



## AUDIT AND RISK COMMITTEE CHARTER

### Purpose

The purpose of the Audit and Risk Committee (the “Committee”) is to assist the Board of Governors (the “Board”) in the fulfillment of its functions with respect to CFA Institute’s financial statements, financial condition and risk management by:

- Overseeing CFA Institute’s financial and audit systems for financial integrity.
- Overseeing CFA Institute’s process for monitoring compliance as it relates to financial integrity.
- Evaluating and providing oversight of the monitoring of CFA Institute’s risks.
- Evaluating the independence and qualifications of the independent auditor.

Governance standards are ultimately determined by US Virginia State law and corporate codes, but recognizing the prominence of the organization as a professional body, and the expectations of members and other stakeholders, other best practice enhancements to governance and disclosure are followed where practicable.

The Committee’s role is one of oversight. Management is responsible for preparing the financial statements, risk assessment and risk management. The independent auditor is responsible for auditing the annual financial statements. The Board and Committee recognize that management, including the independent auditor, have more time, knowledge and detailed information about the organization than do Committee members. The Committee therefore relies on the reviews and reports provided by management, and does not provide any expert assurance as to the financial statements or any certification as to the work of any auditor. As appropriate, the Committee may challenge the reviews and reports to enhance the organization’s overall risk management.

### Membership

The Committee is appointed by the Board and composed of a minimum of three Governors, each of whom are independent of management and the organization in accordance with the applicable rules and standards of the New York Stock Exchange and any independence guidelines of CFA Institute that apply to members of the Committee. In appointing members of the Audit and Risk Committee and its Chair, no member of CFA Institute management may exercise a vote. All Committee members shall be financially literate. At least one of the members of the Committee shall have had prior experience in the audit function, or shall have reported directly to an audit committee, or shall have been a member of an audit committee, and at least one member (who may be the same person) shall be a financial expert (as defined in rules promulgated by the U.S. Securities and Exchange Commission). At the start of each year, the Chair will assess member skills, experience and training needs and arrange orientation for new members.

The Committee’s Chair (the “Chair”) shall be approved by the Board.

## Meetings

The Chair shall preside at meetings of the Committee and shall set the agenda.

The Committee shall meet at least four (4) times per year and otherwise as often as deemed necessary or appropriate, in its judgment, to discharge its duties and responsibilities. Meetings of the Committee may be held in-person and/or via telephonic or electronic or video conference, and at such times and places as the Committee determines. A majority of the members shall constitute a quorum. If a quorum is present, a majority of the members present shall decide any matter brought before the Committee. The Chair may call a meeting of the Committee upon due notice to all other members at least 48 hours prior to the meeting. Notice by electronic mail shall be sufficient notice. The Committee may also act by written consent signed by all of its members.

At least quarterly, the Committee shall meet with senior financial management without the independent auditor present, and separately (without any other member of management present) with the independent auditor, Head of Internal Audit, Chief Compliance, Risk & Ethics Officer (the “CCREO”), Chief Legal Officer (the “CLO”) or any other member of management, to enhance the opportunity for the identification and discussion of all issues warranting Committee attention.

The Committee, acting through its Chair, may invite such executive officers of CFA Institute to its meetings, or to meetings with the Committee’s advisers, as the Committee deems appropriate.

## Duties and Responsibilities of the Committee

In addition to carrying out any other responsibilities delegated to the Committee by the Board, the Committee shall:

### Independent Audit

- Appoint, evaluate, compensate, oversee the work of, and if appropriate, terminate the appointment of the independent auditor, who shall report directly to the Committee.
- Review and approve the terms of the engagement of the independent auditor and the scope and expected timing of the annual audit. Assure regular rotation of partners after five years, with a five-year timeout period.
- Obtain from the independent auditor and review the annual report on all relationships between the independent auditor and the organization required by applicable audit professional regulatory standards; take appropriate action to satisfy itself of the independent auditor’s independence; approve any audit-related and permitted non-audit services (including the fees and material terms thereof) to be provided by the independent auditor; and set clear hiring policies for employees or former employees of the independent auditor.
- Review and, as appropriate, discuss with management, any significant difficulties encountered in the course of audit work.
- Resolve any disagreements regarding financial reporting between management and the independent auditor.
- Review any significant findings by the auditors relating to the preparation of the financial statements, and any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditor. Periodically review the status of the organization’s response to previous audit recommendations.
- Review and discuss with management and the independent auditor, the annual financial statements, disclosures, proxy statement, and annual report.

- Meet with the independent auditor without management present to discuss the independent auditor's views about the qualitative aspects of the organization's significant accounting practices, including accounting policies, accounting estimates, financial statement disclosures, whether sufficient resources are provided for the financial reporting, and the quality of accounting staff and leadership.
- Review and discuss with management and the independent auditor any material off-balance sheet financing and any other material financial arrangement that does not appear in the financial statements.
- Appoint, evaluate, compensate, oversee the work of, and if appropriate, terminate the appointment of any other registered public accounting firm engaged. Each firm shall report to the Committee unless specifically assigned to another committee of the Board.
- Prepare the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission for inclusion in the annual report in which the financial statements are included.
- At least annually, obtain and review an appropriate report by the independent auditor describing:
  - the independent auditor's internal quality-control procedures;
  - any material issues raised by the most recent internal quality-control review or peer review of the independent auditor, or any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with such issues; and
  - (to assess the auditor's independence) all relationships between the independent auditor and CFA Institute. The Committee shall take appropriate action to satisfy itself of the independent auditor's independence; pre-approve any audit-related and permitted non-audit services (including the fees and material terms thereof) to be provided by the independent auditor; and set clear hiring policies for employees or former employees of the independent auditor.

### Oversee Internal Audit

- Internal Audit shall report directly to the Committee through the Committee Chair and to the President and CEO of CFA Institute.
- Internal Audit has unfettered access to the Committee at any time.
- Ensure there are no unjustified restrictions or limitations on the internal audit function and that it is sufficiently resourced.
- Review and discuss with management, and recommend to the Board, the appointment or dismissal of the Internal Auditor. Conduct an annual performance appraisal of the Internal Audit function.
  - Provide input to CEO/management around desired competencies and skill sets.
  - Conduct interview of preferred candidate(s) as identified by CEO/management.
  - Review, comment, and sign off on the CEO's annual appraisal of the Internal Auditor and related compensation recommendations.
- Review and approve the annual Internal Audit work plan, which should include priority concerns raised by the Committee.
- Meet regularly with the Internal Auditors, without management present, to discuss internal audit reports, progress against the annual Internal Audit work plan, and concerns, if any.

### Oversee Risk Management & Internal Controls

- The CCREO shall report directly to the Committee through the Committee Chair and to the President and CEO of CFA Institute.
- Review and as applicable, approve the risk governance framework and the guidelines, policies and processes for monitoring and mitigating risks, including metrics and management's views on acceptable and appropriate levels of exposures.

- Review reports from management on the enterprise risk management process and regularly discuss major risk exposures and the steps management has taken to monitor and control such exposures.
- Review and discuss with management, the risks associated with cross border operations in line with international corruption/fraud legislation.
- The Committee will report to the Board any significant matters.
- Discuss with management and the independent auditor, the adequacy and effectiveness of the accounting and financial controls (including the system to monitor and manage business risks, and legal, regulatory and ethical compliance programs), the adequacy of such controls and any remedial steps being undertaken to address any material weaknesses or significant deficiencies in internal controls. Oversee the effectiveness of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, financial reporting, or auditing matters.
- Receive information from management about any significant deficiencies or material weaknesses in the design or operation of internal controls.
- Evaluate the “tone at the top” set by management with regard to internal controls, the efficacy of internal controls, and ethical conduct.

### Oversee Legal and Compliance

- Ensure there are no unjustified restrictions or limitations on the compliance or legal functions and that they are sufficiently resourced.
- Review and discuss with management, and recommend to the Board, the appointment or dismissal of the CCREO. Conduct an annual performance appraisal of the CCREO.
- Receive reports from the CLO on a regular basis, without management present, on legal and regulatory matters and the scope and effectiveness of the legal department function.
- Receive reports from the CCREO on a regular basis, without management present, on the adequacy and effectiveness of the compliance, risk and ethics programs; including benchmarking against relevant best practice standards, organizational culture regarding compliance and ethical business conduct, controls and systems to monitor and manage compliance risks, including conflicts, and policies and procedure. Also, reports received from the hotline for employees or others to report, confidentially, information relating to possible illegal or unethical behavior by employees or agents and any investigations conducted.
- Review at least annually with management, the adequacy of, compliance with, and any requests for waivers or related party transactions under the Code of Conduct of the Board and Conflict of Interest Policy of CFA Institute. Also, make a recommendation to the full Board with regard to any approval or waiver under such codes sought with respect to any officer or Governor.
- Oversight of the Disciplinary Review Committee (DRC).

### **Access to Information; Delegated Authority**

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all records, facilities and personnel. The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of external legal counsel, accounting and other advisors and consultants, as it deems appropriate, without prior permission of the Board or management.

## Report and Self-Evaluation

The Audit and Risk Committee shall:

- Report regularly to the Board on Committee findings and recommendations, and maintain minutes or other records of Committee meetings and activities.
- Oversee the preparation and approve the report for inclusion in the annual meeting proxy statement.
- Review, and discuss annually the tax status of CFA Institute.
- Conduct an annual self-evaluation of the performance of the Committee, including a review of the adequacy of this Charter annually, and recommend to the Board such amendments as the Committee deems appropriate.
- Be responsible to the Board for its activities.

## Executive Liaison

The management liaison to the Committee is the CCREO.

Effective 2 February 2018