

New Report Highlights Overwhelming Independence of Fund Boards

Washington, DC; October 10, 2023—A new report from the Independent Directors Council (IDC) and Investment Company Institute (ICI) illustrates the strong independence of fund boards and their focus on serving shareholder interests. The [Overview of Fund Governance Practices, 1994-2022](#) additionally found that boards' marquee governance practices were not adversely impacted by COVID-19.

“Fund boards have continued to demonstrate a true commitment to effective fund oversight by engaging in and maintaining strong governance practices despite the challenges posed by the pandemic,” said IDC Managing Director Thomas Kim. “Independence continues to be the hallmark of fund boards as demonstrated by key indicators.”

Key Findings

Fund boards are overwhelmingly independent: Ninety-four percent of boards report having either an independent board chair or a lead independent director. Eighty-nine percent of boards reported that independent directors hold 75 percent or more of the seats on the board.

Legal counsel: More than nine out of ten complexes report that separate legal counsel serve their independent directors. The total percentage of complexes reporting that independent directors are represented either by dedicated counsel or by counsel separate from the adviser's has increased over the past decade, from 64 percent in 1998 to 92 percent at year-end 2022. More than half of complexes say that their independent directors retain dedicated counsel—separate from both fund counsel and the adviser's counsel.

COVID-19: The report found that in the wake of COVID-19, fund boards, as a group, continue to follow strong governance practices to best serve the interests of shareholders. Many boards still relied, at least in part, on the relief from in-person voting requirements that the SEC granted in response to the coronavirus pandemic. Most participating complexes reported relying on this relief and almost one-third reported that some meetings that were previously held in-person are now held by tele/video conference.

Diversity and inclusion: There has been a steady increase in the percentage of female independent directors, from 20 percent in 2012 to 37 percent in 2022. The increase in the percentage of minority independent directors has also been material. In 2015, the first year in which race/ethnicity data was collected, the percentage of independent directors identified as a racial/ethnic minority was 8 percent. In 2022, that figure was 17 percent. More recent cohorts of newer independent directors joining fund boards tend to have increasing percentages of women and minority directors.

About the Overview and IDC

In 1995, ICI began to survey fund governance practices by collecting data from fund complexes. This report updates research on fund boards and their practices, based on a survey of fund complexes in the industry. IDC was formed in 2004, and since then, IDC and ICI have jointly conducted the studies.

IDC represents independent directors who serve on the boards of mutual funds, closed-end funds, exchange-traded funds, and other registered investment companies. Through its mission focused on education, engagement, advocacy, and public understanding, IDC promotes excellence in fund governance for the benefit of funds and their shareholders.

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