# Luxembourg Fund Governance Survey 2024

12th edition
January 2025

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# Foreword

On behalf of PwC and the *Luxembourg Institute of Governance (ILA)*, I am delighted to present the 12th edition of the Luxembourg Fund Governance Survey. This survey remains an important resource for the Asset and Wealth Management (AWM) industry, drawing on the extensive input of boards from across the Grand Duchy's fund ecosystem.

The Luxembourg fund industry continues to navigate a landscape of both opportunities and challenges in 2024. Despite its remarkable resilience in recent years, the industry now faces an array of global complexities such as increasing geopolitical uncertainties, market volatility, and the evolution of regulatory frameworks that require greater oversight and foresight from boards.

Our latest findings reveal that effective board organisation continues to be fundamental in shaping strategic discussions and ensuring robust decision-making processes. While progress has been made in formalising certain aspects of governance within the fund industry, there remains a need for broader consistency and alignment with best practices. The dynamics of board meetings and the increasing emphasis on key governance topics highlight the importance of adaptability.

Sustainability, a key theme in the previous edition of this report, continues to be a prominent issue for the fund industry. Boards are increasingly embedding Environmental, Social, and Governance (ESG) considerations into their strategic planning, risk assessment, and investment oversight processes. This trend reflects both regulatory imperatives and growing investor demands for sustainable investment solutions.

The survey further highlights the increasing complexity of board responsibilities, from cybersecurity oversight to regulatory compliance and stakeholder engagement. Luxembourg's position as a premier fund domicile hinges on maintaining high governance standards while adapting to evolving market demands and regulatory requirements.

Board readiness to meet evolving regulatory requirements remains varied. While many boards demonstrate a clear understanding of the actions that must be taken to conform to the new compliance frameworks, yet the necessary steps are not always taken. Boards are increasingly recognising the importance of systematically reviewing regulations such as AIFMD II, and Circular 24/856 to ensure compliance, achieve alignment with strategic objectives, and address operational implications. In the coming months, boards are expected to focus on key issues such as law and regulation changes, investment performance, and ESG factors.

Finally, I extend my sincere appreciation to the respondents who participated in this year's survey, sharing their valuable insights and experiences. Special recognition goes to the ILA Fund Committee for designing the survey and their guidance and, last but not least, my colleagues from the PwC Luxembourg's Global AWM & ESG Research Centre for their rigorous analysis and the realisation of this report.

**Andrea Montresori**
ILA Fund Committee Chairman
PwC Luxembourg
Partner

# 1 Introduction

## About the 2024 survey

As far as geopolitical shifts are concerned, few years have been as momentous as this one. The year 2024 has been tagged as a ‘super year’ for elections, with approximately half of the world’s population—around 3.7 billion people—having the opportunity to vote in national elections across 72 countries. This unprecedented concentration of electoral events has led to significant political shifts globally. A notable trend has been the widespread defeat of incumbent governments. The wave of global elections this year has profound implications for the global business landscape, particularly in the fund industry across Europe, and especially in Luxembourg. With significant political turnover in key markets such as the United States and the United Kingdom, the shifting political leadership signals a demand for change. This dynamism introduces both challenges and opportunities for businesses, especially those operating in the financial services and governance sectors.

Political turnover often brings policy uncertainty, disrupting investment strategies and introducing volatility into global markets. For the fund industry, these changes may necessitate recalibration of risk assessments and investment portfolios, particularly for funds with significant exposure to politically unstable regions. In addition, shifts in leadership and economic priorities can alter regulatory landscapes, trade policies, and international agreements, compelling fund boards to closely monitor and adapt to new geopolitical risks. The changing political environment also creates opportunities, particularly in emerging markets where new governments may pursue economic reforms or infrastructure development, unlocking potential areas for investment. For Luxembourg and European funds, these dynamics may encourage diversification and the expansion of portfolios into regions poised for growth, albeit with careful governance to mitigate associated risks.

Donald Trump’s return to power serves as a compelling case study, reigniting concerns over trade barriers and the potential escalation of trade tensions, particularly with China. His stance on climate change, along with the uncertainty surrounding the future of the Russia-Ukraine conflict and the ongoing Middle East crisis, adds further complexity to an already volatile global context. These factors can significantly influence the global economic environment, shaping trade dynamics, geopolitical stability, and international cooperation in the years ahead.

For the fund sector in Luxembourg, the year’s political developments underline the importance of robust governance practices. Increased regulatory scrutiny may follow as global standards evolve in response to political shifts. Luxembourg’s established governance frameworks are well-positioned to absorb this demand, ensuring compliance while attracting global investors seeking stability amidst uncertainty. Moreover, the ongoing focus on ESG factors, often prioritised by new administrations, further intensifies the expectation for funds to integrate sustainability and ethical considerations into their strategies.

The 12th edition of the Luxembourg Fund Governance Survey, prepared by the *Luxembourg Institute of Governance (ILA)* and PwC, provides insightful information that is especially important in these turbulent and dynamic times to assist, direct and improve governance processes in Luxembourg’s fund business. Like its predecessor, this edition of the Luxembourg Fund Governance Survey addresses a number of subjects and issues, such as the board composition, board organisation, remuneration, roles and responsibilities of the board, conflicts of interest and liabilities, Anti-Money Laundering (AML) and ESG. The preparedness of boards for the Digital Operational Resilience Act (DORA), board consultation on Information and Communication Technology (ICT) Risk Appetite, board involvement on Self-Assessment Questionnaire (that replaced the Long Form Report), and board engagement of new resources for regulatory compliance are among the new issues that are highlighted in this edition.

## Highlights and key trends

The survey this year identifies important topics that investment funds and Investment Fund Manager (IFM) boards need to focus on. Boards are concentrating on regulatory changes as they strive to conform to new international norms. Recognising the significance of good governance, boards have adopted frameworks to adapt to evolutions in oversight and decision-making. Deliberations continue to prioritise market trends and investment performance in the face of macroeconomic difficulties.

Another important highlight is the positive progress in board diversity. Female representation has increased from 22% to 26%, reflecting a growing recognition of the value of diverse perspectives. While male board members still dominate, this upward trend signals an encouraging shift towards gender balance on boards.

The need for improved cybersecurity and risk management in the fund industry is highlighted by DORA, which has become a major regulatory emphasis. Boards are investing more and more resources to guarantee adherence to DORA's strict regulations, which are intended to protect vital ICT infrastructure and enhance operational resilience. As boards manage a more complex regulatory environment, this supports other regulatory trends including a greater drive for AML matters and more transparent disclosures.

Unlike past editions, this year's report takes a more extensive look at remuneration, focusing on matching board members' compensation with their duties and stakeholders' expectations. It further offers insights into changing patterns of remuneration. Transparent and structured compensation systems are also becoming increasingly important to attract and retain talent while ensuring accountability and fairness.

Investment management has become a critical focus, with boards paying close attention to risk management, fund performance oversight, and compliance with investment limits. Ensuring that investment procedures align with funds' objectives while adapting to changing market conditions and legal requirements is therefore crucial. Meeting performance goals and preserving investor confidence depend on this diligent oversight.

Another major theme in this year's report is distribution oversight, which reflects the growing need to ensure that fund distribution models are effective. Boards are increasingly keeping an eye on whether distribution activities adhere to legal standards and assessing how well distribution networks are performing. This emphasis is especially pertinent as funds look to broaden their reach while strictly adhering to appropriate sales and marketing laws.

## General market information

Luxembourg maintains a dual status as the world's second-largest fund centre, and Europe's leading fund centre, with Assets under Management (AuM) exceeding EUR 5.659 trillion as of 30 September 2024, reflecting an increase from EUR 5.037 trillion since September 2022. The country continued to lead the UCITS fund industry, accounting for 32% of Europe's UCITS assets[1], maintaining its dominant position.

Additionally, the Grand Duchy continues to represent the world's top cross-border investment fund centre, with approximately 55% of the global market share in cross-border fund distribution.[2] The country is home to about 300 IFMs, which are authorised with either UCITS or AIFM licenses, or both.[3] This concentration of licensed entities highlights Luxembourg's strong regulatory framework, comprehensive infrastructure, and reputation as a trusted and efficient domicile for fund management and distribution.

## Our sample

Between 20 June and 20 October 2024, 115 participants filled out the survey. The respondents fall into five categories:

| | Investment Fund Manager (IFMs) | | | Funds | |
|---|---|---|---|---|---|
| | **Super ManCo** | **UCITS ManCo** | **AIFM** | **UCITS** | **AIF** |
| **Description** | Large IFMs that manage UCITS and alternative funds | Management companies that manage UCITS funds only | IFMs managing alternative funds only | UCITS funds | Alternative Investment Funds |
| **Main applicable regulation(s)** | Law of 17 December 2010, as amended (2010 Law) | 2010 Law | Law of 12 July 2013, as amended | 2010 Law | Relevant Fund Law |
| **Number of respondents** | 17 | 7 | 17 | 42 | 32 |

Consistent with the previous edition of this survey, the number of UCITS ManCo respondents in our sample remained very small, though it increased marginally from 5 in 2022 to 7 this year. As a result of this, figures presented in this category may prove difficult to interpret or to compare with the results from previous editions of the survey. For this reason, throughout the report, the responses from UCITS ManCos have been consolidated with those from Super ManCos.

Almost half of the sample consists of directors[4], with a significant 83% of respondents from AIFs holding this position. About 76% of the UCITS and AIF respondents have appointed a ManCo domiciled in Luxembourg, while among those who appointed a ManCo outside Luxembourg, Ireland remains the overall preferred location, consistent with the previous edition. It is worthy of note that, among our sample, France has emerged as another alternative location.

[1] EFAMA Monthly European Statistical Releases, data as of 31/08/2024
[2] PwC Global Fund Distribution data, 2024
[3] PwC Observatory for Management Companies 2024 Barometer
[4] Director means either Board member, Member of the GP, or S.à r.l. Manager

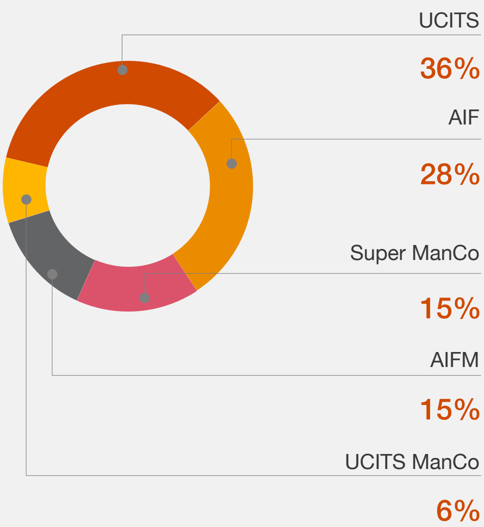
Passporting practices among Super ManCos and UCITS ManCos remain relatively consistent with the previous edition, with 57% of these entities passporting their fund management services, highlighting their focus on cross-border operations. Among the other passported services, fund administration emerges as the most prevalent, with nearly all Super ManCos and UCITS ManCos in the sample providing this service. On the other hand, AIFMs have experienced a decline in passporting activities, with the proportion of those passporting fund management services dropping from 58% in 2022 to 41% in 2024. Among the other passported services, AIFMs primarily passport their discretionary portfolio management service.

Pertaining to the establishment of foreign branches, Super ManCos and UCITS ManCos have shown an increase, passing from 59% in 2022 to 67% in 2024, with an average of 5 to 6 branches. Germany remains the most popular location, followed by the Netherlands, France, and Spain, where they primarily provide marketing solutions. Meanwhile, among AIFMs the majority do not have branches in other countries, as emerged in the previous edition, although the findings of this year show a 9% decrease compared to 2022. For those having branches, the average number is between 1 and 2 entities which provide portfolio management services in 40% of the cases.

Among our samples, the fund promoters are spread across 24 different countries of origin. Consistent with the 2022 edition, the top 4 countries remain the United Kingdom, Switzerland, the United States, and Luxembourg. According to the *Commission de Surveillance du Secteur Financier* (CSSF), promoters operating in Luxembourg primarily originate from Switzerland, Germany, the United Kingdom and France.[5]

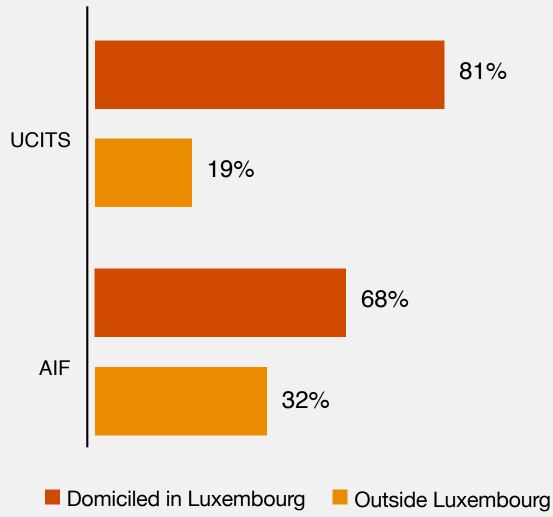

[5] CSSF data as of 31/10/2024

**Figure 1: Sample composition**



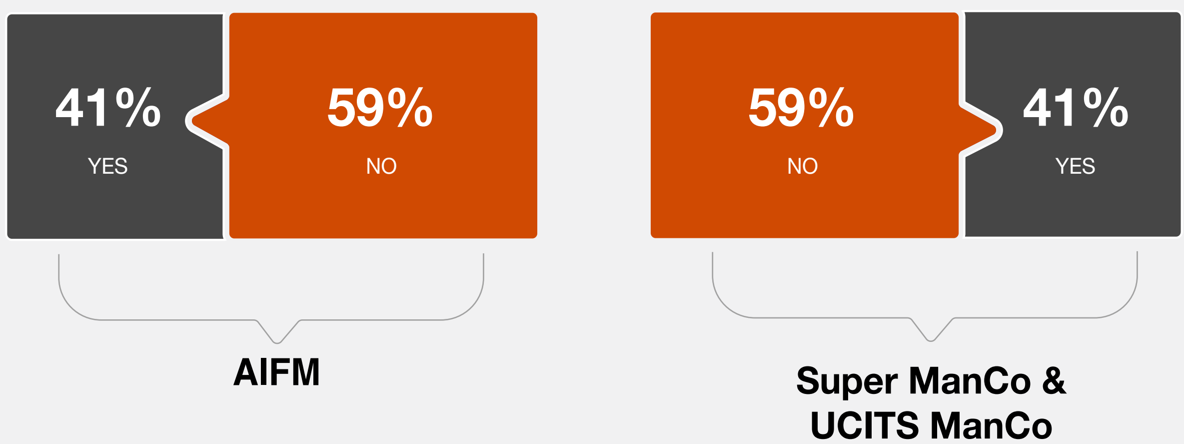

Sample size = 115
Source: PwC Global AWM & ESG Research Centre

**Figure 2: Have you appointed a ManCo/IFM?**



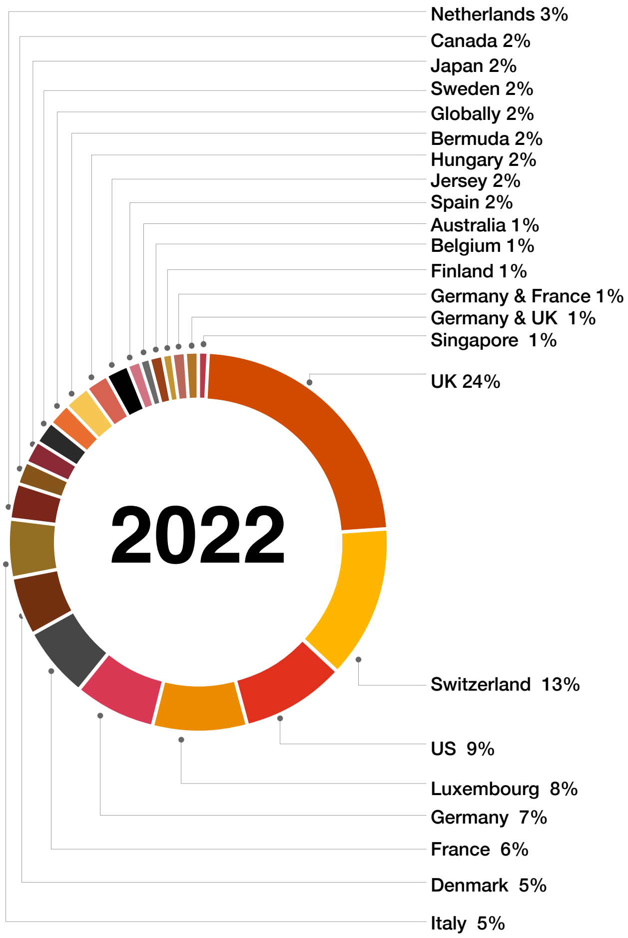

Sample size = 70
Source: PwC Global AWM & ESG Research Centre

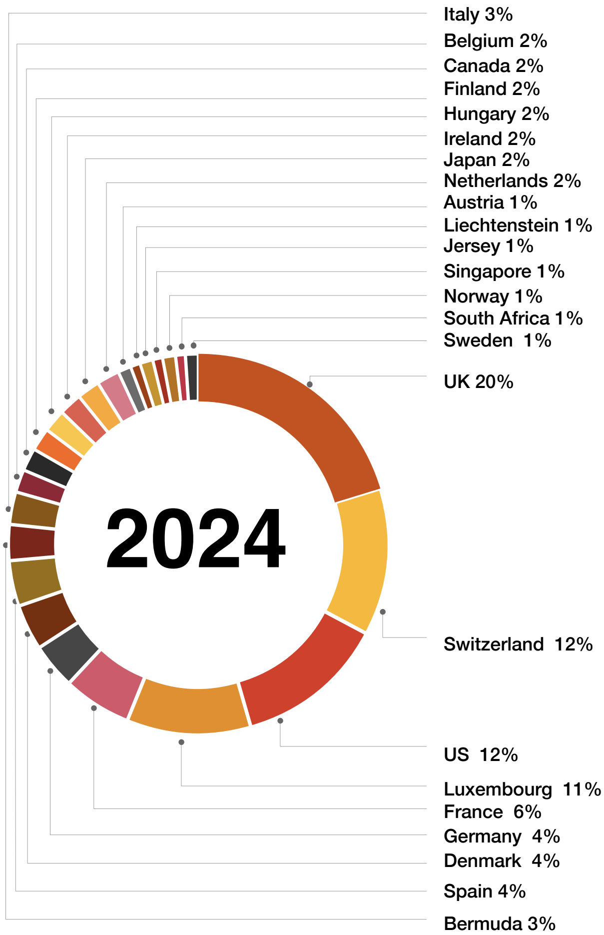
**Figure 3: Are you passporting your fund management services?**




Sample size = 38
Source: PwC Global AWM & ESG Research Centre

## Figure 4: Where is the promoter located?



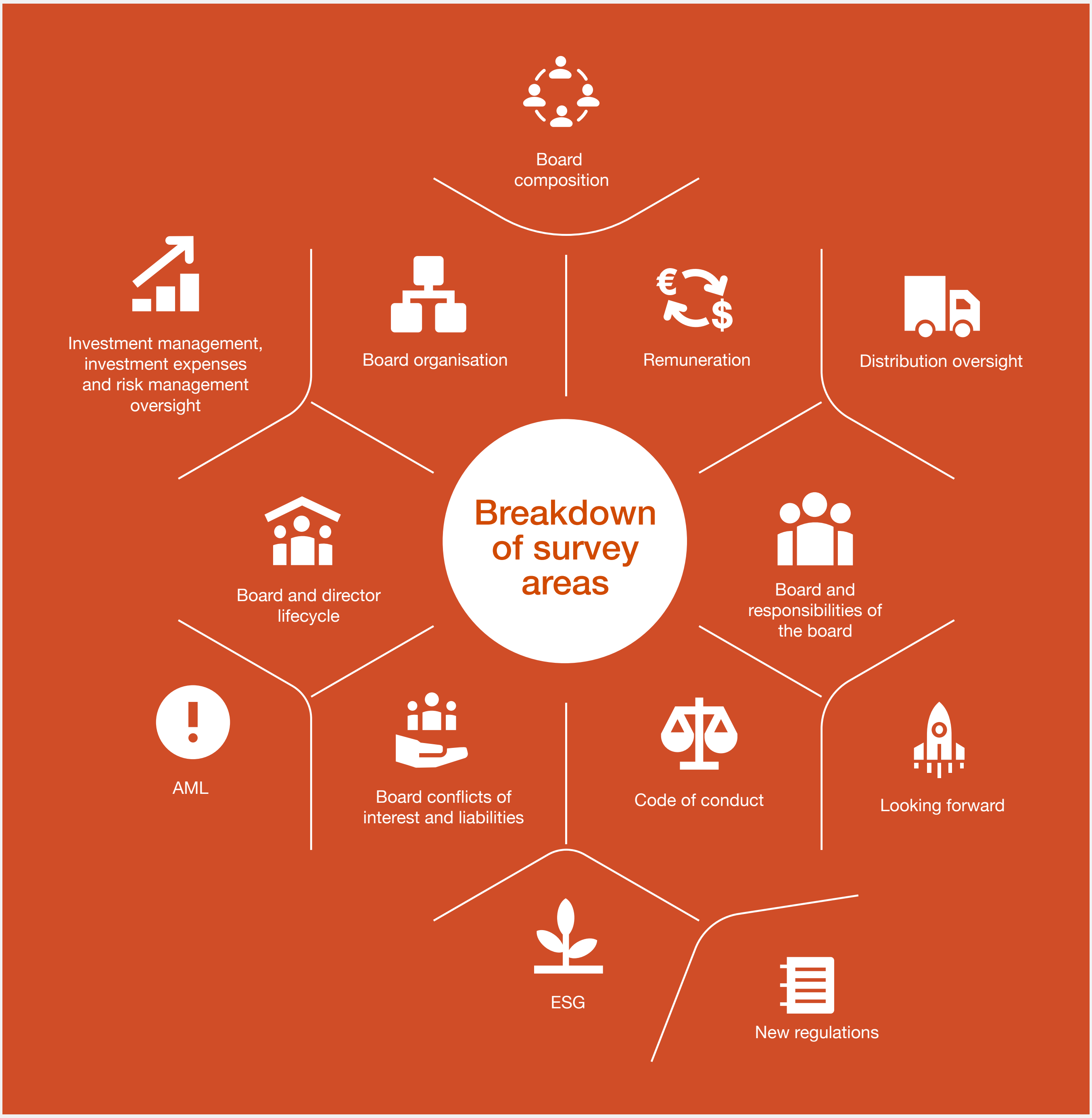




Sample size 2022 = 125
Source: PwC Global AWM & ESG Research Centre

Sample size 2024 = 112

## Breakdown of survey areas

The survey was divided into the following key areas of interest:



# 2 Board Composition

## Board size

In line with the 2022 survey, the average number of board members across funds and management companies is between 4 to 5. Super ManCo and UCITS ManCo boards have the highest average, with 5 to 6 individuals, while UCITS boards have the highest maximum number, of up to 9 members.

### Average Board Member

| | |
|---|---|
| Gender: | Male |
| Age: | 54 yrs old |
| Years on Board: | 5 – 6 yrs |
| Fund Gov. Exp.: | 22 yrs |

## Directors' profile

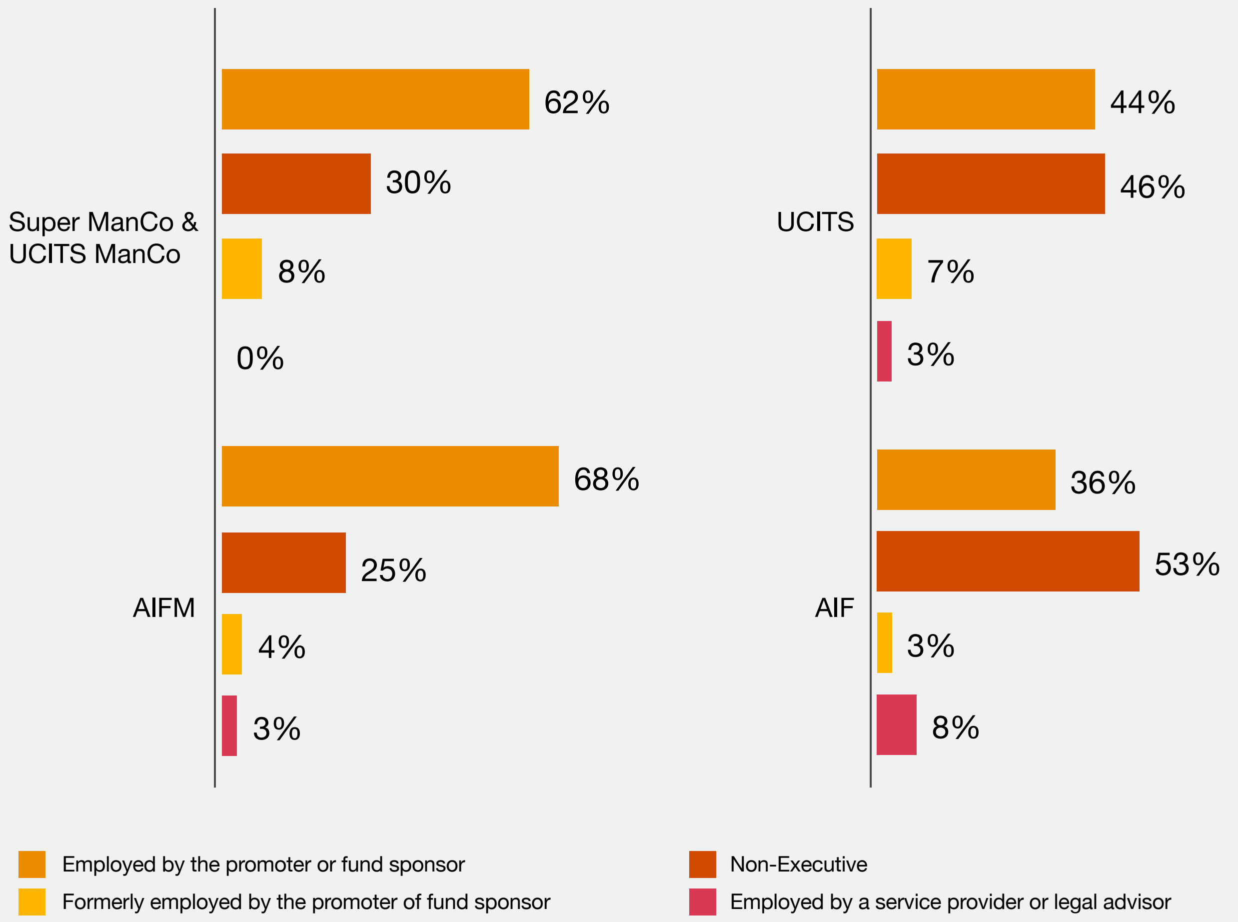
Board members are typically male, around 54 years old, residing within the Greater Region. They are usually employed by the promoter or fund sponsor, with 5 to 6 years of board service and approximately 22 years of experience in fund governance. In contrast to the previous edition, Non-Executive board Directors (NEDs)[6] decreased in AIFM board sample from 38% in 2022 to 25% in 2024. In spite of this decline, NEDs still constitute an important portion of board members in funds, representing 53% for AIFs and 46% for UCITS.

Only 15% of board members in our sample have completed or are currently pursuing the ILA Certification, marking a 7% decline compared to the 2022 edition. Among all categories, AIF board members maintain the highest percentage of ILA Certification; however, this has also declined, falling from 33% in 2022 to 20% in the current edition.

The residence of board members in our sample is evenly split between the Greater Region and locations outside, consistent with the findings of the 2022 survey. However, a majority of board members in Super ManCo and UCITS ManCo and UCITS are located outside the Greater Region. In contrast, 71% of AIF board members are based within Luxembourg and the Greater Region.

[6] For the purposes of this report, "Non-Executive Director" and "independent director" are interchangeable terms. For a definition of Non-Executive Directors, please consult the ALFI / ILA guidelines on board member independence.

**Figure 5: What is the employment status of board members?**




Sample Size = 504
Source: PwC Global AWM & ESG Research Centre

## Figure 6: What is the profile of board members?

### Breakdown by entity category

| | Total | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|---|
| **Sample size** | 504 | 118 | 77 | 196 | 113 |
| **Employment** | Employed by the promoter or fund sponsor (50%) | Employed by the promoter or fund sponsor (63%) | Employed by the promoter or fund sponsor (68%) | Non-executive (46%) | Non-executive (53%) |
| **Years on board (mean)** | 5.7 | 5.0 | 5.3 | 6.8 | 4.7 |
| **Main area of expertise** | Fund governance/ Professional director (19%) | Fund governance/ Professional director (18%) | Portfolio management (18%) | Fund governance / Professional director (20%) | Fund governance / Professional director (24%) |
| **Years of experience in expertise area (mean)** | 21.7 | 21.2 | 19.4 | 23.7 | 20.5 |
| **ILA certification** | Yes (14%) | Yes (12%) | Yes (11%) | Yes (14%) | Yes (20%) |
| **Age (mean)** | 54.1 | 54.9 | 52.1 | 54.8 | 53.7 |
| **Gender** | Male (74%) | Male (75%) | Male (76%) | Male (71%) | Male (76%) |
| **Place of residence** | Within Greater Region (51%) | Outside the Greater Region (60%) | Within Greater Region (58%) | Outside the Greater Region (57%) | Within Greater Region (71%) |

## Breakdown by employment status

| | Total | Employed by the promoter or fund sponsor | Formerly employed by the promoter or fund sponsor | Employed by a service provider or legal advisor | Non-executive |
|---|---|---|---|---|---|
| **Sample size** | 504 | 253 | 29 | 17 | 205 |
| **Years on board (mean)** | 5.7 | 5.7 | 6.1 | 3.5 | 5.9 |
| **Main area of expertise** | Fund governance / Professional director (19%) | Portfolio management (20%) | Portfolio management (28%) | Legal (41%) | Fund governance / Professional director (41%) |
| **Years of experience in expertise area (mean)** | 21.7 | 20.2 | 27.4 | 16.9 | 22.4 |
| **ILA certification** | No (84%) | No (97%) | No (93%) | No (94%) | No (66%) |
| **Age (mean)** | 54.1 | 51.5 | 58.3 | 47.4 | 57.3 |
| **Gender** | Male (74%) | Male (78%) | Male (79%) | Male (65%) | Male (68%) |
| **Place of residence** | Within Greater Region (51%) | Outside the Greater Region (71%) | Outside the Greater Region (66%) | Within Greater Region (100%) | Within Greater Region (75%) |

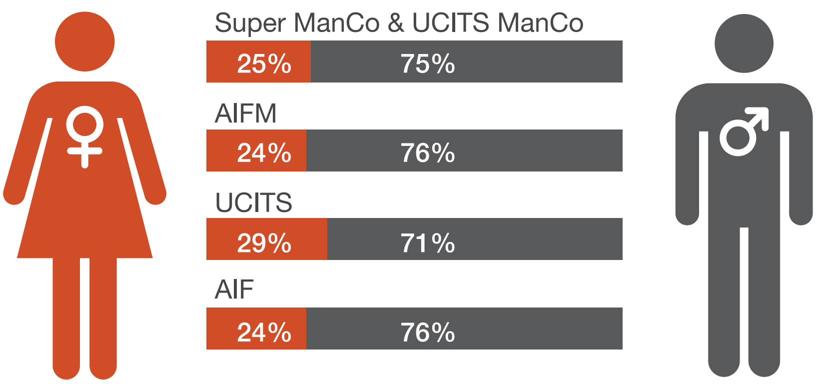
Source: PwC Global AWM & ESG Research Centre

## Board diversity

The ALFI Code of Conduct recommends that the composition of the board should reflect a well-balanced and inclusive approach, fostering diversity, including but not limited to gender, ethnicity, cultural background, professional experience, and skill sets. Embracing such diversity enhances the board's ability to approach challenges from varied perspectives, leading to more comprehensive discussions and well-informed decision-making. A diverse board not only aligns with modern governance best practices but also strengthens the organisation's adaptability and innovation, ensuring it remains in tune with the needs of an increasingly global and multifaceted stakeholder base. Despite the majority of board members still being male, the 2024 edition highlights a positive trend, with female representation increasing from 22% to 26%. The most significant advancement is observed within AIFMs, where female representation has increased by 16% since 2022. This progress is particularly noteworthy given that, in 2022, AIFMs reported the highest percentage of male board members across all categories, reaching 92%.

**Despite the majority of board members still being male, the 2024 edition highlights a positive trend, with female representation increasing from 22% to 26%.**

**Figure 8: Percentage of female and male board members**




Sample size = 501
Source: PwC Global AWM & ESG Research Centre

## Permanent chairperson appointment

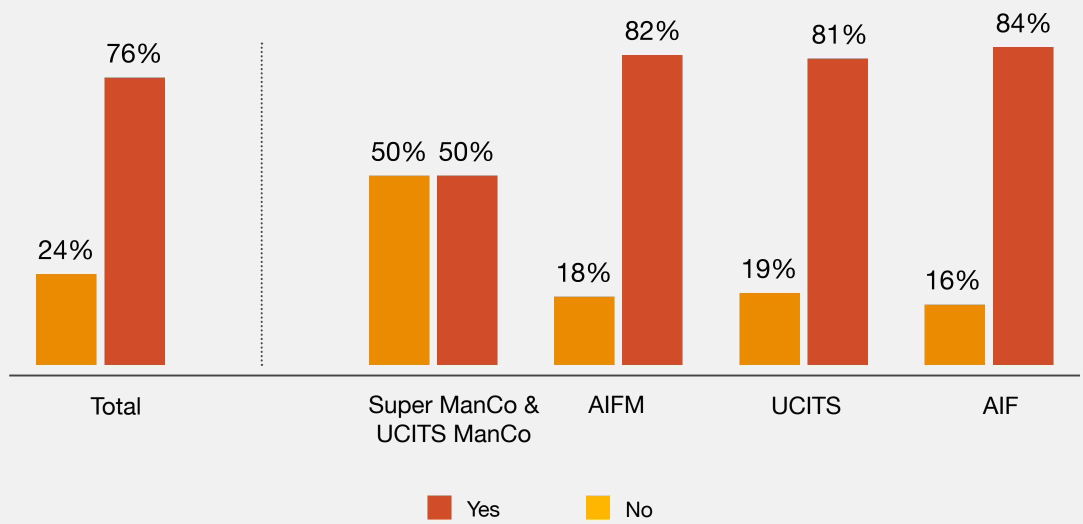
The board chair is responsible for ensuring that the board operates effectively to define and implement the organisation's strategic objectives. Acting as the board's leader, the chair steers discussions towards key strategic matters, supervises the organisation's activities, and upholds robust governance practices. Setting the board's agenda and ensuring directors have access to accurate, timely, and relevant information are also a critical part of the role of the board chair. Moreover, the chair promotes productive discussions, allocates sufficient time for addressing complex or critical issues, and encourages full participation from all members.

Furthermore, the chair oversees the induction of new directors, addresses their development needs, and ensures they are well-prepared to fulfil their responsibilities. Regularly, the chair evaluates the performance of individual directors, the board, and its committees to maintain overall effectiveness and alignment with organisational goals. The role of the chair also extends beyond meetings. The findings of this year's edition of the survey align with those of the previous edition, revealing that 74% of boards have a permanent chairperson in place. This underscores the importance of stable and consistent leadership in guiding the board's strategic and operational activities.

## Board expertise

The expertise of board members is crucial for effective corporate governance, as it enables informed decision-making, credible critique, strategic oversight, and risk management. A diverse range of skills and experiences among directors ensures that the board can address complex challenges. Effective boards provide companies with diverse perspectives and directions, drawing on their wider external experiences. This diversity helps meet regulatory requirements, maintain accountability, and offer strategic counsel. From the survey, it is noteworthy, that the most common areas of expertise are Fund Governance/Professional Director, Portfolio Management and Fund Administration/Operations. This is consistent with the 2022 findings. On average, only 24% of boards have added directors with specific expertise in the past 2 years, down from 48% in 2022, with UCITS boards seeing the largest decline from 58% in 2022 to 19% in 2024. Among new director appointments, ESG and Distribution were the main areas of expertise added, consistent with the 2022 survey. These were followed by Compliance, and Legal and Sales.

**Figure 9: Has the board included new directors with specific expertise (e.g. ESG, cybersecurity, etc.) in the last two years?**

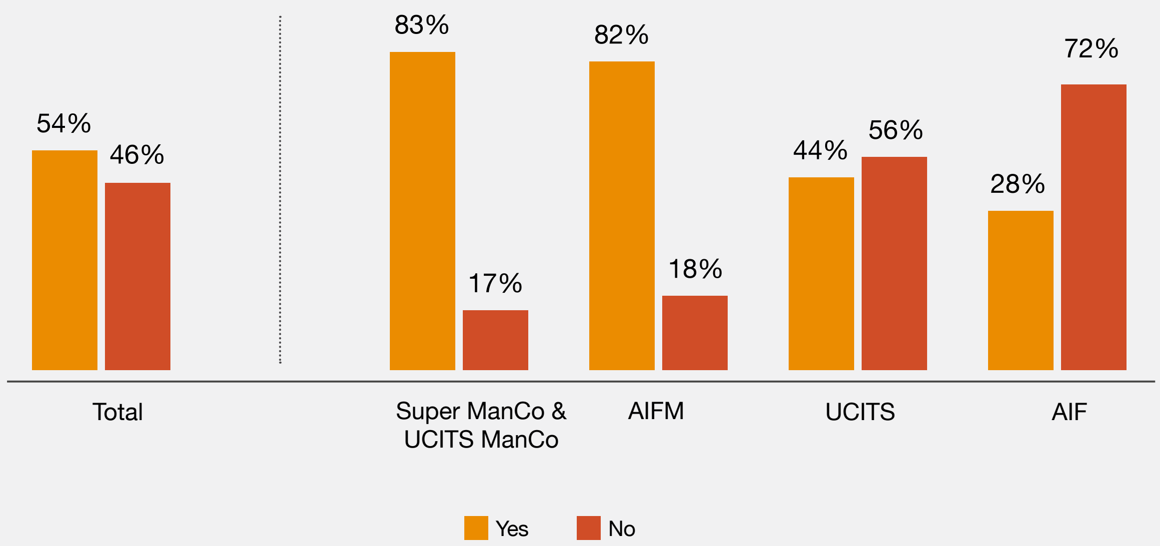



Sample Size = 115
Source: PwC Global AWM & ESG Research Centre

## Directors serving at both management company and fund level

The percentage of directors serving at both the fund and IFM/ManCo levels has experienced a slight increase, rising from 48% in 2022 to 54% in 2024. AIFMs have shown the most significant growth in this area, with figures climbing from 53% in 2022 to 82% in 2024, of which 57% have at least one NED on their board. The increasing trend of board members serving on both fund and IFM/ManCo boards may raise concerns about conflicts of interest. Governance best practices emphasise the importance of a clear separation between the oversight of the fund and the management company to mitigate conflicts of interest. When individuals hold roles on both boards, it can compromise independent decision-making, erode governance integrity, and introduce inherent conflicts.

**Figure 10: Do directors serve at both levels (funds and IFM/ManCo)?**

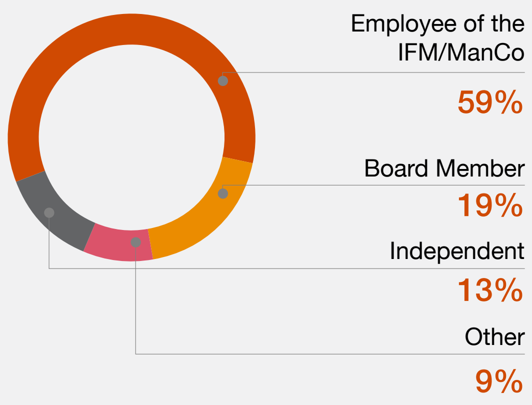



Sample size = 115
Note: The question is differently phrased for ManCo/IFM and Fund respondents: ManCo/IFM: "Do directors of the ManCo/IFM also serve as directors of a fund managed by the ManCo/IFM?", Fund: "Do directors of the fund also serve as directors of the designated ManCo/IFM?"
Source: PwC Global AWM & ESG Research Centre

## RC appointment

All AIFs now have a *Responsable du contrôle* (RC)[7], up from 94% in 2022, with more than half of RCs being employees of the IFM/ManCo. This represents a positive step forward in strengthening governance practices, highlighting an increasing emphasis on fostering independence in decision-making processes. The appointment of an independent RC plays a crucial role in ensuring that key decisions are made impartially and free from undue influence, thereby reinforcing a commitment to transparency and accountability in governance.

**Figure 11: RC models of AIFs**




Sample size = 32
Source: PwC Global AWM & ESG Research Centre

## Publicly available information

The disclosure of information regarding individual board members is pivotal to effective corporate governance. According to OECD's recommendations, standardised disclosures should include qualifications, share ownership, other board memberships, executive positions, and independence status.

Transparency regarding board member selection processes, including openness to diverse candidates, is essential, as is regular disclosure of board composition, often focusing on gender, age, and demographic diversity, alongside professional expertise.[8] From this year's survey, nearly all companies now disclose the names of their board directors, a notable improvement compared to 2022, when only 28% of participants shared this information.

Furthermore, over half of them now provide additional details such as the directors' positions and brief biographies, reflecting increases of 44% and 33% respectively since the previous edition. Providing comprehensive details about directors is crucial for promoting transparency, accountability, and trust in the company's or fund's management and oversight processes.

[7] *Responsable du contrôle* (RC) means the compliance officer according to [Article 4(1) of the AML/CFT Law]
[8] OECD, ["G20/OECD Principles of Corporate Governance 2023"]

**Figure 12: What information on directors is provided to investors? (e.g. via prospectus, annual report, etc.)**

| | Total | UCITS | AIF |
|---|---|---|---|
| **Name** | 93% | 90% | 97% |
| **Position** | 66% | 68% | 63% |
| **Short biography / Background** | 52% | 46% | 59% |
| **Years of relevant experience** | 41% | 34% | 50% |
| **Address** | 30% | 34% | 25% |
| **Date of appointment / Number of years of service** | 16% | 15% | 19% |
| **Skills brought to the board** | 12% | 12% | 13% |
| **Other** | 8% | 12% | 0% |
| **No information is shared** | 7% | 10% | 3% |

Sample size = 73
Note: Multiple choice question
Source: PwC Global AWM & ESG Research Centre

# 3 Board organisation

## Board meetings

The CSSF in Circular 18/698 states "every member of the management body/governing body of the IFM must dedicate the required time and attention to his/her duties. Consequently, each one of them must ensure that s/he limits the number of other professional engagements to the extent necessary in order to perform his/her tasks correctly". Board meetings are the anchor of good corporate governance and play a crucial role in the effectiveness of any organisation. The board meeting serves as a critical forum for key discussions.

On average, boards meet 10 to 11 times per year, increasing from 7 to 8 meetings as reported in the 2022 survey. While in-person meetings remain the preferred option, the 2024 survey indicates a rise in the use of hybrid meetings. Hybrid meetings refer to meetings held in Luxembourg with less than 100% in-person attendance, and this increased from an average of 2.2 in 2022 to 3.3 in 2024. Additionally, while UCITS boards have the fewest meetings, averaging around 8 to 9 meetings annually, AIFMs have more frequent meetings, with an average of 13 to 14 annually.

Funds continue to show significant resistance to publishing individual directors' attendance records in their annual reports, aligning with our 2022 findings. Additionally, although having formal terms of reference is widely regarded as good practice for boards—ensuring clarity in governance and responsibilities—more than half of boards still lack these formal terms or policies on board organisation. AIFs stand out in this regard, with 84% indicating the absence of established terms of reference for board organisations. On the contrary, the majority of Super ManCos and UCITS ManCos confirmed having terms of reference in place. Among companies with terms of reference on board organisation, over 80% have established policies addressing key aspects such as the role of the board, the frequency of board meetings, conflicts of interest, and quorum requirements. In this case as well, Super ManCo and UCITS ManCo category is distinguished as having the most comprehensive policies, with at least half of respondents reporting defined procedures for all these aspects of board organisation.

**Figure 13: If you have terms of reference/policy on board organisation, what does it include?**

| | Total | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|---|
| **Role of the board** | 93% | 100% | 100% | 87% | 80% |
| **Frequency of meetings** | 87% | 89% | 100% | 87% | 60% |
| **Conflicts of Interest** | 85% | 83% | 75% | 93% | 80% |
| **Quorum** | 83% | 94% | 50% | 93% | 60% |
| **Board location** | 78% | 94% | 75% | 60% | 80% |
| **Minimum attendance** | 78% | 89% | 75% | 73% | 60% |
| **Membership of the board** | 74% | 83% | 38% | 87% | 60% |
| **Agenda** | 67% | 78% | 63% | 60% | 60% |
| **Role of the Chair** | 63% | 89% | 25% | 73% | 0% |
| **Mission** | 57% | 67% | 63% | 53% | 20% |
| **Role of the Secretary** | 57% | 89% | 13% | 60% | 0% |
| **Videoconference call** | 48% | 56% | 13% | 47% | 80% |
| **Topics that should be escalated to the board immediately** | 43% | 50% | 63% | 33% | 20% |
| **Other** | 4% | 11% | 0% | 0% | 0% |

Sample size = 46
Note: Multiple choice question
Source: PwC Global AWM & ESG Research Centre

## Circular resolutions

The continued widespread use of circular resolutions remains consistent in this edition, with 92% of boards reporting its use. This underscores the boards' reliance on this method for decision-making and aligns with previous survey results, which showed an average of 8-9 circular resolutions per year. However, the purposes of these resolutions have shifted, with a notable decline in their use for material decisions, falling from 73% in 2022 to 51% in this edition. Rather, administrative matters currently account for 78% of circular resolutions, while implementing previous decisions accounts for 68%. This suggests that boards are reserving in-person meetings for more substantive actions.

The purposes of circular resolutions have shifted, with a **notable decline** in their use for material decisions, **falling from 73% in 2022 to 51% in this edition.**

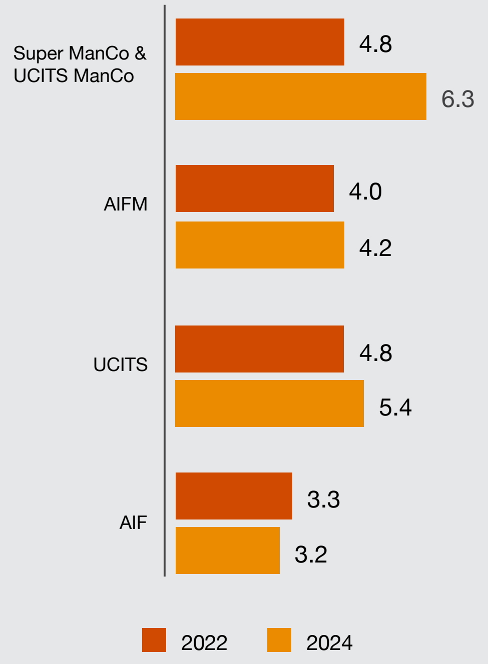
## Meeting duration and agenda

Pre-meeting preparation remains a critical aspect of effective board governance. Board papers are typically shared 5 to 6 days before meetings, consistent with findings from the 2022 survey. This timeframe provides directors with sufficient opportunity to familiarise themselves with the materials, ensuring informed participation in discussions. In this context, the time directors spend reviewing these papers has increased across most board categories. On average, directors now dedicate 4.8 hours to this task, up from 4.3 hours in 2022. Super ManCos and UCITS ManCos lead in review time, spending an average of 6.3 hours, marking a significant 1.5-hour increase compared to 2022. On the other hand, directors of AIFs spend the least time on review. While the overall average duration of board meetings remains at 3.3 hours, Super ManCos and UCITS ManCos recorded the most significant change, with their meetings now lasting an average of 4.6 hours, up from 3.6 hours in 2022.

Minutes are generally submitted within 4 to 8 weeks, a timeframe consistent with the 2022 edition. AIFMs demonstrate the highest efficiency, with 82% submitting minutes within 4 weeks of the meeting. However, a minority of boards take more than 2 months to submit their minutes, raising concerns about the timeliness and utility of such delayed documentation. The effectiveness of board minutes diminishes significantly when their submission is delayed, as they serve as critical records for follow-ups and accountability. Addressing these delays could enhance governance practices and ensure that minutes retain their relevance as actionable references.

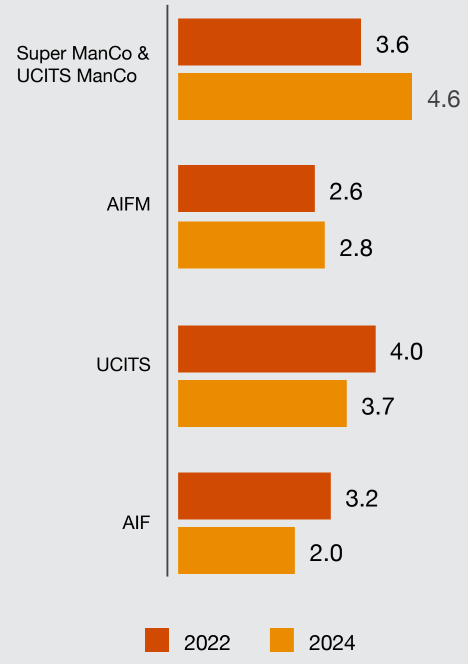
The use of a standard agenda remains a dominant practice among boards, ensuring consistency and structure in meetings. As observed in previous editions, the majority of agenda items are reviewed frequently, with many discussed at every board meeting. However, there have been notable changes in the frequency of review for specific topics. Business Continuity Planning (BCP) reporting, for instance, has shifted back to being a periodic item, echoing patterns seen in earlier years. Human Resources has seen increased attention, moving from being addressed rarely or on ad hoc basis to being discussed regularly or as needed. Fund documentation update has become less frequent, shifting predominantly to ad hoc reviews. Similarly, changes in the review frequency for Ultimate Beneficial Owners (UBO) now indicate a mix of periodic and meeting-by-meeting focus. ESG/sustainability topics have gained prominence, transitioning from periodic reviews to consistent discussion at every meeting. Meanwhile, the annual report of IFMs/ManCos continues to be reviewed annually, though some boards now bypass it entirely.

### Figure 14: What is the average estimated time directors spend reviewing the board pack prior to the board meetings? (in hours)




Sample size = 105
Source: PwC Global AWM & ESG Research Centre

### Figure 15: What is the average duration of a regular board meeting? (in hours)




Sample size = 112
Source: PwC Global AWM & ESG Research Centre

### Figure 16: When are the minutes submitted after the board meeting?

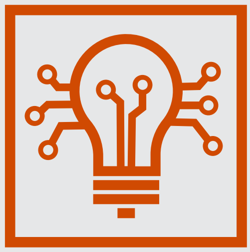
| | Total | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|---|
| **Within 0-2 weeks** | 18% | 13% | 29% | 12% | 22% |
| **Within 2-4 weeks** | 31% | 30% | 53% | 22% | 31% |
| **Within 4-8 weeks** | 43% | 52% | 18% | 54% | 38% |
| **More than 8 weeks** | 8% | 5% | 0% | 12% | 9% |

Sample size = 113
Source: PwC Global AWM & ESG Research Centre

## Invitation of non-board members

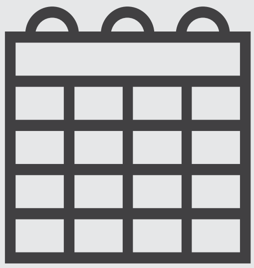
In general, boards invite non-board members to meetings to benefit from their specialised knowledge and perspectives and to allow robust discussions and interactions. These external experts play an important role in supporting the board's decision-making process by providing targeted advice and insights. Non-board members attend meetings upon invitation usually in an advisory or expertise-based role. They do not have a vote during board meetings; however, they do have influence that reflects the trust that the board has placed in them. Non-board members give guidance and advice on specific matters in which they have expertise in.

The invitation of non-board members to board meetings continues to follow a steady pattern, consistent with previous editions, with overall frequency unchanged from the previous survey. However, certain roles now exhibit more defined invitation frequencies compared to the mixed responses observed earlier. Key roles such as investment managers, compliance officers, risk managers, internal legal advisors, and AIFM/ManCo/conducting officers are mostly invited to every meeting, underscoring their critical contribution to governance and oversight. Similarly, fund administrators, transfer agents, and depositaries are predominantly invited to each meeting, with depositaries also attending periodically in some cases. External auditors are mostly invited annually. Internal auditors are invited at varying frequencies, while external legal advisors are typically invited on an ad-hoc basis. These trends highlight the evolving dynamics of board collaboration with non-board members, ensuring that specialised expertise is readily available to support informed decision-making and oversight.



**Non-board member contributions**

**Expertise and advisory roles**



**Periodic invitations**

## Figure 17: Invitation periodicity of non-board members to attend board meetings

| | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|
| **External auditor** | Annually (86%) | Annually (71%) | Annually (93%) | Annually (81%) |
| **Global distributor** | The global distributor is the IFM/ManCo (45%) | The global distributor is the IFM/ManCo (50%) | At each meeting (58%) | The global distributor is the IFM/ManCo (60%) |
| **Investment manager** | Never (32%)<br>At each meeting (27%) | Ad-hoc (35%) | At each meeting (83%) | At each meeting (78%) |
| **AIFM/ManCo/ Conducting officer** | At each meeting (100%) | At each meeting (76%) | At each meeting (98%) | At each meeting (60%) |
| **Internal auditor** | At each meeting (55%) | Periodically (47%) | N/A (39%)<br>Ad-hoc (24%) | N/A (34%)<br>Never (31%) |
| **Internal legal advisor** | At each meeting (68%) | At each meeting (53%) | At each meeting (43%) | At each meeting (27%)<br>Ad-hoc (27%) |
| **External legal advisor** | Ad-hoc (45%) | Ad-hoc (47%) | Ad-hoc (50%) | Ad-hoc (60%) |
| **Compliance officer** | At each meeting (100%) | At each meeting (71%) | At each meeting (78%) | At each meeting (53%) |
| **Risk manager** | At each meeting (95%) | At each meeting (71%) | At each meeting (71%) | At each meeting (59%) |
| **Fund administrator** | Ad-hoc (36%)<br>Never (23%) | Never (47%) | At each meeting (71%) | At each meeting (59%) |
| **Transfer agent** | Ad-hoc (36%)<br>Never (23%) | Never (53%) | At each meeting (66%) | At each meeting (41%) |
| **Depositary** | Ad-hoc (32%)<br>Periodically (23%) | Never (59%) | At each meeting (66%) | At each meeting (50%) |
| **RC** | At each meeting (95%) | At each meeting (76%) | At each meeting (95%) | At each meeting (69%) |

Sample size = 113
Source: PwC Global AWM & ESG Research Centre

## Formal committees

Board committees essentially play advisory role, supporting boards in managing their responsibilities without assuming decision-making authority. The areas such as audit, risk, compliance, remuneration, nomination, and AML are areas that committees may oversee, depending on the institution's needs, size, and complexity. More than 70% of IFMs/ManCos have established formal committees. Among these, over half have a valuation/price committee. This is followed by a remuneration committee, which appears in 39% of cases, and risk and investment management committees, each present in 32% of IFMs/ManCos.

The establishment of formal committees remains relatively uncommon among funds. Nearly 80% of fund boards without formal committees delegate these responsibilities to the IFM/ManCo. However, AIFs are increasingly shifting away from this approach, as evidenced by a decline in reliance on IFM/ManCo from 73% in 2022 to 64% in 2024. Among fund boards that have established formal committees, the most common are investment management and audit committees.

## Figure 18: Formal committees established by the board

| | ManCo/IFM board | Fund board |
|---|---|---|
| **Valuation/Price committee** | 53% | 6% |
| **Remuneration committee** | 39% | 3% |
| **Risk committee** | 32% | 1% |
| **Investment management committee** | 32% | 9% |
| **Client acceptance committee** | 26% | 1% |
| **Product committee** | 24% | 3% |
| **Compliance committee** | 21% | 4% |
| **Delegate oversight committee** | 21% | 3% |
| **Audit committee** | 16% | 7% |
| **Distribution oversight committee** | 16% | 3% |
| **ESG committee** | 13% | 4% |
| **Branch oversight committee** | 11% | 3% |
| **Cyber committee** | 8% | 0% |
| **Other** | 26% | 9% |
| **None** | 24% | 81% |

Sample size = 106
Note: Multiple choice question
Source: PwC Global AWM & ESG Research Centre

# 4 Remuneration

## Individual remuneration

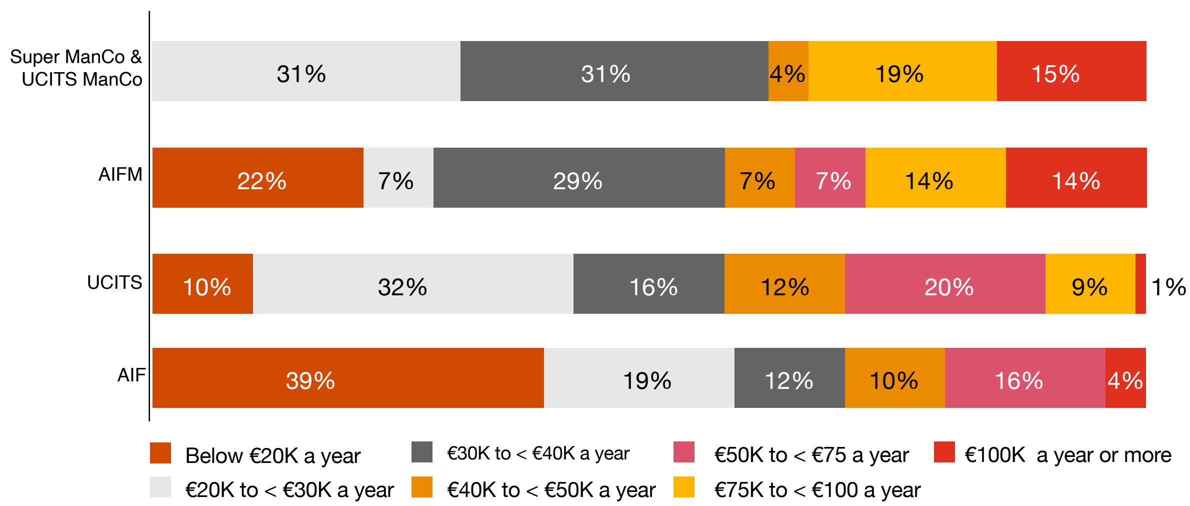
The ALFI Code of Conduct emphasises that the board should ensure that the remuneration of its members is reasonable, fair, and adequately disclosed.[9]

There has been a noticeable shift in the remuneration of board members, with 38% now earning between EUR 40K and over EUR 100K annually, compared to just 24% in this range during 2022. Furthermore, compensation for Super ManCo and UCITS ManCo directors has seen a significant increase with none of these directors now earning less than EUR 20K annually, a marked change from the previous edition, where 57% reported earnings at this level. Additionally, 15% of Super ManCo and UCITS ManCo directors now earn over EUR 100K per year, a stark contrast to 2022, when no directors fell within this range. Similarly, compensation for UCITS directors has also increased. In 2022, their remuneration did not exceed EUR 75K annually, but this edition reveals that 4% now report remuneration of EUR 100K or more. These findings highlight a broader trend of rising compensation levels across the industry.

When it comes to employment status, directors employed by a service provider or legal advisor receive the lowest compensation, with earnings not exceeding EUR 50K annually. This reflects an improvement from 2022, when 94% of these directors reported earnings of up to EUR 30K annually. NEDs continue to exhibit stable remuneration patterns, consistent with findings from the previous edition. In contrast, directors employed by the promoter or fund sponsor have experienced a shift in their compensation patterns. This year's results reveal a more varied distribution of earnings, moving away from the 2022 trend where 85% of these directors reported annual earnings of less than EUR 20K.

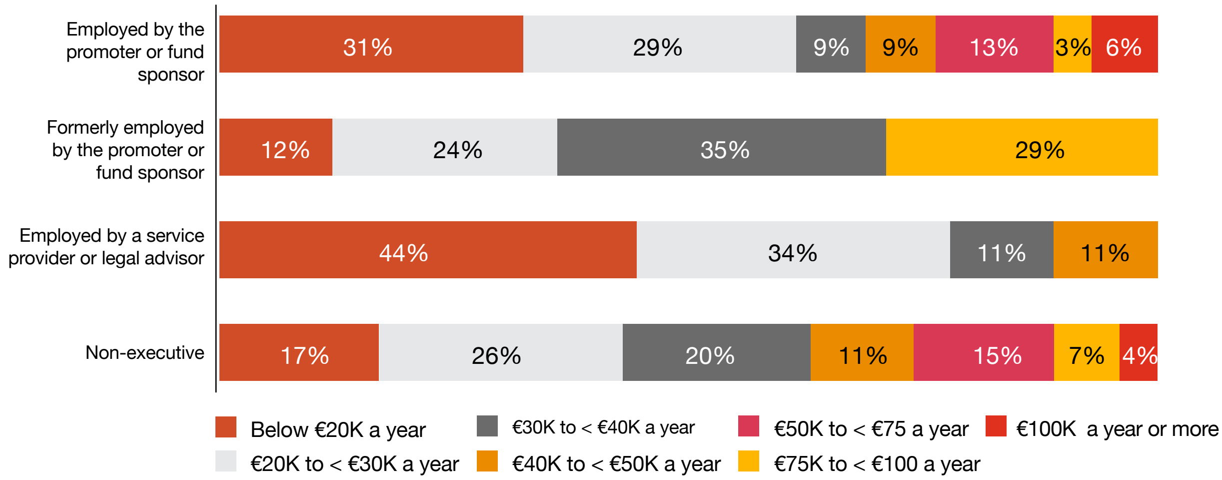
**Figure 19: What is the remuneration received by individual board members before the deduction of any taxes and exclusive of VAT if applicable?**

### Breakdown by entity category




[9] ALFI Code of Conduct for Luxembourg Investment Funds, June 2022

## Breakdown by employment status




Sample size = 236
Source: PwC Global AWM & ESG Research Centre

## Directors' premium and disclosed remuneration

In general terms, a premium refers to additional compensation paid to directors beyond their base remuneration for taking on extra responsibilities or specialised roles. Premiums are typically awarded to reflect increased workload, expertise requirements, or additional time commitments associated with specific duties. The results indicate that almost all directors involved in committees do not receive a premium. This corroborates the view that directors involved in the committee typically do not receive additional compensation beyond their standard board fees. This practice underscores the expectation that committee participation is a fundamental aspect of a director's role, rather than an extra duty warranting a premium.

Disclosing directors' remuneration is considered a good practice, as it allows shareholders to assess whether board members' compensation aligns with the company's long-term objectives, such as financial performance, sustainability, and resilience. Companies are expected to provide timely, standardised, and comparable information on remuneration policies, remuneration levels, and incentive schemes, enabling investors to assess their costs, benefits, and impact on performance. Individual disclosure of remuneration, including termination and retirement provisions, is increasingly seen as best practice, and is mandated or recommended in many jurisdictions.

2024 **38%**

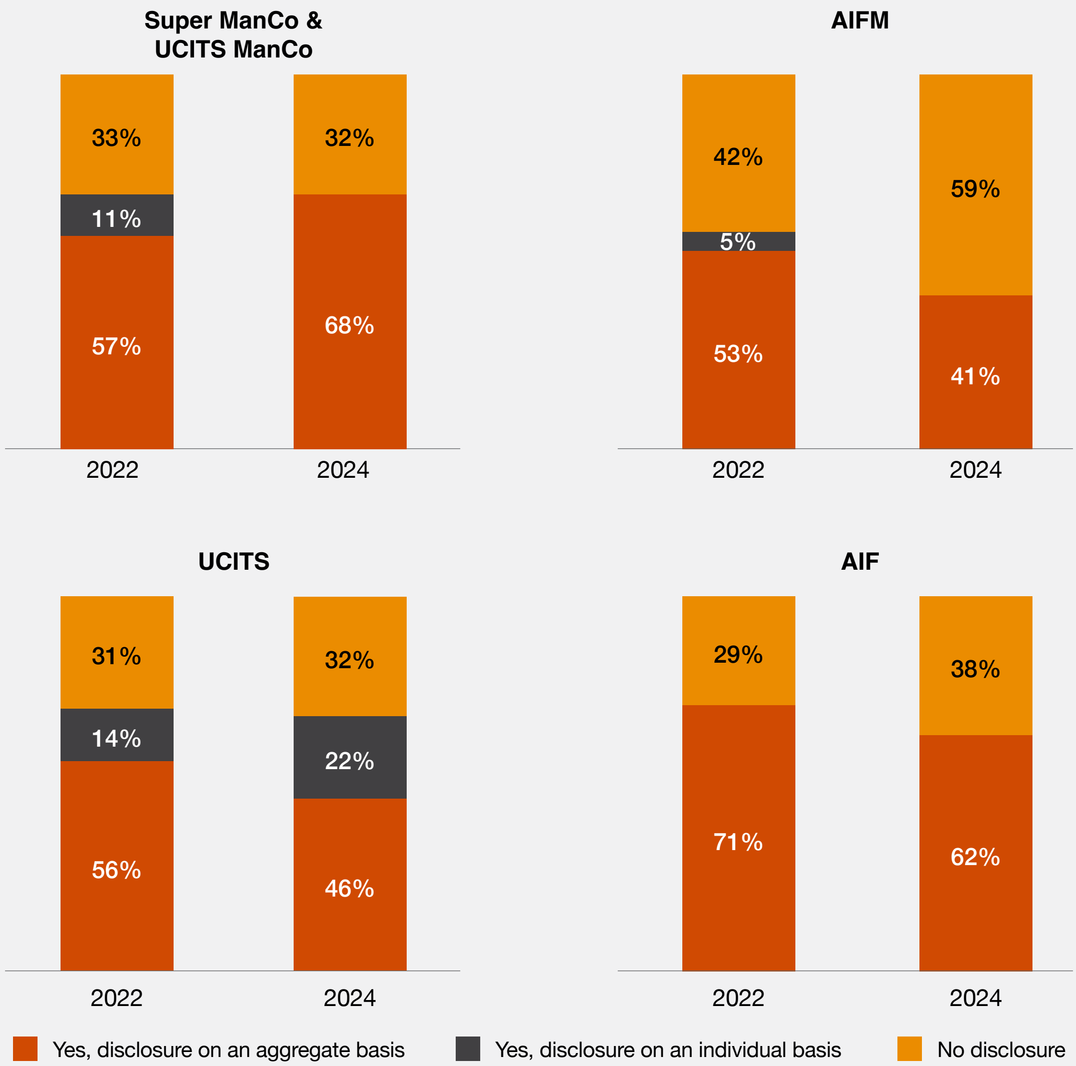
+6% ▲

2022 **32%**

The percentage of respondents in the sample who did not disclose directors' remuneration **increased to 38%, up from 32% in 2022.**

This edition highlights concerns about the disclosure of the directors' remuneration in annual reports. The percentage of respondents in the sample who did not disclose directors' remuneration increased to 38%, up from 32% in 2022, reflecting a decrease in transparency in this area. AIFs and AIFMs have demonstrated a rising trend in non-disclosure, going from 29% and 42% in 2022 to 38% and 59% in 2024, respectively. In contrast, UCITS have shown progress in disclosure practices, with the percentage of individual disclosures increasing from 14% in 2022 to 22% in 2024. For Super ManCos and UCITS ManCos, the percentage that discloses directors' remuneration has remained unchanged. However, only UCITS board now provide this information on an individual basis, indicating an overall shift towards more general reporting practices.

**Figure 20: Is the director's remuneration disclosed in the annual report?**




Sample size = 133
Source: PwC Global AWM & ESG Research Centre

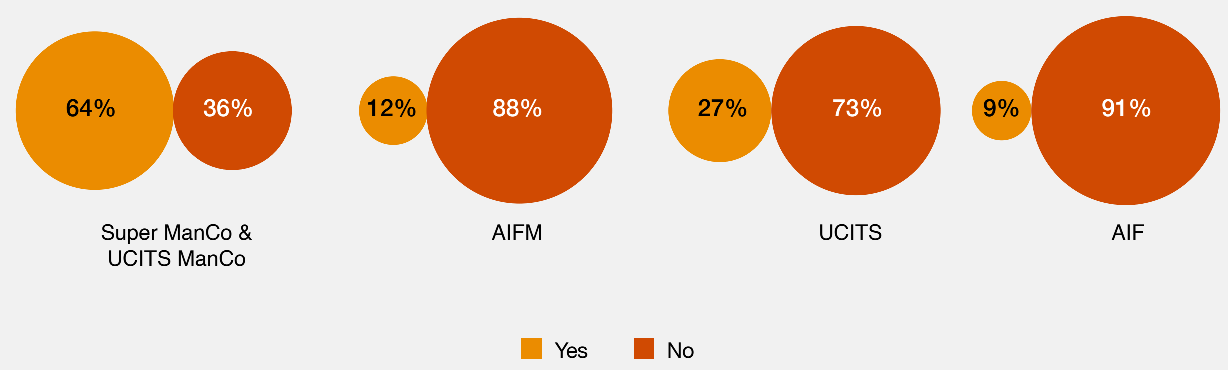
# 5 Director lifecycle

In the world of corporate governance, the role of a director demands a balance of expertise, adaptability, and foresight. Directors are the custodians of an organisation's vision, charged with steering its course through challenges and opportunities. However, the journey of a director goes beyond a series of boardroom decisions, it is a dynamic lifecycle that embodies continuous growth, strategic alignment, and purposeful leadership.

## Board members lifecycle policy

Effective corporate governance requires a well-defined framework to manage the lifecycle of board members, encompassing onboarding procedures, tenure, and offboarding processes. Such policies provide clarity and structure, ensuring that board members are equipped to fulfil their roles effectively and that, transitions are handled smoothly. On average, respondents in our sample lack a framework addressing the lifecycle of board members. Notably, nearly all AIFs and AIFMs do not have such a policy in place. On the contrary, more than half of Super ManCos and UCITS ManCos have established lifecycle guidelines for board members. Among those implementing a lifecycle framework, nearly all Super ManCos and UCITS ManCos include onboarding procedures, with the majority also incorporating offboarding processes and detailed job description.

**Figure 21: Do you have a policy on the lifecycle of the board members (covering, for example, recruitment, onboarding, board evaluation, termination)?**




Sample size = 112
Source: PwC Global AWM & ESG Research Centre

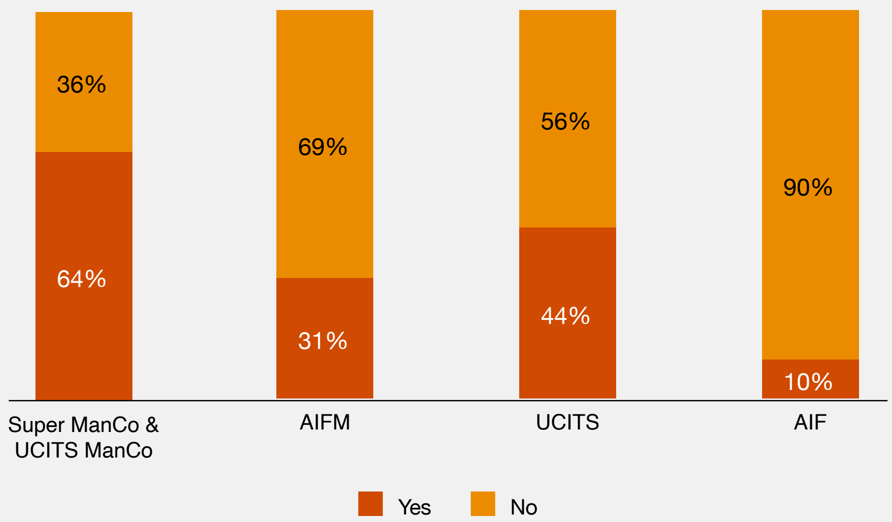
## Board skill matrix

Despite its importance, the use of board skill matrices has decreased overall, **falling from 45% in 2022 to 36% in 2024.**

A skills matrix is a valuable tool utilised by boards to effectively showcase the skills and competencies of their directors, both on an individual level and as a group. The board skill matrix is crucial for ensuring that board members possess a diverse and well-rounded set of competencies necessary to effectively execute the organisation's strategic objectives.

Despite its importance, the use of board skill matrices has decreased overall, falling from 45% in 2022 to 36% in 2024. AIFs have experienced the most significant decline, with a 28% reduction in the use of skill matrices compared to the 2022 survey. In contrast, Super ManCos and UCITS ManCos, as well as AIFMs, have experienced increases, of 7% and 6% respectively. Among respondents that adopted a board skill matrix, all have included risk management, while nearly all have incorporated portfolio management, AML, legal and regulatory matters, and compliance, reflecting a strong focus on ensuring adherence to industry standards. However, despite the increasing importance of cybersecurity due to evolving regulations and heightened threats, it remains a lower priority for AIFMs and UCITS. These findings could suggest a potential area for improvement, as boards may need to reassess their matrices to better align with the current landscape of technical and regulatory challenges.

**Figure 22: Respondents having a board skill matrix**




Sample size = 112
Source: PwC Global AWM & ESG Research Centre

**Figure 23: What are the relevant skills that are included in the board skill matrix and are in line with regulators' points of attention?**

| | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|
| **Risk management** | 100% | 100% | 100% | 100% |
| **Portfolio management** | 100% | 100% | 93% | 100% |
| **AML** | 93% | 80% | 100% | 100% |
| **Legal and regulatory** | 100% | 80% | 93% | 100% |
| **Compliance** | 100% | 80% | 93% | 67% |
| **ESG** | 93% | 40% | 80% | 100% |
| **IT** | 93% | 60% | 47% | 67% |
| **Cybersecurity** | 71% | 20% | 33% | 67% |

Sample size = 37
Source: PwC Global AWM & ESG Research Centre

## Written terms of appointment

Another key component of good governance is the use of written terms of appointment to clearly define the duties and obligations of board members. These documents give directors a framework for carrying out their responsibilities, guarantee accountability, and establish expectations.

More than half of respondents lack written terms of appointment specifying the roles and responsibilities of directors employed by promoters or fund sponsors.

This lack of documentation is even more pronounced in the AIFM category, where 75% do not have such terms. On the other hand, almost two-thirds of boards have clearly defined roles and responsibilities for NEDs, in line with the previous survey.

It is surprising that NEDs are more likely to have written terms of appointment, considering their independent oversight role, while other categories, such as those employed by promoters or fund sponsors, exhibit significantly lower adoption rates.

This unexpected trend raises concerns about governance practices, as the absence of formalised terms of appointment for key categories could hinder accountability, clarity, and alignment with governance best practices. These findings suggest a need to prioritise written terms of appointment across all director categories to reinforce consistent governance standards.

**Figure 24: Are there written terms of appointment / job description which outline roles and responsibilities for the following board members?**

| | | YES | NO | N/A |
|---|---|---|---|---|
| Super ManCo & UCITS ManCo | Directors employed by the promoter or fund sponsor | 43% | 52% | 5% |
| AIFM | | 13% | 75% | 12% |
| UCITS | | 24% | 54% | 22% |
| AIF | | 26% | 61% | 13% |
| Super ManCo & UCITS ManCo | Directors employed by a service provider or legal advisor to the fund | 14% | 19% | 67% |
| AIFM | | 6% | 56% | 38% |
| UCITS | | 10% | 26% | 64% |
| AIF | | 19% | 33% | 48% |
| Super ManCo & UCITS ManCo | Non-Executive Directors | 80% | 10% | 10% |
| AIFM | | 29% | 47% | 24% |
| UCITS | | 78% | 22% | 0% |
| AIF | | 56% | 41% | 3% |

Sample size = 111
Source: PwC Global AWM & ESG Research Centre

## Process to get an understanding of promoter group

An essential aspect of effective board governance is ensuring that directors are well-informed about the organisation and its investment landscape.

The majority of directors engage in a process to understand the promoter group, IFM/ManCo, and the managed funds before or during their appointment. This indicates a general commitment to gaining familiarity with the broader organisation and investment environment.

The prevalence of this practice, particularly among the 32% of Super ManCo and UCITS ManCo directors who conduct due diligence during onboarding, highlights the importance placed on contextual understanding. On the other hand, AIFM and AIF directors conduct due diligence prior to appointment with 35% and 57% respectively.

## Term limits

The significance of term limits lies in their ability to strike a balance between fostering fresh ideas and preserving institutional expertise.

More than 80% of boards have not established a limit on the number of years a director can serve, consistent with the previous survey's findings.

When term limits are in place, the average is 8-9 years, a slight decrease from the 10-year average reported in 2022. The lack of term limits in the majority of funds suggests a preference for retaining experienced directors rather than implementing mandatory rotation.

## Selecting new board members and replacement of NEDs

The composition of boards evolves based on the organisation's specific needs and circumstances. Effective governance requires regular evaluation of key board characteristics, including its size and the collective expertise of its members.

This ongoing process encompasses reviewing the board's skill set, enhancing member selection and integration procedures, and cultivating productive interpersonal dynamics.
Board effectiveness is further maintained through continuous professional education, regular evaluations, established term limits, and strategic planning for leadership transitions.

Consistent with the 2022 survey, new or replaced directors are primarily sourced through referrals from existing board members. However, there has been a notable shift within AIFMs where this percentage has dropped significantly from 85% in 2022 to just 35%. Additionally, nearly one-third of Super ManCos and UCITS ManCos, and UCITS utilise executive search firms to identify suitable candidates for director positions. On the other hand, 38% of AIFs rely on service providers for director sourcing, indicating a varied approach when it comes to board member recruitment.

Board interviews with director candidates are a critical step to evaluate qualifications, prior experience, and readiness to fulfil the responsibilities of a fund board member. These meetings allow the board to assess candidates' understanding of the role, commitment to shareholder interests, and ability to dedicate sufficient time and energy to the position. Notably, 85% of respondents assess new or replacement directors through an interview process, consistent with the findings from the 2022 edition. Furthermore, 81% of boards indicate that candidates are interviewed by 2 to 5 people.

When it comes to the replacement of NEDs, more than half of respondents do not have a process in place for their replacement. However, Super ManCos and UCITS ManCos stand out as an exception, with 86% of them having established such a framework. Additionally, among those having this framework, the majority align their process with group standards.
NEDs play a very critical role in the board's decision-making process by providing independent and objective insights. They bring specialised knowledge and experience from various industries, enabling them to navigate complex challenges, identify emerging trends, and capitalise on growth opportunities. Their independence allows them to challenge the status quo, fostering creative thinking and promoting a culture of continuous improvement.

## Continuing professional education

Continuing professional education is crucial to director development, with the survey showing a preference for personal training over programmes provided by the board. According to the survey, 73% of directors reported spending up to two days on training organised by the board, while a significant 50% devoted five or more days to personal training initiatives.

Training provided by the board continues to prioritise critical areas such as AML/KYC, legal and regulatory updates, and sustainability/ESG investments, consistent with previous findings. Similarly, personal training efforts align with the topics offered by boards, reflecting directors' recognition of their importance. However, participation rates in specific training areas have declined. AML/KYC training participation dropped from 88% in 2022 to 73% in 2024, while sustainability/ESG investment training saw a decrease from 73% to 60%.

**73%**
2 Day board Training

**50%**
5 Day personal Training

**Figure 25: How many days have directors spent on average on continuing professional education in the last twelve months?**

| | | Less than 1 day | 1 to 2 days | 3 to 4 days | 5 days or more | Don't know |
|---|---|---|---|---|---|---|
| Super ManCo & UCITS ManCo | Training Provided by the board | 10% | 48% | 28% | 14% | 0% |
| AIFM | Training Provided by the board | 41% | 29% | 6% | 6% | 18% |
| UCITS | Training Provided by the board | 29% | 51% | 15% | 2% | 3% |
| AIF | Training Provided by the board | 45% | 31% | 3% | 14% | 7% |
| Super ManCo & UCITS ManCo | Training taken on a personal basis | 0% | 10% | 24% | 48% | 18% |
| AIFM | Training taken on a personal basis | 6% | 12% | 41% | 29% | 12% |
| UCITS | Training taken on a personal basis | 0% | 7% | 22% | 56% | 15% |
| AIF | Training taken on a personal basis | 3% | 13% | 27% | 53% | 4% |

Sample size = 109
Source: PwC Global AWM & ESG Research Centre

# 6 Roles and responsibilities of the board

## Management approach and relationship with the promoter

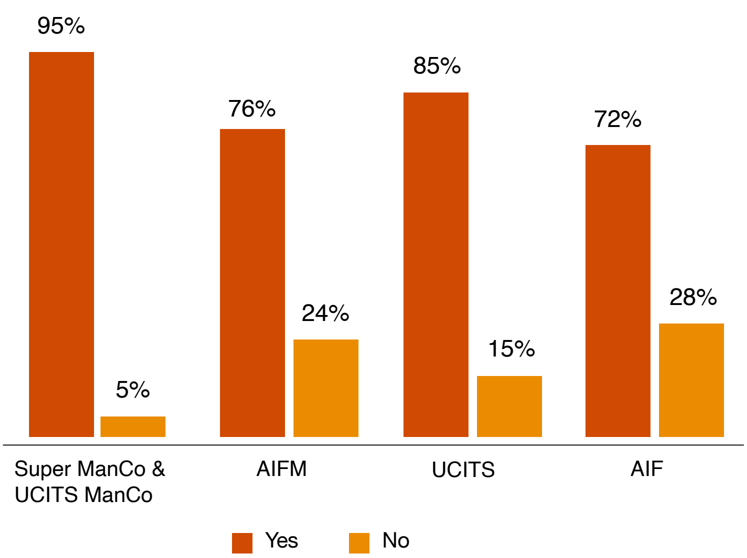
This year's survey introduced a new question to assess the presence of delegation frameworks between funds and their respective IFM/ManCo.

The results show that 82% of boards have established a delegation framework, demonstrating a strong commitment to clear governance structures. However, there is still room for improvement, with 28% of AIFs and 24% of AIFMs lacking clearly defined roles and responsibilities.

A board's management approach is integral to how effectively it governs and oversees fund activities. The survey findings reveal that boards continue to adopt a "management by exception" approach, characterised by active discussions and a focus on addressing significant deviations from established expectations. This style allows boards to prioritise strategic issues while maintaining high-level oversight of fund operations. Such consistency in management practices underscores the importance of efficient and effective governance in navigating complex regulatory and operational landscapes.

A significant trend is the growing independence in fund-promoter relationships, with 67% of respondents describing their relationship as truly independent. This trend is particularly pronounced in UCITS funds, where independence increased from 44% in 2022 to 66% in 2024, indicating a strengthening of governance practices and autonomous decision-making.

**Figure 26: Is there a delegation framework (defining clear roles and responsibilities) between the fund and the ManCo / UCITS ManCo?**




Sample size = 110
Source: PwC Global AWM & ESG Research Centre

## Board performance reviews

Board performance evaluations are necessary for assessing effectiveness, fostering accountability, and driving continuous improvement in governance practices.

Super ManCos & UCITS ManCos have shown remarkable improvement, with a 46% increase in performance evaluations in 2024. However, AIFs have moved in the opposite direction, with a 12% rise in the absence of board performance evaluations. AIFM boards show a more balanced approach, with a 9% decrease in members lacking performance evaluations compared to 2022, reaching 56% in this edition.

These findings highlight the need for AIFMs and particularly AIFs to prioritise board performance evaluations as a standard governance practice. By adopting a more structured and consistent approach, these boards can enhance accountability, improve decision-making processes, and align with best practices in governance.

Among boards conducting evaluations, over 60% perform them annually, maintaining consistency with previous results. Notably, ad-hoc evaluations have decreased to only 3%, suggesting a more structured approach to performance assessment.
Particularly impressive is the progress made by AIFMs, where annual evaluations have now become the norm, compared with the 71% in 2022. In contrast, UCITS boards are shifting towards biennial evaluations rather than annual assessments, indicating a notable change from the preferences identified in the 2022 survey.

## Ensuring quality of service providers

Effective oversight of service providers ensures robust fund governance and protects investor interests.

The assessment reveals generally high satisfaction with service provider quality across multiple functions. Risk managers, fund administrators, and external auditors consistently receive high ratings for their reporting quality while custodians/depositaries and transfer agents are rated as providing high to medium quality services. Global distributors and investment managers/advisors generally provide high-quality reports, though a notable gap exists in global distributor reporting, with many boards not receiving any reports. Similar gaps exist in internal audit and legal advisor reporting, though when received, these reports are typically of high quality. Compliance functions maintain high standards across the board, indicating robust regulatory oversight.

**Figure 27: How do you assess the quality of the reporting received by the service providers and/or delegates?**

| | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|
| **Risk manager** | High (81%) | High (69%) | High (88%) | High (59%) |
| **Fund administration** | High (38%)<br>Medium (38%) | Medium (44%)<br>High (38%) | High (63%) | High (59%) |
| **Custodian/Depositary** | Medium (38%)<br>High (33%) | Medium (50%) | High (53%) | High (53%)<br>Medium (41%) |
| **Global distributor** | Medium (43%)<br>High (33%) | N/A / No reporting received (63%) | High (58%) | N/A No reporting received (56%) |
| **External auditor** | High (81%) | High (63%) | High (88%) | High (72%) |
| **Internal auditor** | High (76%) | Medium (56%) | N/A / No reporting received (69%) | N/A / No reporting received (73%) |
| **Compliance** | High (71%) | High (88%) | High (78%) | High (63%) |
| **Transfer agent** | High (29%)<br>Medium (29%) | High (40%) | High (55%) | High (50%) |
| **Investment manager / Advisor** | Medium (48%)<br>High (43%) | High (50%) | High (75%) | High (78%) |
| **Legal advisor** | N/A / No reporting received (38%)<br>High (33%) | N/A / No reporting received (56%) | High (43%)<br>N/A / No reporting received (43%) | N/A / No reporting received (43%)<br>High (31%) |

Sample size = 109
Source: PwC Global AWM & ESG Research Centre

## Review of fund documentation

The review and approval of key documents is central to board governance, ensuring transparency, compliance, and alignment with regulatory and operational expectations.

This year's survey reveals that most boards are actively engaged in reviewing the majority of fund-related documents, with significant differences in practices across categories. Nearly all boards review annual financial statements, internal audit reports, and management letters from the audit report, typically approving these documents before publication, consistent with previous findings. Similarly, governance-related policies receive widespread board review, with 81% of respondents approving them prior to issuance.

However, practices diverge for other documents. Prospectuses are reviewed by 74% of boards, maintaining high engagement, while marketing materials and KIIDs are often provided for informational purposes, with fewer boards actively approving these documents before publication. Notably, ad-hoc evaluations of KIIDs have dropped to only 3%, reflecting a shift towards more structured assessments. Shareholder application forms and communications see lower engagement, with a significant decline in review rates for AIFs and Super ManCos and UCITS ManCos compared to 2022. For instance, AIF boards reviewing shareholder application forms dropped from 69% in 2022 to 40% in 2024, highlighting a need for renewed focus in these areas.

The review of fund-related agreements also shows mixed trends. While most boards continue to approve these agreements prior to issuance, the percentage of AIFM boards not reviewing them has risen from 11% in 2022 to 29% in 2024. Side letters follow a similar pattern, with 36% of boards reviewing them and 71% approving them before issuance, though ratifications by Super ManCos and UCITS ManCos often occur post-issuance.

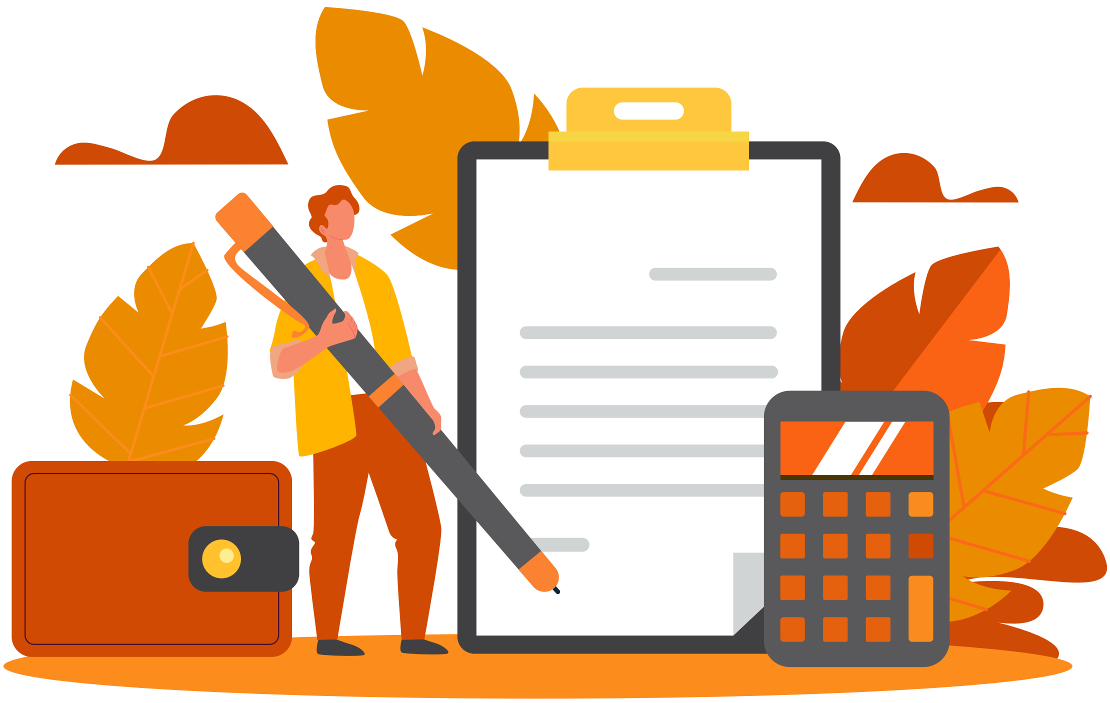
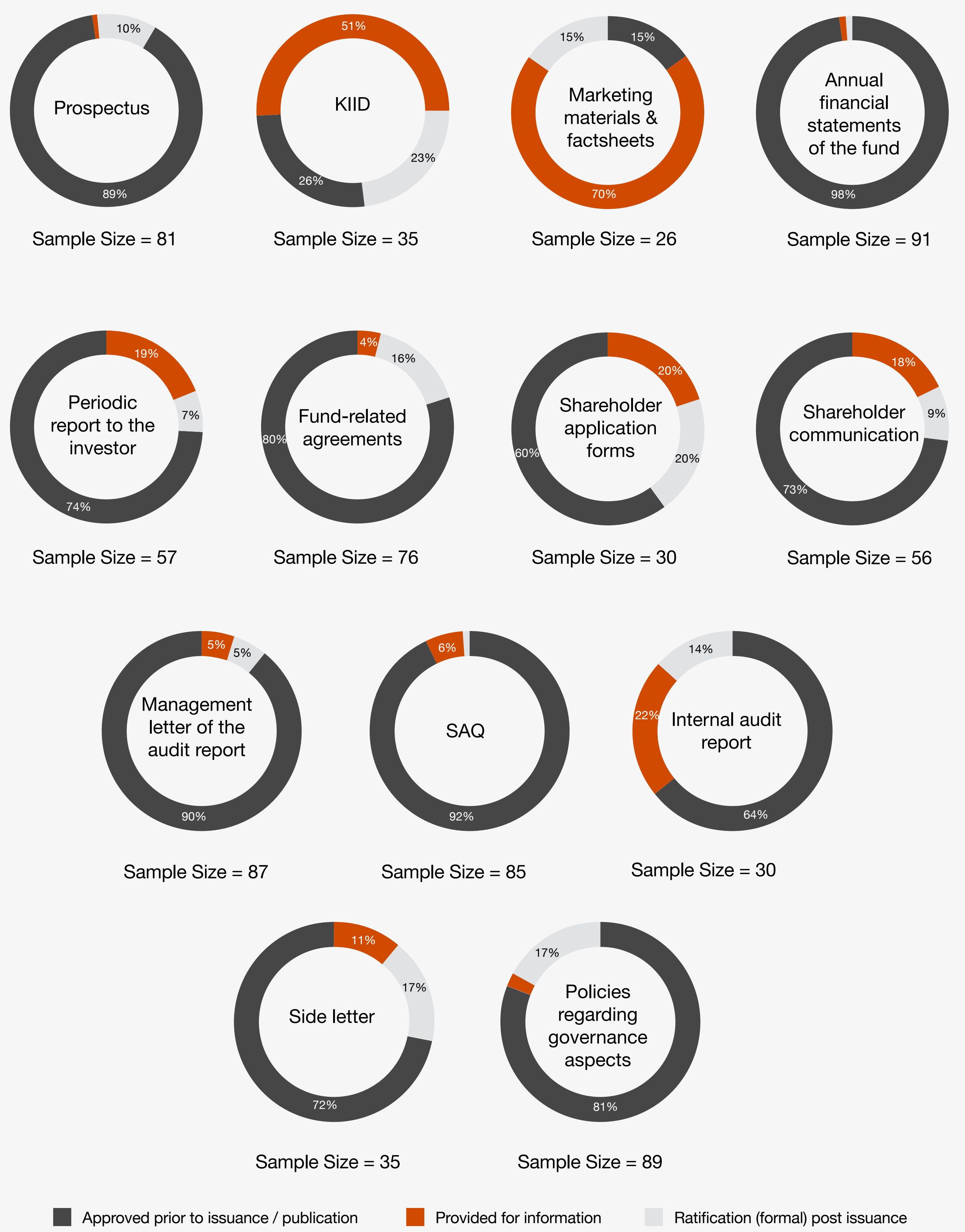


**Figure 28: If the board reviews the following documents, what is the timing of board investment?**



# 7 Conflicts of interest and liabilities

## Conflicts of interest

A conflict of interest arises when a party faces competing obligations or goals, that interfere with the ability to perform duties or responsibilities impartially and without influence from conflicting factors. Boards are required to oversee the implementation and operation of policies to identify potential conflicts of interest and where they cannot be prevented, to manage them.[10] The board bears the responsibility to thoroughly identify and properly handle any conflicts of interest that are existing, could potentially arise, or might appear to exist. This includes ensuring such conflicts are managed with fairness and competence, while maintaining appropriate transparency through proper disclosure practices.[11]

As part of guidelines for identifying and managing conflicts of interest, the board is required to have in place a written policy which is proportional to the size and organisation of the fund/management company for which they are responsible. The policy is to be approved by the board and reviewed yearly. Further, boards "keep an updated record of the situations where conflicts of interest entailing a material risk of damage to investors may arise, have arisen and how they have been addressed."

The findings from this year's survey reveal that the large majority of respondents operate with a formal policy for handling conflicts of interest, in line with the 2022 results. In this edition, UCITS boards operating without a conflicts of interest policy in place decreased from 14% in 2022 to 7% in 2024, which is a positive development. Moreover, most boards maintain a conflicts of interest register, which is consistent with the 2022 survey. It is noteworthy that there has been an increase in AIFs and UCITS that maintain a register of conflicts of interest, passing from 72% and 86% in 2022 to 78% and 95% in 2024, respectively. In addition, for boards who keep a record, almost three-quarters distinguish between actual and potential conflicts of interest, highlighting a commitment to transparency and effective governance, ensuring that potential risks are identified and managed proactively to uphold board integrity and decision-making. A positive trend is also evident in the declaration of conflicts at board meetings, with almost all boards requiring conflicts to be declared relative to each meeting's agenda. This practice has seen notable improvement among Super ManCo and UCITS ManCo boards where the rate of disclosure has increased from 91% in 2022 to 100% in 2024, and AIFMs, which saw a rise from 78% in 2022 to 88% in 2024.

[10] G20/OECD Principles of Corporate Governance 2023
[11] ALFI Code of Conduct: Guidance on Conflicts of Interest

## Legal liability

In line with Principle 2, Recommendation 6 of the ALFI Code of Conduct, directors are expected to dedicate sufficient time and attention to each mandate to fulfil their obligation to act as a "*bon père de famille*" (a prudent person in the same position), as mandated by Luxembourg Company Law.[12] Directors are required to exercise reasonable care, skill and diligence in their work as they are equally liable for their omissions as they are for their actions.

The results from the survey indicate diverse approaches to making directors aware of their legal liabilities including sanctions. Self-information remains the primary method, followed by letters of appointment, which saw an increase from 45% in 2022 to 51% in 2024. However, there has been a general decline in the usage of briefings by internal legal counsel, dropping from 30% in 2022 to 24% in 2024. Despite this decline, this approach is still regarded as an important practice by 43% of Super ManCos and UCITS ManCos.

The coverage of directors' liabilities reflects a stable and structured approach across most categories, with nearly half of directors relying on indemnity or insurance provided at the Promoter Group level, aligning with findings from the 2022 survey. 35% of AIFMs provide indemnity at the level of the AIFM itself. On the contrary, more than one-third of UCITS and AIFs cover the director's liability through indemnity provided at the level of the fund. Liability mitigation remains a critical consideration for NEDs, ensuring they are protected against potential risks associated with their governance roles. NEDs continue to employ a mixed approach to liability mitigation. The three most common methods are insurance provided by the Promoter group, self-insurance, and indemnity at the fund level.

The adequacy of director's liability coverage remains generally positive, with 88% of the respondents considering it sufficient. However, a striking concern emerges with almost one-quarter of AIFMs and AIFs considering the coverage as only partially adequate. In the 2022 edition of the survey, 48% of boards review the insurance coverage on a yearly basis. This figure has since increased to 59% in the current survey, while ad-hoc reviews have decreased from 40% in 2022 to 30% in 2024. Notably, three-quarters of UCITS boards now conduct annual reviews, a significant increase from 53% in 2022.

Interestingly, self-insurance remains a relatively small part of liability mitigation strategies for NEDs, which is surprising given its potential to offer tailored protection. This suggests an opportunity for boards to re-evaluate the role of self-insurance in their liability frameworks, particularly for NEDs who operate with heightened independence and oversight responsibilities. On a positive note, no respondents reported activating Directors and Officers (D&O) insurance due to claims in the past five years, maintaining the trend of very low likelihood of legal claims.

[12] ALFI Code of Conduct: Guidance on Board Member Time Capacity

## Figure 29: How is director liability covered?

| | Directors employed by the promoter or fund sponsor | | | | Non-Executive Directors | | | |
|---|---|---|---|---|---|---|---|---|
| | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
| **Indemnity provided at the level of promoter group** | 48% | 24% | 53% | 59% | 37% | 13% | 21% | 23% |
| **Insurance provided by the promoter group** | 48% | 59% | 47% | 31% | 32% | 40% | 38% | 35% |
| **Indemnity provided at the level of the fund** | 5% | 12% | 39% | 38% | 11% | 7% | 49% | 48% |
| **Insurance provided by the fund** | 10% | 6% | 29% | 28% | 11% | 7% | 33% | 29% |
| **Indemnity provided at the level of ManCo** | 29% | 35% | 3% | 7% | 21% | 27% | 3% | 6% |
| **Insurance provided by the ManCo** | 19% | 18% | 3% | 17% | 32% | 20% | 3% | 3% |
| **Self-insurance** | 0% | 12% | 8% | 10% | 11% | 40% | 51% | 32% |
| **Insurance provided by the fund manager** | 0% | 6% | 5% | 0% | 0% | 7% | 3% | 0% |
| **Indemnity provided at the level of the fund manager** | 0% | 0% | 3% | 0% | 0% | 0% | 0% | 0% |

Sample size of Directors employed by the promoter or fund sponsor = 105
Sample size of Non-Executive directors = 104
Note: Multiple choice question.
Source: PwC Global AWM & ESG Research Centre

# 8 Code of conduct

Adopting a code of conduct is essential to maintaining the high standards of governance and integrity expected within one of the world's leading fund centres. It establishes clear ethical guidelines for directors, management, and stakeholders, ensuring accountability and compliance with regulatory frameworks. By fostering transparency and addressing risks, the code of conduct enhances credibility and protects the industry's reputation.

Additionally, it promotes a culture of professionalism and collaboration, guiding decision-making. The adoption of codes of conduct shows mixed trends in this survey. While more than 60% of boards generally have a code of conduct in place, there's notably lower adoption among AIF respondents, with only 38% of them having such a code. For those adopting a code of conduct, 85% have chosen to follow the ALFI code of conduct, last updated in June 2022.

The survey also reveals a gap in transparency, as 38% of boards do not disclose if they have adopted a code of conduct. This leaves stakeholders in the dark about this critical aspect of governance. For those boards that do provide disclosure, the information is typically published in the financial statements or included in the board of directors' reports.

On the issue of code of conduct compliance, boards are reviewing the compliance of the code of conduct more than in the previous edition, rising from 52% in 2022 to 79% in 2024. However, there is still room for improvement, particularly among AIFM boards, where 42% of them do not conduct routine compliance reviews. This highlights a critical area where AIFM boards must enhance their efforts to prioritise routine compliance reviews, ensuring they align with best practices and meet the evolving expectations of governance standards.

**Ethical guidelines**

**Adoption trends**

**Transparency & Disclosure**

## The ALFI code of conduct

The ALFI code of conduct is a comprehensive framework designed to assist board members in upholding the highest standards of governance. By providing structured guidance, the code enables directors to align their actions with established best practices, fostering accountability, transparency, and ethical decision-making. It emphasises the critical role of boards in ensuring effective oversight and strategic direction while meeting the expectations of stakeholders and regulators.

Almost all the respondents consider the principles-based approach of the ALFI code of conduct appropriate and sufficiently prescriptive, with 93% agreeing with the principles. However, 38% of respondents identified technology and BCP/crisis management as areas not adequately addressed in the code. This marks a significant shift, as BCP/crisis management, which was previously seen as a minor issue, has now emerged as a significant concern.

On the other hand, ESG, which was the primary gap in the previous edition, now ranks as the least problematic, reflecting substantial progress following the introduction of principles on this topic in June 2022.

# 9 Asset management, investment expenses, and risk oversight

**Investment policy oversight**

**Performance**

**Expenses oversight**

**Risk reporting**

## Investment policy oversight

The board plays a critical role in overseeing investment policy, ensuring alignment with the fund's objectives and the best interests of shareholders. This responsibility requires a deep understanding of the strategies employed by portfolio managers and the associated risks, as well as the policies and limitations that govern investment exposures. Key tasks include developing and maintaining a robust investment policy, determining asset allocation, and rebalancing the portfolio as needed to stay on course with the fund's goals. Through consistent oversight and strategic guidance, the board upholds its fiduciary duties and reinforces strong governance practices. The findings from this edition of the survey show consistent performance in investment policy oversight, with 77% of boards receiving regular reports from investment managers to fulfil their responsibilities - a figure that aligns with the 2022 results. Super ManCos and UCITS ManCos stand out as the only exception, with the majority of boards focusing on supervising the fund's investment strategy or general investment policy.

## Board responsibilities in addressing performance concerns

The findings of the survey reveal that 75% of boards take their responsibilities regarding performance concerns seriously by actively monitoring investment performance and receiving regular reports from investment managers, in line with the 2022 survey. Despite the high percentage of boards actively monitoring performance, only 28% intervene in cases of underperformance—a slight increase from 24% in 2022. In particular, Super ManCos and UCITS ManCos and UCITS are leading this trend, with 45% and 37% of their boards implementing this procedure respectively.

**Intervene in case of underperformance**

2024 **28%**

+6% ▲

2022 **24%**

**Figure 30: How does the board exercise its responsibilities when it comes to intervening as required if not comfortable with performance?**

| | TOTAL | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|---|
| **Monitors the investment performance** | 75% | 75% | 59% | 88% | 66% |
| **Receives regular reporting from the investment manager** | 75% | 65% | 59% | 80% | 81% |
| **Intervenes in case of underperformance** | 28% | 45% | 6% | 37% | 19% |
| **Other** | 9% | 10% | 18% | 10% | 3% |

Sample size: 110
Note: Multiple choice question.
Source: PwC Global AWM & ESG Research Centre

## Fund expenses oversight

The regulatory landscape in Europe has increasingly focused on fund expenses oversight, particularly regarding its impact on retail investors. The effective oversight of fund expenses is important in maintaining market integrity and protecting investor interests. This oversight requires careful analysis of cost frameworks to ensure they meet both regulatory requirements and principles of investor fairness. The findings of the survey revealed that regarding Total Expense Ratio (TER), less than one-third of respondents charge shareholders a fixed TER, consistent with the 2022 findings. Despite this, there is a divergent strategy between funds. AIFs have seen an increase in fixed TER use from 19% in 2022 to 23% in 2024, while UCITS experienced a 10% decrease, reaching 37%, demonstrating the importance of assessing fund fees and expenses to maintain transparency and align with best practices in financial management.

According to the survey, 76% of respondents conduct assessments of fund fees and expenses though there are discrepancies among categories. Most Super ManCo and UCITS ManCo and UCITS have performed the assessment. Nonetheless, more than 40% of AIFMs and AIFs do not perform the exercise. In terms of the fund expenses oversight practices, there has been an evolution compared with the previous edition. In the past, respondents indicated a nearly equal preference for monitoring fund expenses and reviewing the budget versus actual expenses. However, the latest findings show a clear shift, with nearly three-quarters of respondents prioritising the monitoring of fund expenses. This trend is particularly pronounced in UCITS and AIFs, where over 80% of boards are involved in this process, suggesting a more active approach to expense oversight in funds.

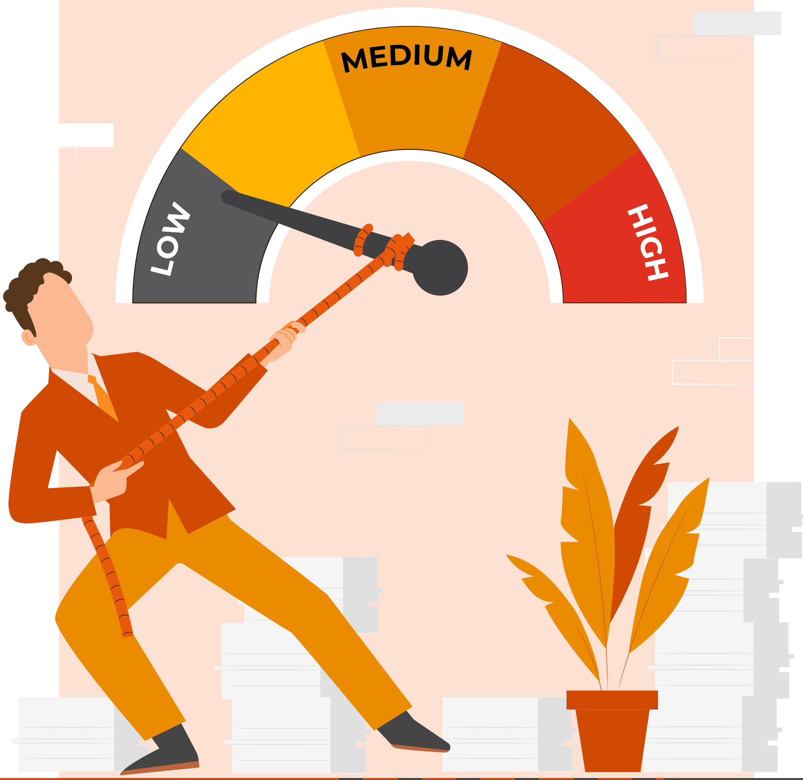
There has been a notable improvement in tax risk reporting, with the percentage of boards deeming the reporting inadequate dropping sharply from **45% in 2022 to just 14% in this edition.**

[13] ALFI, "Risk Management under the Alternative Investment Fund Managers Directive (AIFMD)", May 2016

## Risk reporting

Adequate risk reporting is a critical component for a risk management function, particularly for the board, to fulfil their oversight duties and responsibilities.[13] From the survey, half of boards indicate insufficient reporting on cybersecurity risk, which is consistent with the 2022 findings. The focus on cybersecurity risks has become more prominent, driven by the introduction of new regulations and the rising frequency of cyberattacks. Similarly, geopolitical risk has emerged as another critical area requiring more attention for nearly one-third of the respondents, due to the growing global uncertainty.

Finally, there has been a notable improvement in tax risk reporting, with the percentage of boards deeming the reporting inadequate dropping sharply from 45% in 2022 to only 14% in this edition.



# 10 Distribution supervision

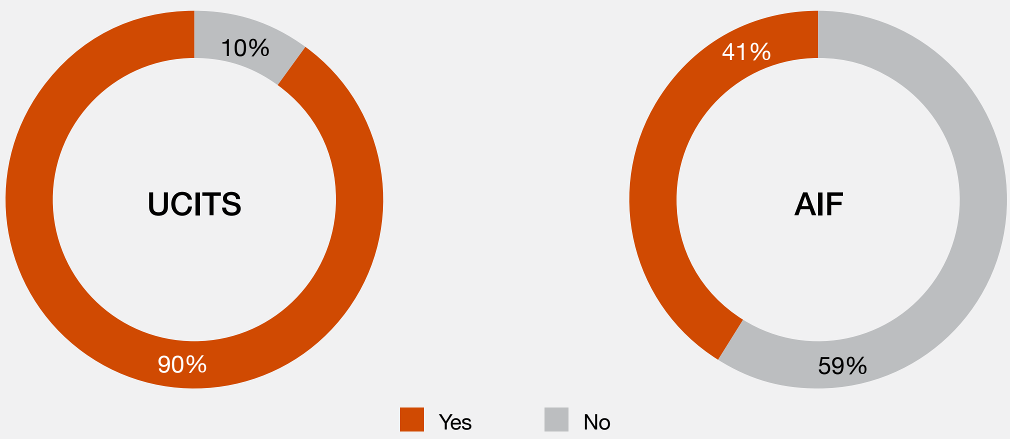
## Distribution risks

Distributors play a fundamental role in the Luxembourg fund industry by coordinating the marketing and distribution of investment products across various markets. This function is critical for ensuring efficient access to investors and aligning distribution strategies with regulatory requirements. The results of the 2024 survey show that the vast majority of UCITS have appointed a global distributor. Of these, 53% have chosen the ManCo/IFM as the distributor, while 44% have opted for a separate entity within the investment manager group. In contrast, only about two-fifths of AIFs have appointed a global distributor, and when they do, it is almost always the IFM/ManCo that fills this role.

While distribution risk is not specifically defined in the law or CSSF regulations, it remains the responsibility of the board of an IFM/ManCo to consider all the risks to which the funds they manage are exposed. This includes evaluating any risks associated with the distribution of those funds. The top four distribution risks remain unchanged from the previous survey, with AML still viewed as the greatest risk. Other key risks include failure to comply with local jurisdiction sales and marketing laws, insufficient due diligence and ongoing monitoring and Know Your Customer (KYC).

Notably, this year's survey sees mis-selling ranking fifth, replacing reputational risk. For Super ManCos and UCITS ManCos specifically, Treating Customers Fairly (TCF) has emerged as the fifth top risk, making its debut in the ranking.

**Figure 31: Have you appointed a global distributor?**




Sample size: 73
Source: PwC Global AWM & ESG Research Centre

**Figure 32: If it has been appointed a global distributor, how does the fund handle the global distribution?**

| | UCITS | AIF |
|---|---|---|
| **The management company is appointed as global distributor** | 53% | 83% |
| **A separate entity within the investment manager group is appointed as global distributor** | 44% | 17% |
| **The fund keeps the marketing distribution function** | 3% | 0% |

Sample size: 48
Source: PwC Global AWM & ESG Research Centre

# 11 AML

As part of its statutory mission, the CSSF is responsible for ensuring that all individuals and entities under its supervision, authorisation, or registration adhere to their professional AML/CTF obligations.[14] AML/CTF regulations in Luxembourg's financial sector are enforced under a regulation issued by the CSSF in 2012, later amended in 2020.[15] In recent times, the focus has shifted from whether AML systems are in place or not, to whether these measures are effective or not.[16]

Pursuant to the Law of 12 November 2004, boards of investment funds and management companies must appoint a 'responsible du respect des obligations' (RR) who can be a board member or the board acting in a collegial manner.

The vast majority of RRs approved or initially validated the suspicious transaction and screening processes, in line with the 2022 findings. However, RRs within the AIFM category have shown a slight decline, lagging behind other categories with a 6% drop compared to 2022. According to 86% of respondents, the RR function is mainly carried out collectively by the board. However, for 24% of ManCos/IFMs, the RR function is performed by a single person. Almost all respondents stated that the fund board acknowledged the AML/CTF Business Risk Assessment and the fund's inherent and residual risk score over the last year, in line with the 2022 survey.

[14] CSSF, "Anti-Money Laundering and Countering the Financing of Terrorism (AML/CTF)"
[15] CSSF Regulation 12-02 of 14 December 2012 on the fight against money laundering and terrorist financing; CSSF Regulation No 20-05 of 14 August 2020.
[16] PwC Luxembourg, "PwC EMEA Anti-Money Laundering (AML) Survey 2024"

# 12 ESG

The World Economic Forum, in its annual Global Risk Report, warns of what it describes as a "foreseen duo of dangerous crises", referring to climate change-related challenges and conflict-related challenges. Climate change-related risks are seen as a key global challenge in the long term. When applied consistently, ESG guidelines can minimise companies' environmental impact, helping to address climate change-related risks and foster a more sustainable business environment. Leading companies see ESG issues as a critical business priority, leveraging them to manage risks, seize opportunities, and communicate their vision for the future, ultimately positioning themselves for long-term success and value creation.

### Importance of ESG strategy

From the findings, among the respondents who established a common definition of ESG, two-thirds acknowledged the high importance of an ESG strategy. However, 20% of AIFM boards view ESG as low priority. On average, 43% of respondents manage both Article 8 and Article 9 funds, with this percentage rising to 75% among Super ManCo and UCITS ManCo.

### Minimum percentage of Sustainable Investment

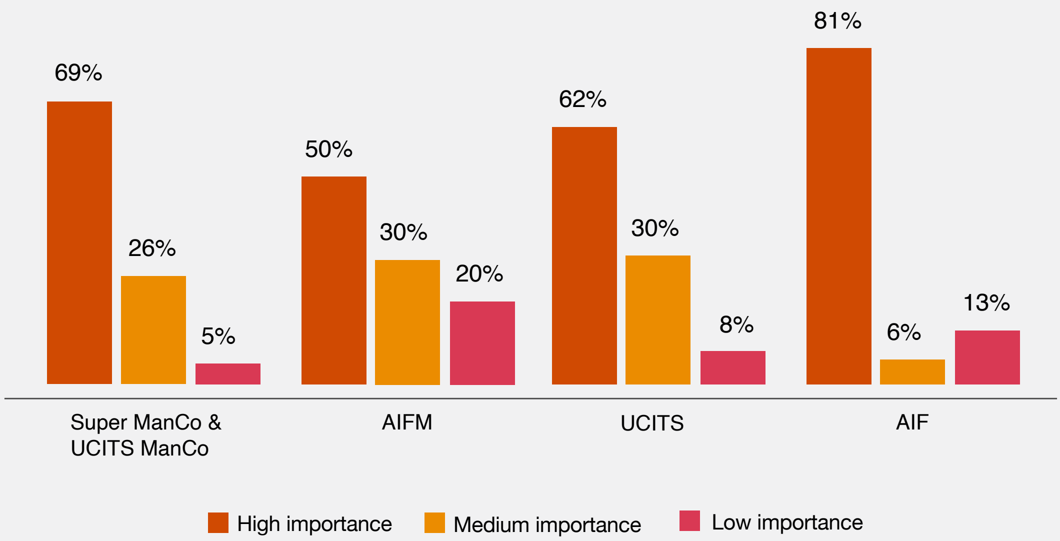
In line with the 2022 survey, a plurality of boards does not have a target for a minimum percentage of sustainable investments, as defined by the SFDR. However, one-third of AIF boards have set a minimum threshold of over 50% for sustainable investments.

### Board investment oversight

The board plays a key role in ESG oversight by linking the company's purpose to its strategy, ensuring reliable and material ESG data, crafting clear and transparent disclosures, and aligning ESG efforts with business strategy through coordinated oversight across the board and its committees.[17]
From the findings, overall, there is an improvement in boards possessing the appropriate composition, structure, and processes to effectively oversee ESG investments. It is essential to highlight that all Super ManCo and UCITS ManCo boards have achieved these standards, increasing from 81% in 2022. However, AIF boards are an exception, declining from 77% in 2022 to 68% in 2024.

[17] PwC Malta, "ESG and the role of the board"

**Figure 33: How important is the ESG strategy for the company/fund?**




Sample size = 71
Source: PwC Global AWM & ESG Research Centre

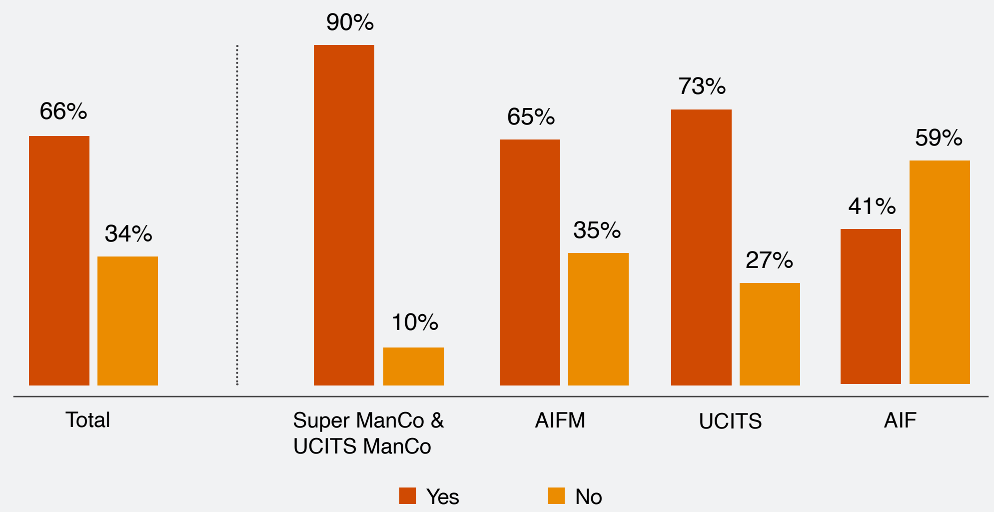
# 13 New regulations

## DORA

DORA regulation, applicable to financial entities in the EU on 17 January 2025, was established to further strengthen the digital operational resilience in the EU financial sector by introducing a common legal framework.[18] Survey findings reveal that two-thirds of the respondents have a clear picture of what actions the company needs to undertake to be DORA compliant by 17 January 2025. While the vast majority of boards that understand the requirements have taken necessary measures, AIFM boards are slightly lagging behind. Despite this, three-fourths of ManCo/IFM boards that understand the technical and operational requirements have not yet implemented them. However, most funds that understand DORA compliance have already reviewed the related reporting.

Given that DORA, in Article 5(2), places an imperative on the board to implement its requirements and arrangements, it is practical and beneficial for boards of IFMs to have directors who are knowledgeable in digital operational resilience. However, a significant percentage of respondents report not having a director with such specialisation, and nearly all of those without such directors do not plan to hire one in the foreseeable future. It is worth highlighting however that nearly two-thirds of respondents report that they plan to have DORA-specific training. This is mainly observed in Super ManCos and UCITS ManCos.

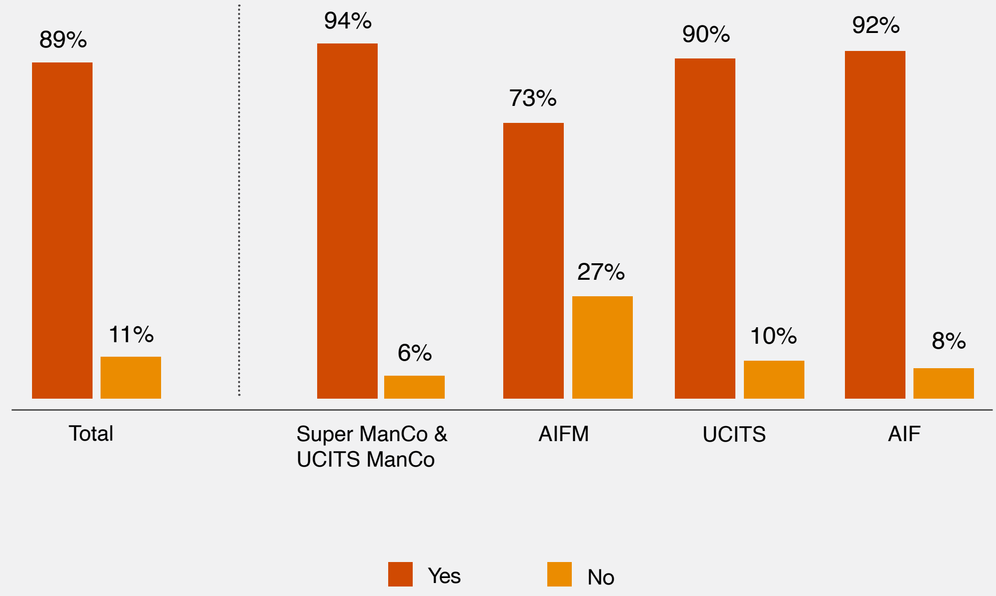
**Figure 34: Has the board a clear picture of what actions the company needs to undertake to be DORA compliant by 17 January 2025?**




Sample size = 111
Source: PwC Global AWM & ESG Research Centre

[18] CSSF. (2024). Digital Operational Resilience Act (DORA)

**Figure 35: If yes, has the board taken all the necessary actions to be prepared?**




Sample size = 72
Source: PwC Global AWM & ESG Research Centre

## ICT risk appetite

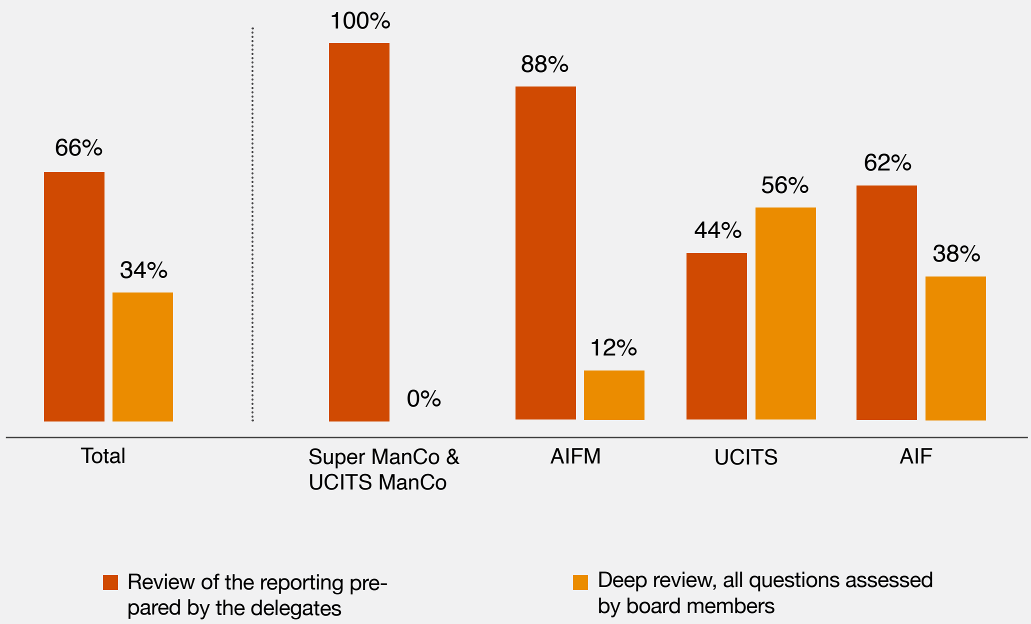
Risk appetite is the aggregate level and types of risk that institutions are willing to assume within their risk capacity, in line with their business model, to achieve their strategic objectives.[19] Defining a risk appetite, especially ICT risk appetite, is essential to managing the risk and how companies communicate and respond to the risk. The survey results show that 61% of the boards anticipate being consulted on ICT risk appetite, with this expectation particularly high among Super ManCo and UCITS ManCo boards, where 90% expect involvement. However, UCITS stand out as the only category where more than half of board members do not expect to be consulted on ICT risk appetite. This insight is significant given that defining an ICT risk appetite is not just technical but requires deliberations across the company to ensure that ICT risk is tied into enterprise risk and reflects the company's mission and values.[20]

[19] Circular CSSF 20/750 "Requirements regarding Information and Communication Technology (ICT) and Security Risk Management"
[20] TechTarget, "How to define cyber-risk appetite as a security leader"

## Board involvement on SAQ

The Self-Assessment Questionnaire (SAQ) includes questions on predefined topics, and it considers the characteristics of the different types of UCIs concerned as well as the risks associated with them (e.g. asset valuation, compliance of investments, costs/expenses). The main purpose of the SAQ is to request UCIs to perform a self-assessment of their compliance with the legal and regulatory requirements. Before submitting the SAQ to the CSSF, the board must review and validate its content.[21] The findings of the survey reveal that only one-third of boards conduct a thorough review of all questions in the SAQ. In particular, more than half of UCITS engage in this process. ManCo/IFM boards, on the other hand tend to focus primarily on reviewing the reports prepared by delegates.

**Figure 36: How was the board involved in the preparation of the SAQ?**




Sample size = 107
Source: PwC Global AWM & ESG Research Centre

[21] CSSF Circular 21/790, "Self-Assessment Questionnaire for Luxembourg UCIs and their Approved Statutory Auditors"

## Engagement of new resources for regulatory compliance

The rapid evolution of sustainable finance and its associated regulations presents challenges for many companies, making it difficult to maintain in-house teams equipped with the necessary tools needed to incorporate sophisticated ESG criteria into their compliance monitoring processes. An outsourced investment compliance provider can assemble specialised compliance teams and advanced technological tools, enabling seamless integration of complex ESG factors into monitoring workflows.[22]

The findings from the survey reveal opposing results regarding board engagement of new resources or services for regulatory compliance. While many Super ManCo and UCITS ManCo boards actively seek new resources or services to navigate emerging regulations, nearly 60% of AIFM boards do not adopt additional resources or services for this purpose.

[22] Shany Venon, "Boost your investment compliance capabilities," Paperjam News

# 14 Looking forward

## Reviewing regulations

As the regulatory landscape continues to evolve, fund boards are tasked with navigating a complex array of compliance requirements and strategic considerations. The survey reveals that a significant proportion of boards have yet to fully assess the strategic and operational impacts of certain regulations.

When considering Alternative Investment Fund Managers Directive II (AIFMD II), more than one-third of respondents reported that their boards have undertaken a strategic review of its implications. This indicates a positive awareness and readiness among boards to align their governance practices with evolving regulatory standards. The increased attention to AIFMD II points to a growing recognition of its significance, likely driven by its direct impact on funds management structures and investor protections.

The responses to Circular 24/856, on the other hand, illustrate the varied approaches across different types of boards. This Circular, which addresses operational and strategic requirements for investment fund management companies, has seen a relatively higher level of engagement among Super ManCo and UCITS ManCo boards, with half of these boards reporting that they have assessed its strategic implications. Among AIFMs, three-quarters have reviewed the operational impact of Circular 24/856, highlighting a notable effort to ensure compliance and effective implementation.

However, the data reveals that certain areas still require greater focus. Specifically, AIF boards show a notable gap in their engagement with Circular 24/856, with 47% indicating that they have yet to review its implications. This suggests a need for more targeted efforts to foster awareness and promote active consideration of regulatory changes within these boards.

## Top areas requiring attention in the coming 12-24 months

Board's priorities for the next 12 to 24 months remain consistent with the 2022 findings, with law and regulatory changes, investment performance, and ESG factors continuing to dominate their focus. In addition to these top areas, boards are also paying more attention to cybersecurity, reflecting its importance in an increasingly digital world. For the first time, blockchain and AI have emerged as key focus areas, driven by their increasing significance in the current business landscape.

**Figure 37: What do you believe are the top 5 areas requiring priority attention from the board in the coming 12-24 months?**

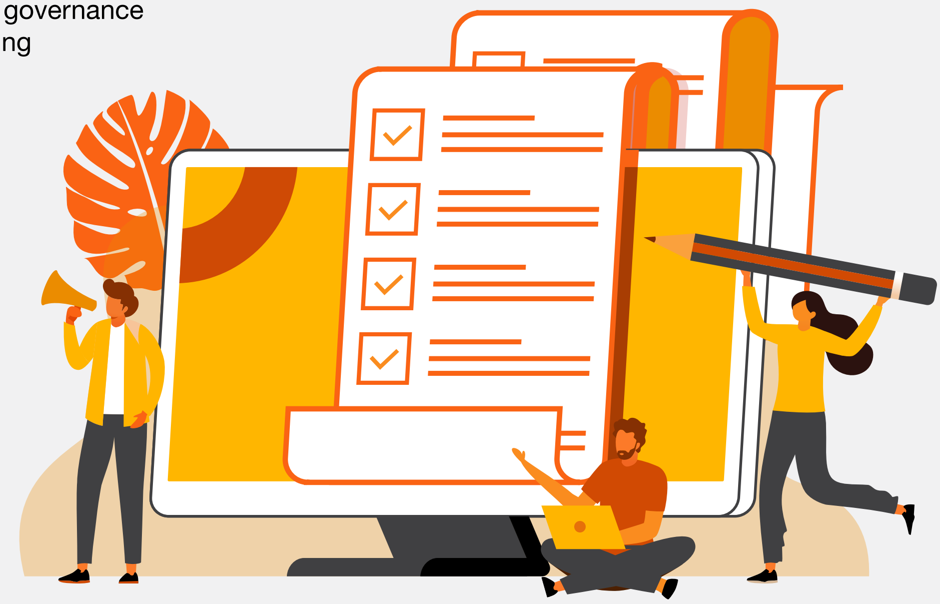
| | Super ManCo & UCITS ManCo | AIFM | UCITS | AIF |
|---|---|---|---|---|
| 1 | Law and regulatory changes | Law and regulatory changes | Law and regulatory changes | Investment perfomance |
| 2 | ESG | Cybersecurity | Investment performance | Valuation & Pricing |
| 3 | Cybersecurity | Compliance | ESG | Compliance |
| 4 | Investment perfomance | Use of Artificial intelligence | Cybersecurity | Cybersecurity |
| 5 | Blockchain | Blockchain | Compliance | Governance |

# Conclusion

Amidst the 2024 election super-cycle and significant geopolitical shifts, Luxembourg's long-standing tradition of forward-looking and robust governance practices among management companies and investment funds continues to demonstrate its resilience. Despite these challenges, boards have demonstrated strong expertise in risk management by consistently reviewing and refining their practices to navigate emerging uncertainties. Moreover, they have upheld their leadership in AML-related matters, with the vast majority of board members engaging in dedicated training to ensure compliance and maintain integrity in a rapidly evolving global landscape.

As the world continues to confront pressing challenges such as climate change and geopolitical crises, Luxembourg's fund industry remains at the forefront of ESG investing. Boards are increasingly recognising the importance of ESG strategies. As boards refine their oversight, aligning ESG strategies with business goals and improving their governance processes, they play a key role in fostering sustainable business practices. With the SFDR in place and with more taxonomy-related criteria in the coming year, boards will continue to play a pivotal role in overseeing ESG-investments.

It is encouraging to observe that strong governance practices remain prevalent among boards in the Luxembourg fund industry—a crucial factor contributing to the continued strength and resilience of the asset and wealth management sector in the Grand Duchy. This underscores the ongoing relevance and value of the Luxembourg Fund Governance Survey as a key resource for stakeholders seeking to better understand the governance practices, challenges, and opportunities within the industry.



# Notes

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