

2021

**ANNUAL
REVIEW**

The Independent Directors Council (IDC) supports fund independent directors in fulfilling their responsibilities to promote and protect the interests of fund shareholders. Through its mission of advancing the education, engagement, and policy positions of independent directors—and promoting public understanding of their role—IDC advocates for excellence in fund governance for the benefit of funds and their shareholders. IDC also provides practical information and guidance to fund boards about important issues, helping them adapt to industry and regulatory developments.

IDC is part of the Investment Company Institute (ICI), the leading association representing regulated funds globally, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the United States and similar funds offered to investors in jurisdictions worldwide.

IN THE UNITED STATES,

1,599

INDEPENDENT DIRECTORS...*

OVERSEE MORE THAN

10,470

REGISTERED FUNDS...**

WITH

\$32.7 TRILLION

IN ASSETS...**

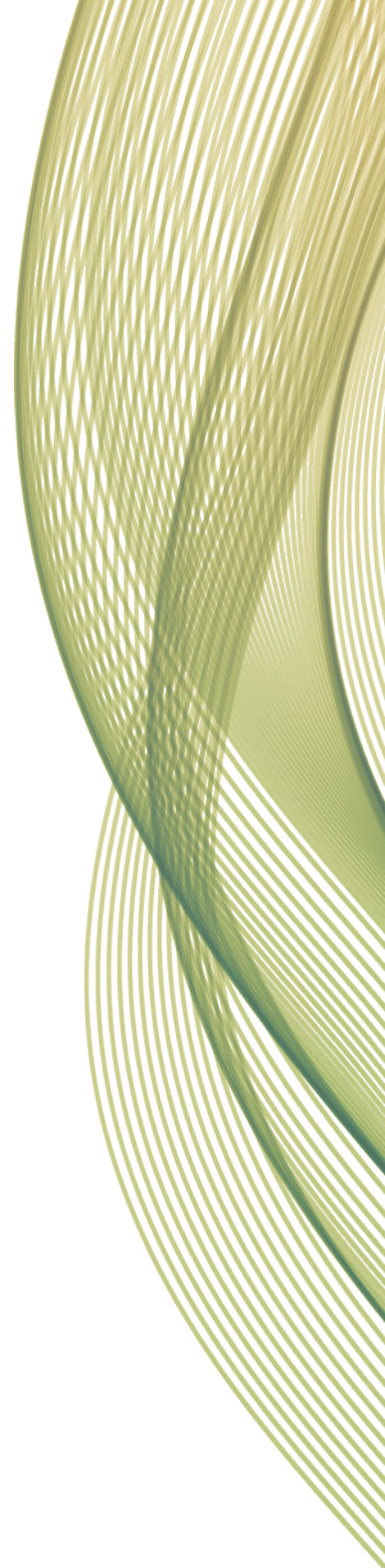
AND REPRESENT THE INTERESTS OF MORE THAN

100 MILLION

SHAREHOLDERS

* Data for ICI member funds are as of December 2021.

** Data exclude unit investment trusts. Data for mutual funds and exchange-traded funds are as of November 2021. Data for closed-end funds are as of September 2021.



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LETTER FROM IDC LEADERSHIP

Change challenges us. It thrusts us into a state of uncertainty, calls on us to navigate an unfamiliar environment, and—perhaps most difficult—forces us to accept that our world might not return to the way we once knew.

But with sharp focus and thoughtful reflection, change can also inspire us in equal measure. It can provide the rare opportunity to zoom out from the demands of our everyday lives—to recalibrate how we approach our priorities and pursue them with a clearer mind and greater conviction.

In this year of extraordinary change, both IDC and the fund director community took that opportunity to heart. Amid a persistent pandemic, fund directors continued to carry out their vital oversight role with dedication and distinction, while embracing the change and finding new ways to work in support of fund shareholders.

Facing limits on in-person contact, directors held regular board meetings, strengthened their relationships with colleagues and peers, reinforced their commitment to continuing education, and recruited and onboarded new directors—all in a virtual environment. Building on a foundation of strong governance processes and culture—while responding proactively to the challenges posed by the pandemic—directors grew even more effective in fulfilling their oversight role.

Strengthening Our Service

Here at IDC, we forged new ideas and fresh approaches from the core values that have driven our success since the organization's inception, strengthening our service to fund directors and the shareholders they serve. This was especially evident in our efforts to educate fund directors and bring them together for meaningful engagement.

Featuring experts in global finance and diversity and inclusion (D&I), our new Speakers Series brought important thought leadership to the fund director community, giving directors access to ideas that are shaping the business environment. Our *Foundations for Fund Directors*[®] orientation program, reconfigured for a virtual setting, introduced newer directors to their oversight role, while providing seasoned directors with a refresh of their core responsibilities.

We also held our annual Fund Directors Workshop and Fund Directors Conference—both in a virtual format and with strong attendance. At these events, directors joined industry leaders, operations professionals, board counsel, and others for timely, substantive discussion on the top issues facing fund boards and the regulated fund industry more broadly.

Alongside these annual events, we hosted informative webinars, where directors learned about a range of novel issues affecting their work; virtual roundtables, where directors connected with their regional peers to talk about regulatory developments and governance practices; and industry segment conference calls, where directors with similar responsibilities shared their ideas and experiences with one another.

D&I was another key priority. Our survey on the diversity of fund boards showed, among newer independent directors, better representation of women and racial minorities over time. But plenty of work remains. Through our D&I working group, we built on this progress, launching initiatives to expand the pool of board-ready candidates with diverse backgrounds, and help fund boards attract these candidates.



KATHLEEN BARR
Governing Council Chair



THOMAS KIM
Managing Director

In the regulatory space, we are helping fund boards implement two new SEC rules affecting directors' oversight responsibilities: one on how funds can use derivatives within regulatory guidelines, and another on how funds determine the value of portfolio securities. To ensure that the Commission and staff took the director perspective into account, we had engaged closely in the rulemaking process for both, and we're pleased that the final rules reflect many of our recommendations.

Through comment letters, we recommended that the SEC modernize its rules governing in-person board voting and meetings, and urged the Commission to preserve the essential characteristics of money market funds as it considers new reforms. We also wrote to the Federal Trade Commission, explaining the harm that certain proposed rules in the merger context could inflict on fund shareholders.

To promote public understanding of directors' important role, we sat for interviews with the media and published a report highlighting trends in governance practices and fund board demographics. Among other findings, the report shows that governance practices exceed regulatory mandates and that newer independent directors are growing more diverse.

Looking Ahead

These highlights depict just a sample of our work this year, but they represent some of our most important initiatives. As we strive to reach even more ambitious goals in the year ahead, we will do so with the spirit that only deep dedication can bring.

As the leading advocate for independent fund directors, we at IDC are steadfastly committed to our mission, yet always evolving to meet your needs. Alongside your enduring support, it's those virtues that have enabled us to serve this dedicated community so well for nearly two decades, and it's those virtues we must uphold for our success to continue.

In today's unpredictable environment, we should expect only that the landscape for fund directors will continue to shift. Our pledge to you is that, wherever events may lead, the interests of fund directors and fund shareholders will always be our guide.

“As the leading advocate for independent fund directors, we at IDC are steadfastly committed to our mission, yet always evolving to meet your needs.”

EDUCATION

In an era of rapid change, education is a critical part of a fund director's toolkit. Regardless of their level of experience, directors who stay up to date on the issues affecting their responsibilities are well positioned to exercise effective oversight on behalf of shareholders. Given the breadth of their oversight responsibilities, directors must keep up with the latest regulatory, judicial, and industry developments, while also staying in tune with effective governance practices. IDC offers educational opportunities of the highest quality, helping directors acquire and develop the needed expertise to fulfill their duties.

Exploring Foundational Principles

Since September 2017, IDC's acclaimed *Foundations for Fund Directors*® has given newer directors the sound base of knowledge necessary to fulfill their responsibilities. In March, June, and September 2021, IDC offered virtual sessions of this indispensable program, featuring live instruction, case studies, and group discussions designed to ground participants in the mechanics of fund structure and regulation, fund governance principles, and directors' oversight responsibilities.

IDC's signature annual events—the Fund Directors Conference and the Fund Directors Workshop—took place virtually in 2021, providing attendees safe opportunities to learn from industry leaders and connect with their peers. Headlining the Fund Directors Conference, SEC Division of Investment Management Acting Director Sarah ten Siethoff discussed the division's top regulatory priorities and their impact on fund directors. Other informative discussions included perspectives on diversity and inclusion in the fund industry, as well as cybersecurity and digital assets.

The Fund Directors Workshop featured a fireside chat with SEC Commissioner Hester Peirce, which covered a variety of topics relevant to the fund director community. Other roundtable discussions covered the role of fund boards in the current business environment, the rapidly evolving world of environmental, social, and governance (ESG) investing, and the implementation of new SEC rules on fair valuation and funds' use of derivatives.

Learn more about IDC's 2021 events at www.idc.org/idc/events/past_events.

Staying Current with Webinars

IDC has been serving up web-based educational opportunities since long before they became a virtual necessity. This year, IDC debuted its Speakers Series program, with a pair of well-attended virtual seminars. Economist Abby Joseph Cohen of Goldman Sachs spoke about the state of global markets, and then law school dean L. Song Richardson discussed implicit bias.

IDC also hosted webinars on:

- » Fund industry trends
- » How the pandemic may shape the future of the workplace
- » Regulatory compliance and operational considerations for investment management activities in digital assets
- » Board oversight and recent developments in closed-end funds
- » The relationship between fund boards and chief compliance officers
- » Business development companies (BDCs), the regulatory framework governing them, and the fundamentals of serving as a BDC director

IDC SPEAKERS SERIES

The IDC Speakers Series provides an opportunity for the independent director community to hear the latest thinking on timely issues from some of the best minds in business, academia, and government. The series promotes effective practices in fund governance by bringing in big thinkers to deliver insights on the trends and ideas that are shaping the environment in which regulated funds and boards operate.

In April, L. Song Richardson, then dean at the University of California, Irvine School of Law, joined Julie Hill, independent director at Lord Abbett Funds, for an in-depth discussion on implicit bias and how to foster a more diverse and inclusive fund director community.

In May, renowned economist Abby Joseph Cohen offered a candid assessment of global markets as economies around the world continued to struggle with challenges related to the pandemic. For directors, the wisdom of experienced economic strategists such as Cohen has become more valuable and necessary than ever.

Prolonged pandemic-related uncertainty, alongside the ever-evolving governance and regulatory landscape, means that directors will continue to place a high premium on the insights and information that trusted experts can bring to bear. IDC looks forward to offering more iterations of this program in 2022.

Learn more about the Speakers Series at www.idc.org/events/speakersseries.



IDC Speakers Series

ENGAGEMENT

Informal conversations with peers often provide useful insight into effective ways to confront common challenges, but opportunities for these sorts of conversations have grown scarcer in the pandemic environment. In 2021, IDC leveraged virtual platforms to provide directors with a forum to share their views and experiences on governance practices, fund industry activities, and regulatory developments.

IDC also continued to promote diversity and inclusion (D&I) on fund boards, publishing demographic data and developing key partnerships to promote more diverse boardrooms.

Virtual Roundtables

IDC's chapter meetings allow directors to gather informally for meaningful dialogue on issues they encounter during their work. As in 2020, IDC hosted 14 virtual roundtables in lieu of the in-person meetings that IDC typically holds in cities throughout the country. These roundtables empowered both experienced and newer directors to discuss the current policy landscape for fund boards and how directors can fulfill their role in the pandemic environment. IDC is using insights from these roundtables to tailor future programs to directors' interests.

Industry Segment Calls

To give directors an opportunity to discuss issues they face in their specific board roles, IDC hosted 16 calls in 2021, focusing on five industry segments. On these calls:

- » **Directors at small fund complexes** explored regulatory matters and industry trends facing their firms, governance practices, and more.
- » **Governance committee chairs** discussed their responsibilities, including board composition matters such as D&I and succession planning.
- » **Audit committee chairs** focused on regulatory developments at the SEC and Public Company Accounting Oversight Board, including valuation, audit quality, auditor independence, and other topics.
- » **Board leaders** conferred on matters including enhancing board effectiveness, leading board meetings, and making the most of executive sessions.
- » **Directors of ETFs** shared experiences with oversight and approaches to novel ETF-specific issues.

DIVERSITY AND INCLUSION— DEEPENING OUR COMMITMENT

IDC contributed to the D&I efforts of fund boards this year by delivering results from a survey measuring the number of women and members of racial and ethnic minority groups serving on fund boards. These results provide valuable data as the industry works to improve the representation of women and racial and ethnic minorities.

To support these efforts further, IDC announced a pair of initiatives to help fund boards enhance their diversity. The first is a partnership with the Robert Toigo Foundation to develop programming that introduces diverse professionals to fund boards and the role of independent directors. The second partnership, with Diligent Corporation, will offer a technology platform that enables fund boards to search for diverse board-ready candidates and post open positions, and board-ready candidates to create a profile in the database.

As the asset management industry continues to work toward more diverse representation, IDC will continue to seek opportunities to support the important efforts of fund boards.



IDC's Inaugural Speakers Series with L. Song Richardson and Julie Hill, independent directors, introduced by Karla Rabusch, independent director and Governing Council member.

ADVOCACY

Fund directors must have a voice in the policy debates that could affect their work to serve the interests of fund shareholders, and—by actively engaging with policymakers—IDC works diligently to give directors this voice. In 2021, IDC advocated for directors' unique perspective on several important policy issues, including in-person board meeting requirements, potential options for money market fund reform, and proposed notification rules. IDC also engaged in substantive discussions with senior policymakers at IDC-hosted events.

In-Person Board Meeting Requirements

IDC wrote to the SEC urging it to modernize the rules governing in-person board voting and meetings. In its letter, IDC commended the SEC's quick action to suspend in-person voting requirements when the pandemic began. Once the pandemic ends, however, the SEC should provide at least six months of notice before reinstating the requirements. This notice would provide greater certainty to the fund director community, allowing fund boards the time they need to plan their transition from virtual to in-person meetings. IDC's letter also recommended that the SEC allow for flexibility on a permanent basis, observing that fund boards seamlessly leveraged videoconferencing technologies to carry out their duties during the pandemic.

Money Market Fund Reform

In response to an SEC request for comment on reform measures that policymakers could consider to improve the resiliency of money market funds and broader short-term funding markets, IDC expressed support for reform efforts that could strengthen money market funds against adverse market conditions, but urged caution against any proposals that would change their key characteristics, which would harm fund shareholders. IDC also emphasized the interest that independent directors have in ensuring that investors have the opportunity to invest in products that meet their financial needs.

Proposed Notification Rules

In response to proposed notification rules under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976, IDC expressed concerns in a letter to the Federal Trade Commission (FTC), highlighting the unique governance and regulatory structure of registered funds under the Investment Company Act of 1940, the role of fund independent directors, and how the proposal could harm funds and their shareholders.

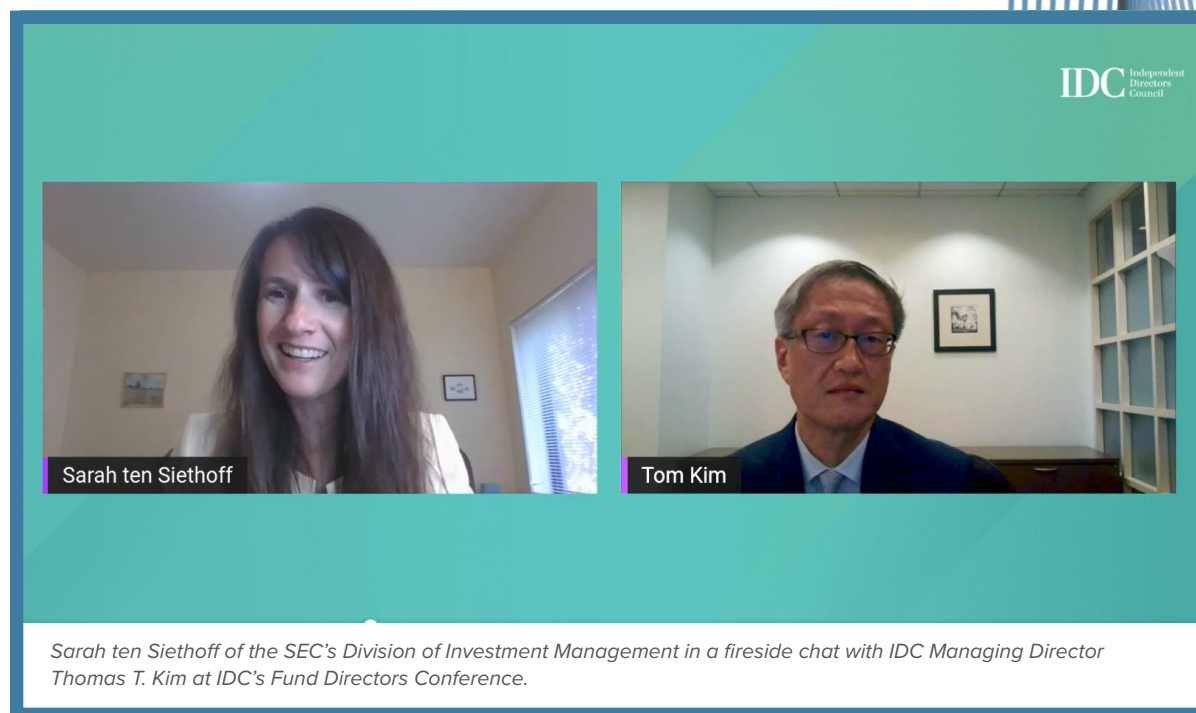
Engaging with Policymakers at Virtual Events

In 2021, SEC regulators spoke at several IDC conferences, meetings, and webinars, discussing timely topics of interest to fund directors. In a conversation with IDC Managing Director Thomas Kim at IDC's Fund Directors Workshop, SEC Commissioner Hester Peirce commented on the leadership change at the Commission, the oversight role of fund boards, and her views on digital assets and cryptocurrencies. At IDC's Fund Directors Conference,

Sarah ten Siethoff, then acting director of the Division of Investment Management, sat down with Kim to discuss her perspective on a wide range of regulatory issues, including the impact of developments in environmental, social, and governance (ESG) investing, the potential for disclosure reform, and the SEC's actions during the pandemic.

In addition, Jennifer B. McHugh, senior special counsel for the division, joined an IDC webinar on digital assets to discuss the unique challenges they create for fund boards, including disclosure and compliance considerations.

For more information, please see IDC's event archives at www.idc.org/idc/events/past_events.



PUBLIC UNDERSTANDING

IDC is committed to enhancing public understanding of the key role that fund independent directors play in safeguarding shareholder interests. Through interviews, press releases, and educational publications, IDC staff regularly engage with the media, industry, and the public to build awareness of directors' responsibilities and the value that fund boards add.

In *Overview of Fund Governance Practices, 1994–2020*, an updated report released jointly with ICI in October, IDC highlighted recent trends in governance practices and fund board demographics, showing that fund boards set a high standard for independent oversight and that their strong governance practices continue to serve the best interests of fund shareholders.

As the report explains, the Investment Company Act of 1940 and its related rules impose significant responsibilities on fund boards, and dictate elements of board structures and practices. Fund boards often exceed these requirements, or pursue strong governance practices in areas where no requirements are in place.

Among the report's key findings:

- » Independent directors make up at least three-quarters of boards in 84 percent of fund complexes, nearly twice the percentage exceeding this threshold in 1996.
- » 93 percent of fund complexes have an independent director in board leadership.

- » In nearly all fund complexes, independent directors are served by legal counsel separate from that of the fund's adviser. Fifty-five percent of independent directors are represented by dedicated legal counsel, and 40 percent rely on the fund's legal counsel.
- » Most fund complexes have mandatory retirement policies, based on age (73 percent), age and years served (6 percent), or years served (less than 1 percent).

The report also includes trends on the gender, race, and ethnicity of independent directors, which demonstrated steady progress on increasing diversity among newer independent directors (those that began serving in 2020). The data show that as of 2020, 41 percent of newer independent directors were women (up from 32 percent in 2012) and 24 percent were racial or ethnic minorities (up from 8 percent in 2015). Looking at all independent directors in the survey in 2020, 32 percent were women (up from 20 percent in 2012) and 12 percent were racial or ethnic minorities (up from 8 percent in 2015).

In interviews with several media outlets—including *BoardIQ*, *Fund Directions*, and *Fund Board Views*—IDC Managing Director Thomas Kim and Governing Council Vice Chair Cynthia Plouché brought these data to life, and promoted IDC's new initiatives to foster greater diversity and inclusion among fund directors.

GOVERNING COUNCIL MEMBERS

As of December 31, 2021

Kathleen T. Barr (Chair)*

William Blair Funds
Professionally Managed Portfolios

Cynthia R. Plouché (Vice Chair)*

Northern Trust Institutional Funds/
Northern Trust Funds

Julie Allecta

iMGP Funds
Salient Funds

John E. Baumgardner Jr.

Pioneer Funds

Donald C. Burke

Duff & Phelps Funds
Virtus Funds

Pamela G. Carlton

Columbia Funds

Gale K. Caruso

Matthews Asia Funds
Pacific Life Funds

Robert J. Chersi

Thrivent Funds

Susan C. Coté

SEI Funds

William R. Ebsworth

Allspring Funds

Michael A. Forrester

TIAA-CREF Funds

George J. Gorman

Eaton Vance Funds

Keith F. Hartstein

PGIM Funds

Cecilia H. Herbert

iShares Funds
Thrivent Church Loan &
Income Fund

Mary Davis Holt

American Funds

Cynthia Hostetler*

Invesco Funds

Kym M. Hubbard

PIMCO Funds

Marie L. Knowles*

Fidelity Fixed Income &
Asset Allocation Funds

Thomas P. Lemke

JP Morgan Exchange-Traded
Fund Trust
SEI Funds

Patricia Louie

Oakmark Funds

Eric T. McKissack

FlexShares Trust
Morgan Stanley Pathway Funds

Garry L. Moody*

AB Funds

Joanne Pace

Invesco ETF Trusts

Steven J. Paggioli*

AMG Funds
Professionally Managed Portfolios

Sheryl K. Pressler

Voya Funds

Karla M. Rabusch

Lord Abbett Funds

Gregory A. Ratliff

Domini Funds

Erik R. Sirri*

Loomis Sayles Funds,
Natixis ETFs, and Natixis
Funds

Ronald E. Toupin Jr.*

Guggenheim Funds

Dawn M. Vroegop*

Brighthouse Funds
Driehaus Funds

Jonathan F. Zeschin*

Matthews Asia Funds

*On ICI's Board of Governors

IDC STAFF



Thomas T. Kim
Managing Director

Thomas T. Kim joined IDC in 2019 to lead its work in advancing the education, governance, communication, and public policy priorities of independent directors on the boards of regulated investment companies. Before joining IDC, Tom served as senior vice president at the Mortgage Bankers Association, where he led strategy, public policy, governance, and member engagement across the organization's commercial real estate finance membership. Earlier in his career, he served as associate counsel in ICI's law department. He received his BA from the University of California, Irvine; his JD from the UCLA School of Law, where he served as a *Law Review* editor; and his LLM, with distinction, from the Georgetown University Law Center.



Lisa C. Hamman
Associate Managing Director

Before joining IDC in 2004, Lisa Hamman worked at Morgan, Lewis & Bockius LLP, counseling investment advisers and investment companies, and their boards of directors or trustees, on federal regulatory matters. Lisa began her fund industry career in the legal department at Fidelity Investments. She is a graduate of the University of Michigan and Suffolk University Law School.



Nicole A. Baker
Associate Counsel

Nicole A. Baker joined IDC as associate counsel in 2021. Before joining IDC, she was counsel to the Certified Financial Planner Board of Standards (CFP Board), where she worked with industry participants to develop guidance and educational resources for certified financial planners and conducted related compliance reviews. Before joining CFP Board, Nicole was a partner in the securities compliance, enforcement, and litigation group at K&L Gates LLP. She is a graduate of the University of Pennsylvania and the George Washington University Law School.



Paul Mussoni
Administrative Assistant

Paul Mussoni joined IDC in February 2018 after providing support to various ICI departments, including law and operations. Paul attended the University of Delaware, where he received a bachelor's degree in political science, and American University, where he received a master's degree in international affairs.

2021 SELECT ACTIVITIES

Conferences

IDC Fund Directors Workshop (June)

IDC Fund Directors Conference (October)

Foundations for Fund Directors[®] Orientation Program

Virtual Program (March)

Virtual Program (June)

Virtual Program (September)

Comment Letters

Premerger Notification; Reporting and Waiting Period Requirements (FTC, February)

Potential Money Market Fund Reform Measures in President's Working Group Report (SEC, April)

In-Person Voting Requirements (SEC, September)

Webinars

Fund Industry Trends: Research Perspectives (February)

The Future of the Workplace (April)

Digital Assets: What Fund Directors Need to Know from a Regulatory and Operational Perspective (June)

Closed-End Funds: Board Oversight and Recent Developments (August)

Deep Dive on Chief Compliance Officer/Board Engagement (November)

BDC Fundamentals: Board Oversight of Business Development Companies (December)

Speakers Series

Diversity, Inclusion, and Implicit Bias: An Interview with Song Richardson (April)

Abby Joseph Cohen: A Conversation About the State of the Global Markets (May)

Industry Segment Calls

Audit Committee Chairs (January, April, June, September)

Board Leaders (January, June, September)

Directors of ETFs (January, June, November)

Directors at Small Fund Complexes (February, June, November)

Governance Committee Chairs (February, June, September)

Virtual Roundtables

Massachusetts and Maine (February)

Illinois and Wisconsin (February)

Connecticut, New Hampshire, Rhode Island, and Vermont (March)

Southern California, Nevada, Alaska, and Hawaii (March)

Northern California, Oregon, and Washington (March)

Indiana, Kentucky, Michigan, Ohio, and West Virginia (March)

Arizona, Colorado, Idaho, Montana, New Mexico, Utah, and Wyoming (April)

New York (April)

DC, Delaware, Maryland, and Virginia (April)

New Jersey and Pennsylvania (April)

Florida (April)

Alabama, Georgia, North Carolina, and South Carolina (April)

Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas (April)

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota (April)



IDC Independent
Directors
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