

# The FBC Report:

## Fund Board Purpose

### The Evolving Role of the Fund Board

Excerpts of full report

# Contents

1

Introduction

2

Executive summary:  
Key findings &  
Research  
Methodology

3

Appendix

# chapter **one**

## Introduction

# Introduction

At the start of 2022, Fund Boards Council (FBC) convened a group of fund board directors as part of our Fund Board Effectiveness programme. The discussion quickly turned to the role and purpose of the fund board, the increasingly wide-ranging areas its directors are overseeing and how well understood its remit is elsewhere in asset management firms.

There was some concern that the fund board's overall role and purpose is not always as clearly understood within the wider firm as it should be, particularly given the regulator's very clear view on the 'primacy' of the fund board. Moreover, this lack of understanding or lower levels of engagement with the board is impacting on directors in a variety of ways as they discharge their governance duties.

This led the group to conclude that it would be valuable for directors to hear from their industry peers on this topic, to examine how the role of the fund board is evolving and what steps others were taking or planning to take to help boost levels of understanding of the fund board's remit and enhance interaction with the board.

In the spring of 2022, FBC set about exploring the topic of fund board purpose - the first survey in its Fund Board Effectiveness Barometer research series - gathering detailed insights from 30 individual fund board directors across FBC corporate member firms.

Then, in June 2022, we brought together more than 40 directors and regulatory representatives to explore this topic in more detail at a dedicated FBC member event – a recording of which is available on the FBC Member Portal.

**There was some concern that the fund board's overall role and purpose is not always as clearly understood within the wider firm as it should be, particularly given the regulator's very clear view on the 'primacy' of the fund board.**

The Barometer report which follows sets out the key findings of that research project and offers a framework of practical actions to consider in the context of fund boards' individual requirements and priorities.

We believe it is highly valuable to draw on the collective insights from FBC's corporate membership and the wider governance community on this topic and we hope that you find the report and framework of questions useful in your own governance work.

If you have a view on this topic, the research findings or have insights from your own experience to share, we would love to hear from you.

chapter **two**

# Executive summary: Key findings

# Key findings

## 1

### **The role of the fund board in the overall governance structure of asset management firms is growing and evolving.**

The fund board's duty to uphold investors' interests and ensure the operations of firms' mutual fund businesses are compliant remain of utmost importance, but the range of responsibilities now also encompass emerging accountabilities such as Environmental, Social and Governance (ESG) and distribution oversight...to name but two.

## 2

### **Directors believe that the role of the fund board is not always well understood in the wider firm and are feeling the impacts of this on their work**

There is a sense in some parts of the governance community that the purpose of the fund board and evolution of its role is not fully understood by stakeholders outside the board. Where this is the case, directors feel it has an impact on engagement levels of wider executive teams with the board as well as in other areas such as the topics on which they spend their time and, in certain cases, their access to resources and data.



### 3

#### Many fund boards are taking proactive steps to address levels of engagement and understanding of its role and purpose within their firms

Fund boards are tackling this in a variety of ways, including:

1. Enhancing **the board's engagement** with key stakeholders and other governance entities
2. Organising dedicated **training sessions** for board support teams
3. Examining how **governance documentation** is shared and used in the wider organisation
4. Creating specific interaction opportunities with **independent directors**.



## Good practice

This FBC Barometer report draws on insights from those firms taking steps to enhance understanding of the fund board's work to create a **good practice framework of specific questions** for directors to be asking in each of these four areas. This can be found in chapter four of this report.

# The role of the fund board in the overall governance structure of asset management firms is growing and evolving.



## An extensive “to-do” list for fund board directors

Ensuring duty to investors is upheld and their interests are adequately represented in corporate discussions



Overseeing risk control measures



Monitoring fund performance



Adhering to relevant regulations

Ensuring the firm delivers a robust Assessment of Value

Oversight and accountability for delegated service providers



Emergence of measuring ESG

Overseeing financial and capital management

Operational and IT resilience



Ensuring appropriate product governance overall

Source: FBC Fund Board Effectiveness Barometer research – May/June 2022



chapter **three**

# Appendix

For more information on the full  
**FBC Report: Fund Board Purpose *The Evolving Role of the Fund Board***  
get in touch at [contact@fundboards.org](mailto:contact@fundboards.org)

# Full Report Contents

1 Introduction

2 Executive summary:  
Key findings &  
Research  
Methodology

3 The purpose of fund  
boards and their  
increasing  
accountabilities

4 Stakeholder  
understanding and  
engagement with  
fund boards

5 The impact of  
stakeholder  
understanding and  
engagement on fund  
boards

6 Fund Board Council  
Good Practice  
Framework of  
Questions

7 Appendix

# About the Fund Board Effectiveness Barometer

The FBC Fund Board Effectiveness Barometer is a series of in-depth surveys and focus groups designed to provide a valuable source of peer insight into the key aspects of fund board effectiveness. The Barometer examines topics including Fund Board Purpose, Culture and Behaviours, Structure and Composition, Board Process and Assurance and Monitoring.

These surveys canvass views from chairs, executive and independent directors and executives who support fund boards in the UK and across Europe, drawing on their experiences at the sharp end of fund board governance to explore examples of good practice in the industry. The Barometer and accompanying analysis, is available to FBC corporate members in a series of member meetings and detailed reports, as part of FBC's Fund Board Effectiveness Programme.



# About FBC's Fund Board Effectiveness Programme

FBC's Fund Board Effectiveness programme recognises the specific dynamics of product governance and the unique role of the fund board within their firm's overall governance structure and aims to support the whole board in delivering the highest possible standards of fund governance on behalf of their investors.

The programme is available to FBC's corporate members and includes events, thought leadership and proprietary research. This is alongside bespoke consultancy, including Board Assessment Reviews, Executive Education and Mentoring and iNED Recruitment and Remuneration Consultancy.



# About Fund Boards Council

**Fund Boards Council (FBC)** is an expert led, independent organisation wholly dedicated to supporting fund boards, including the individuals and teams crucial to their success, to achieve good practice fund governance in the UK and cross-border.

With the increasing regulatory scrutiny, individual accountability and the 'primacy' of fund boards expected by the regulatory bodies, the need to continuously be able to demonstrate good governance, and its impact in providing value to customers, is ever pressing.

We are proud to have over 50% of UK fund boards and their investment governance colleagues, by mutual fund assets, as FBC members. Through thought-leadership, practical insights on vital topics, collaboration, training and consultancy, we support and bring together our members, and other senior executives, in delivering robust fund governance.

To make sure your fund board governance is operating at optimum levels, contact us at [contact@fundboards.org](mailto:contact@fundboards.org) for advice on membership, training and consultancy.

This report has been prepared for general guidance of matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and to the extent permitted by law, Fund Boards Council does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. © 2022 Fund Boards Council.