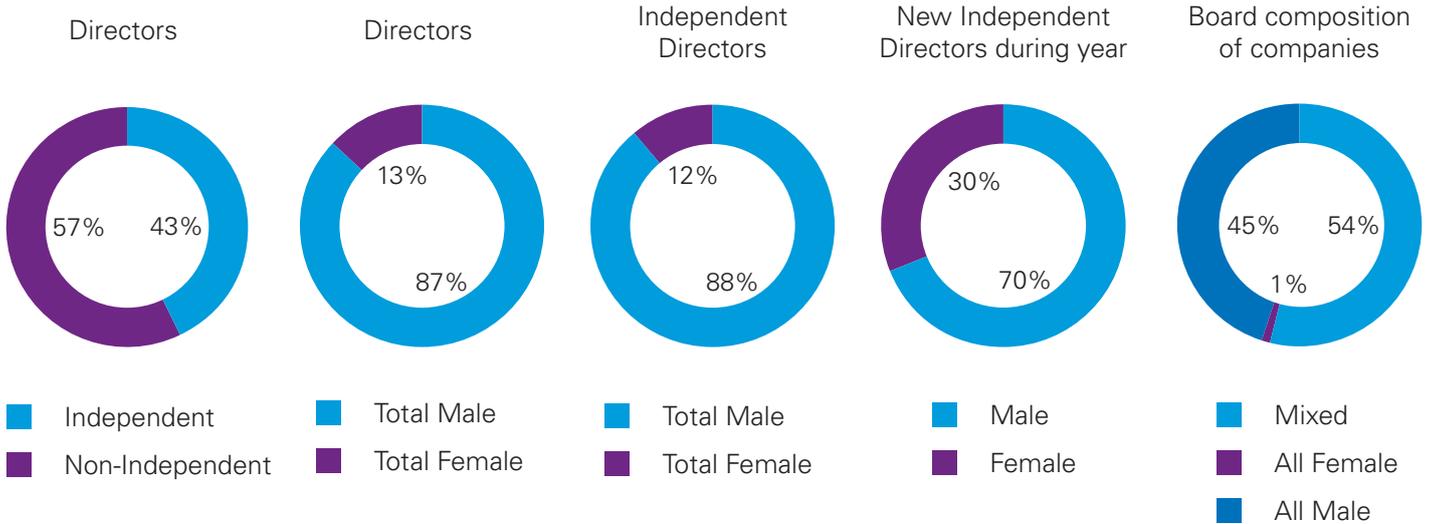
**For all 217 companies in 2018 (and 160 companies in 2017) we analysed the number of directors.**

- 7 companies had no independent director (0 companies in 2017)
- 52 companies had 1 independent director (20 companies in 2017)
- 97 companies had 2 independent directors (91 companies in 2017)
- 50 companies had 3 independent directors (36 companies in 2017)
- 8 companies had 4 independent directors (10 companies in 2017)
- 3 companies had 5 independent directors. (3 companies in 2017)

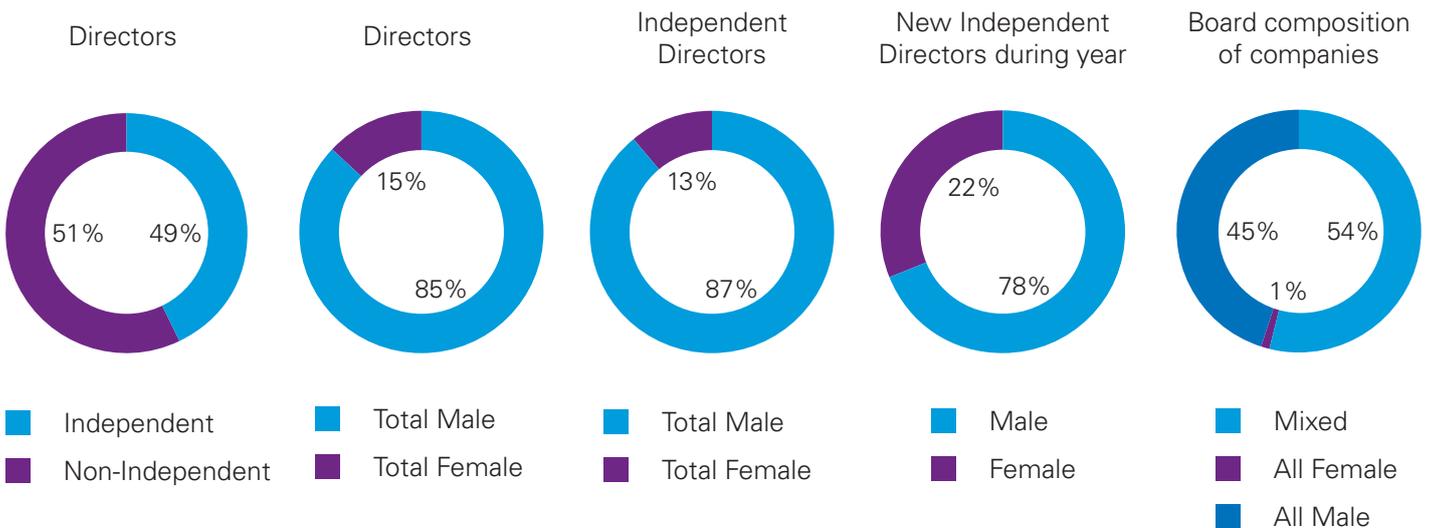


# Board composition - Independent Directors

Of the 217 companies KPMG analysed, we found 43% of the Directors were Independent Directors. Within the Independent Directors 164 were male (88%). For new Independent Directors appointed during the year, 30% were female and 70% were male directors. Of the 217 companies, 45% of companies had all male Directors and 1% of companies had all female Directors.



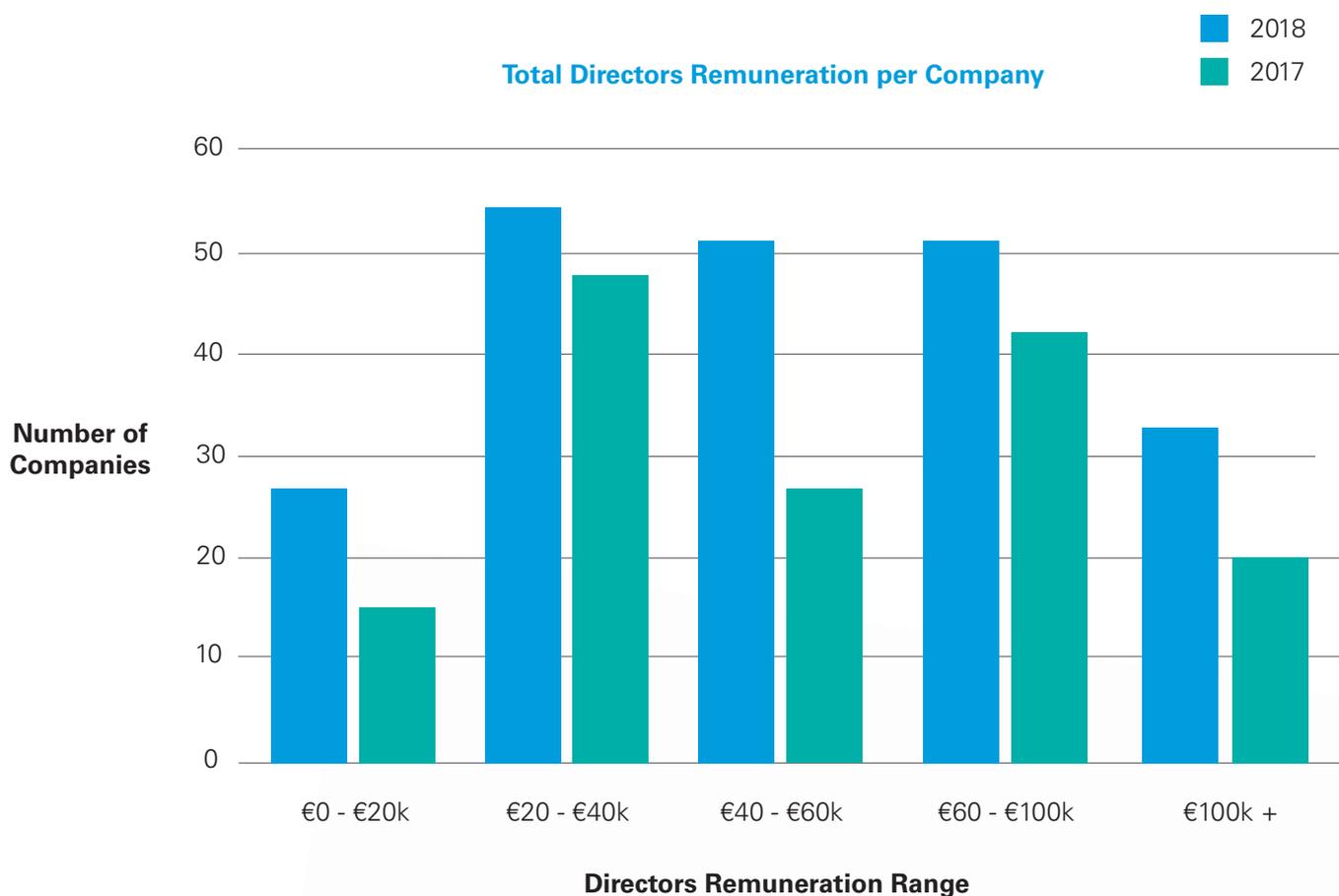
Of the 160 companies KPMG analysed in 2017, we found that 49% of the Directors were Independent Directors. Within the Independent Directors 145 were male (87%). For new Independent Directors appointed during the year 78% were male. Of the 160 companies 45% had all male Directors and 1% had all female Directors.



# Total Directors' Remuneration for a Company

## Of the 217 companies we analysed in 2018 and 160 in 2017

- 12% of companies had total directors remuneration less than €20,000. (10% in 2017)
- 25% of companies had total remuneration in the ranges €20,000 - €40,000 (31% in 2017)
- 24% of companies had total remuneration in the range €40,000 - €60,000 (18% in 2017)
- 24% of companies had total remuneration in the range €60,000 - €100,000 (28% in 2017)
- 15% companies had total directors remuneration greater than €100k (13% in 2017)
- 7 companies had total directors remuneration greater than €200k (5 in 2017)

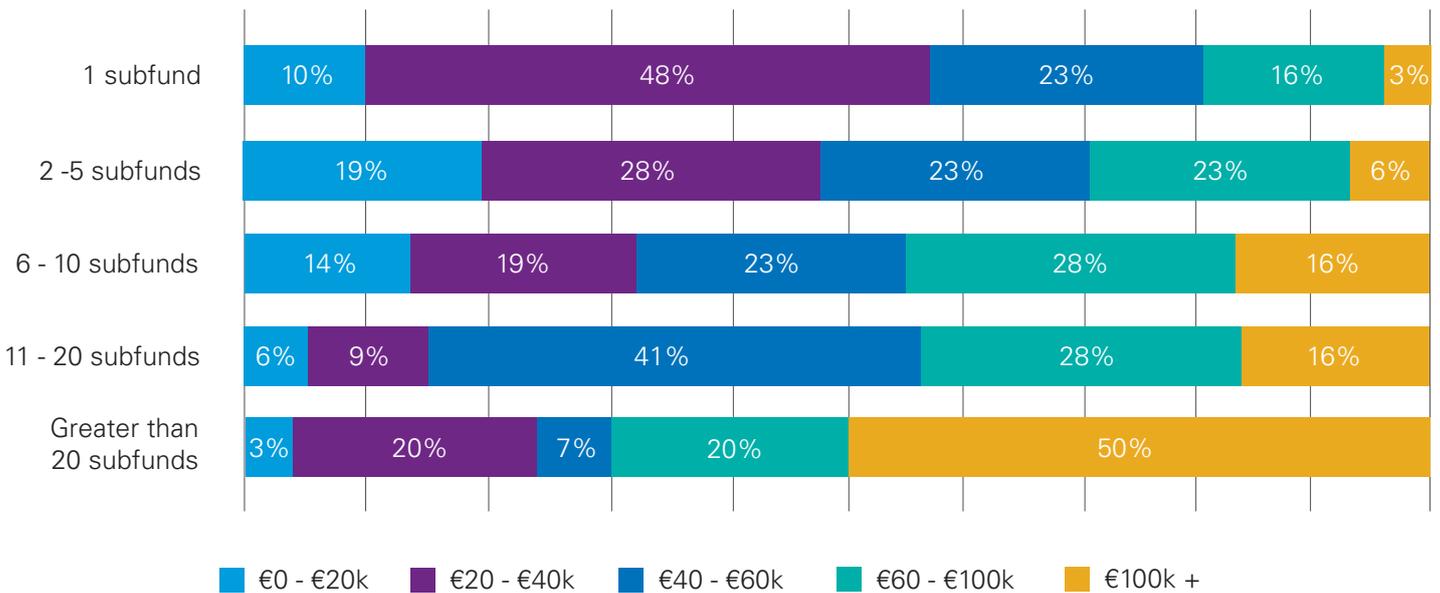


**In the majority of companies, the executive directors waived their remuneration.**

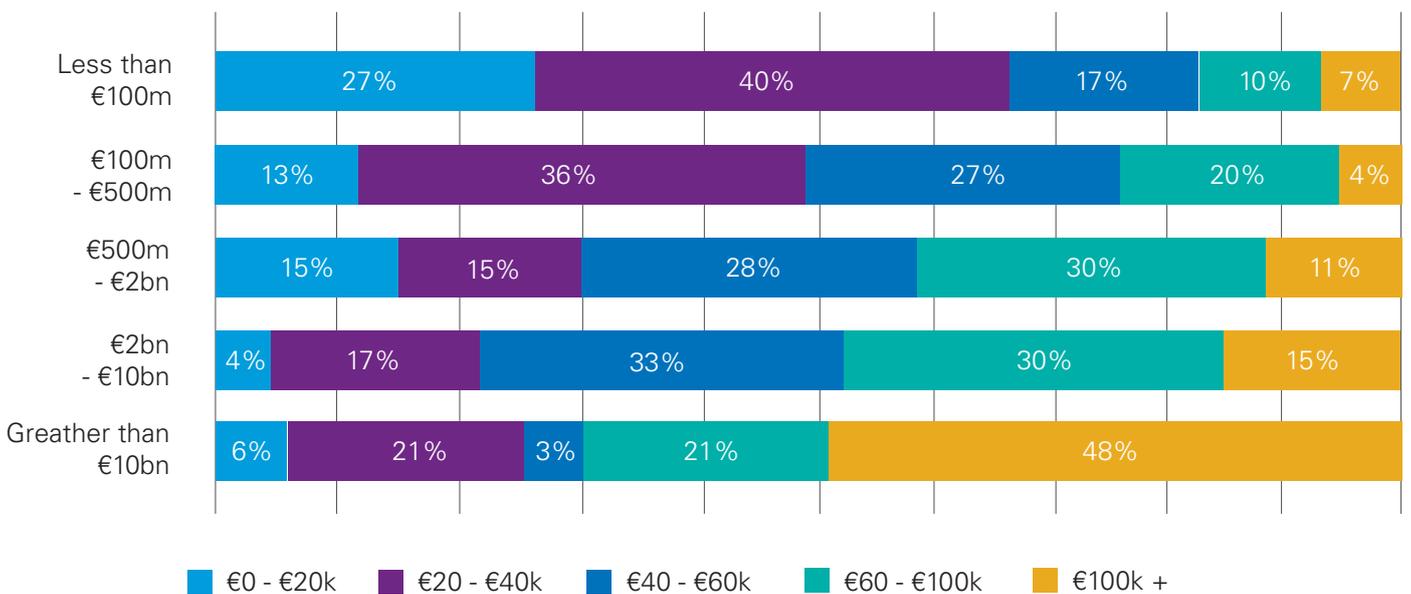
# Total Directors' Remuneration for a Company

Of the 217 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 by number of active subfunds



Total Directors remuneration by AUM



# 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.

Total Directors Remuneration for Irish UCITS plc			
Assets under Management	Lower Quartile € ('000s)	Median € ('000s)	Upper Quartile € ('000s)
Less than €100m	18	31	47
€100m - €500m	28	41	60
€500m - €2bn	38	55	80
€2bn - €10bn	41	56	81
Greater than €10bn	33	86	150

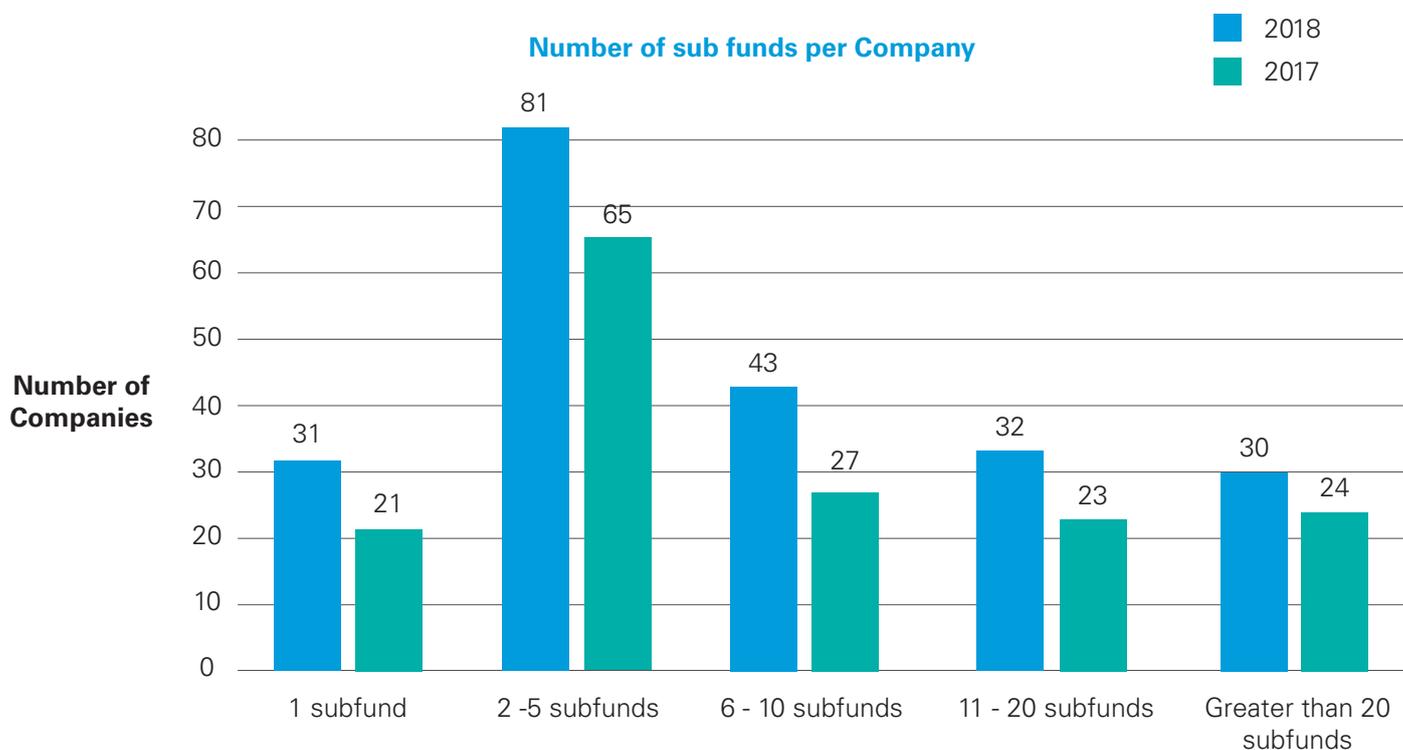
Lower quartile – is the median of the lower half of the data set

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

# Remuneration by Number of Active Sub funds

The 217 companies we analysed in 2018 (160 in 2017) included 2,286 subfunds in 2018, 1,600 subfunds in 2017 as follows:



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

Average directors remuneration	2018 Total €	2017 Total €	2018 Per subfund €	2017 Per subfund €
1 subfund	41,893	34,583	41,893	34,583
2 - 5 subfunds	49,655	49,323	16,666	16,458
6 - 10 subfunds	66,533	74,211	9,734	9,879
11 - 20 subfunds	86,283	94,680	5,706	6,326
Greater than 20 subfunds	100,844	88,081	2,672	2,684

# 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 2018 we downloaded from the internet 217 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 2018 report carried out reviews on 2017 financial statements of 217 Irish UCITS plcs, whilst the 2017 report performed reviews on 2016 financial statements of 160 Irish UCITS plcs.

### 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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