

GOVERNOR SELECTION CRITERIA

Below are the attributes the Nominating Committee considers in the selection of governors. Attributes are prioritized each nominations cycle based on guidance from the CFA Institute Board of Governors.

Board Competencies

These competencies were used by Spencer Stuart in their 2016 Board Effectiveness Report, which reviewed the contributions of individual CFA Institute Governors. Each governor is expected to exhibit these competencies at the highest level.

1. **Business Judgement:** Has the experience and strategic foundation to focus the board on the organization's top priorities and use of resources; ability to handle complexity and ambiguity and to simplify issues to the essence to make sound business decisions; ability to look ahead; ability to transfer to strategic insight to different environments.
2. **Champion of CFA Institute:** Motivation to invest time and effort in learning about the organization needs and commitment to stay up to date with it; diligent enough to follow through with commitments; invests the time necessary.
3. **Cultural Sensitivity:** Culturally aware and savvy; sensitive to regional differences; ability to adapt their style, especially the flexibility to adapt to change.
4. **Interpersonal Communication:** Ability to build relationships with all kinds of people; ability to influence, gain trust and support from others; ability to use diplomacy and tact; ability to listen/adjust to others' input; effectively balances speaking and listening.
5. **Tone at the Top:** Adherence to appropriate and effective set of core values, and ability to live by these; honest and truthful; authentic, self-aware and confident enough to "be oneself"; sets the right "tone at the top" for the organization.

For the criteria below, the objective is not that all governors have experience in each area, but the Board – as a whole – is expected not to be without this experience.

Bylaws Criteria

Experience required by the CFA Institute Articles of Incorporation and Bylaws.

6. **Charterholder¹:** An individual who has satisfied the requirements to become a regular member and has successfully passed the CFA Program.
7. **Leadership Experience:** Proven track record as a leader, preferably in a C-Suite role within a global organization of comparable size and complexity as CFA Institute; independent thinker with appropriate stature and style; experienced at dealing with internal and external stakeholders.

¹Although the bylaws technically focus on regular members serving as governors, approximately 97% of regular members are charterholders. We interpret this as a desire for charterholders.

8. **CFA Institute Volunteer Experience:** Experience serving as a CFA Institute volunteer (e.g. GIPS Committees/Subcommittee, Future of Finance Advisory Council, Disciplinary Review Committee, Council of Examiners, etc.)
9. **Society Leadership Experience:** Experience serving in a Chair, President, or PCR role for a CFA Institute Member Society.
10. **Professional Diversity – job functions, industry sectors, industries:** Expertise in a diverse range of job functions, industry sectors (institutional money managers, private wealth managers, asset owners), and industries should be represented on the Board so it is a body with diverse perspectives and able to act effectively in the best interest of the global memberships and CFA Societies.
11. **Gender Diversity – Female:** CFA Institute has made a public commitment that no less than 30% of the Board will be women.
12. **Regional Diversity – Americas region, Asia Pacific region, Europe, Middle East, and Africa region:** Knowledge of the Americas; Asia Pacific; and Europe, Middle East, and Africa regions should be represented on the Board so it is a diverse body geographically and able to act effectively in the best interest of the global memberships and CFA Societies.

Public Company Standards Criteria

Criteria required under public company standards or that are leading practice for public companies.

13. **Audit:** A financial expert has an understanding of financial statements and generally accepted accounting principles (“GAAP”); experience in preparing, auditing, analyzing or evaluating financial statements of companies comparable to the company or experience in actively supervising one or more persons engaged in such activities; experience in applying GAAP to accounting for estimates, accruals and reserves; and an understanding of internal accounting controls, procedures for financial reporting and audit committee functions, as a result of:
 - education and experience as a public accountant, auditor, principal financial officer, controller or principal accounting officer of a company, or a position involving similar functions;
 - experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience. (SOX Section 407; SEC Regulation S-K Item 407(d)(5))
14. **Independent²:** A governor shall be considered to be “independent” if the Board affirmatively determines that the Governor has no material relationships with CFA Institute, either directly or as a partner, shareholder or officer of an organization that has a relationship with CFA Institute. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships, among others. The Board shall determine whether a Governor is independent each year after reviewing relevant facts and circumstances.
 - An individual’s social independence, or how closely associated an individual is with CFA Institute and CFA Institute Staff, should also be considered, and this should be shared with the Board for their awareness and as part of the due diligence process.

Proxy Statement Related Criteria

Skills commonly identified on the CFA Institute Proxy Statement. These skills are typically included in public company proxy statements.

² Please refer to the full policy approved by the Board in July 2017, which complies with certain corporate governance practices and standards applicable to U.S. public companies listed on the NYSE.

15. **Human Resources:** Experience in people management in an organization at least of comparable size and complexity to that of CFA Institute and/or board or HR experience in planning CEO succession; experience in remuneration practices.
16. **Information Technology:** Outstanding technology expertise in a leadership role overseeing digital transformation and social media delivery capabilities and ideally, knowledge relevant to potential industry disruptors.
17. **Regulatory:** Demonstrable first-hand knowledge of regulatory issues, regulators and public policy making either gained from within the policy making establishment itself or via participation on high level and influential advisory panels that shape the rule making impacting the investment industry.

Other Criteria

18. **CFA Program Expertise:** Experience working directly on CFA Program curriculum development or exam development obtained, for example, through active membership on the Council of Examiners or Education Advisory Committee.
19. **Corporate Governance Experience:** Expert in Board and Public company policies and procedures as evidenced by extensive and significant public company board service (preferably on corporate governance and nominations committees) and/or recognized expert in the field.
20. **Public Company Board Experience:** Board service in a publicly listed company of significant size and complexity, at least comparable to the size and reach of CFA Institute.
21. **Not-for-Profit Experience:** Board service in a not-for-profit organization of significant size and complexity, at least comparable to the size and reach of CFA Institute.
22. **Education Experience:** Extensive credentialing, teaching, or administrative experience gained at a significant university or post graduate institution.
23. **Chair Potential:** Ability, willingness and capacity.
24. **Committee Chair Potential:** Ability, willingness and capacity.

BOARD LEADERSHIP SELECTION CRITERIA

Below are the attributes the Nominating Committee considers in the selection of board leadership.

1. **Charterholder:** An individual who has satisfied the requirements to become a regular member and has successfully passed the CFA Program.
2. **Non-Regular Member:** An individual who does not hold regular membership in CFA Institute.
3. **Business Judgement:** Has the experience and strategic foundation to focus the board on the organization's top priorities and use of resources; ability to handle complexity and ambiguity and to simplify issues to the essence to make sound business decisions; ability to look ahead; ability transfer to strategic insight to different environments.
4. **Dedication to CFA:** Motivation to invest time and effort in learning about the organization needs and commitment to stay up to date with it; diligent enough to follow through with commitments; invests the time necessary; has an objective skepticism.
5. **Cultural Sensitivity³:** Culturally aware and savvy; sensitive to regional differences; ability to adapt their style especially the flexibility to adapt to change.
6. **Interpersonal Communication⁴:** Ability to build relationships with all kinds of people; ability to influence, gain trust and support from others; ability to use diplomacy and tact; ability to listen/adjust to others' input; effectively balances speaking and listening.
7. **Tone at the Top⁵:** Adherence to appropriate and effective set of core values, and ability to live by these; honest and truthful; authentic, self-aware and confident enough to 'be oneself;' sets the right "tone at the top" for the organization.
8. **Desire to Serve:** Interest in serving in a leadership role.
9. **Time Capacity to Serve:** Ability to meet the additional time requirement of a leadership role.

³ Spencer Stuart identified 3 as more critical of the 5 competencies when looking at leadership: Cultural Sensitivity, Interpersonal Communication & Style, and Tone at the top.

⁴ See footnote 2.

⁵ See footnote 2.