Version 6: 8 September 2018

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BOARD OF GOVERNORS NOMINATION PROCESS

Nominations Philosophy

The goal of the nomination process is to provide CFA Institute with a strong independent board that can provide direction and oversight for the organization, representing the best interests of our members.

The Board of Governors (Board) takes the nomination process very seriously and is committed to open, independent, and fair nominations that are understood by the membership and are as transparent as possible.

The objective is to identify Board members who will bring a variety of backgrounds and experiences. Another objective is to seek Board members who possess profiles and skillsets that are in need. The goal is to identify governors to represent the best interests of the whole membership and the organization. Candidates who specifically represent specific groups of members or their agendas should be avoided.

The Board charges the Nominating Committee (NC) with the responsibility of identifying and recommending qualified individuals to the Board on an annual basis. The Board also charges the NC with making a recommendation for the Chair and Vice Chair positions of the Board.

Nominating Committee

Governance

The NC purpose, membership requirements, and duties are detailed in the CFA Institute Bylaws (Article 9) and the NC Charter.

Role

The NC is charged with making recommendations to the Board regarding future Board members and future board leadership. While the Board is expected to give serious consideration to the work of the NC, in the end, the Board remains responsible for all final decisions regarding the nomination of individuals it believes to be best qualified to carry out the duties of the Board.

Conflicts of Interest: Duty of Disclosure

Each NC member has the obligation to disclose any and all conflicts of interest.

To avoid actual or apparent conflicts of interest, each member of the NC is required to disclose any direct or indirect activity or relationship that currently or may exist with any governor nominee. Each NC member is regularly asked to disclose conflicts. When a conflict is disclosed, each NC member shall provide the relevant material facts about any conflicts of interest.

Transparency

While there are many issues that the NC cannot disclose in order to protect privacy, all efforts should be made to keep the nomination process open and transparent. To this end, the NC is asked to keep the Board updated, along with the members, in terms of process and progress.

Privacy and Confidentiality

Privacy and confidentiality in the nomination process cannot be overemphasized. The NC, and any additional board members or staff who are involved, will be privy to information about individuals that is confidential. The NC should value individuals and candidates' privacy above the need to be open and transparent. NC members and involved staff are required to complete a Non-Disclosure Agreement to that effect at the start of each year.

Process

Solicitation of Candidates

The process begins with a call for nominations to our members. Every attempt should be made in the call for nominations to qualify the characteristics and skill sets that candidates should have. This process seeks to provide as much detail and direction as possible regarding the requirements that are being sought in order to increase and attract potentially qualified candidates. Sources include current and past Board members, Presidents Council Representatives, volunteer committee members, and society presidents. These member groups should be specifically sought out in the nomination process for candidates. A broad call for nominations involves the use of email, social media, and the CFA Institute website.

Additionally, the NC is encouraged to solicit candidates with the qualifications and skill sets sought after using, on occasion, outside resources to help identify and solicit them.

One of the critical requirements of a sitting NC is to review the candidates considered by previous NCs. The NC process is one that can take several years to foster nomination candidates. As such, the NC also devotes attention and focus to cultivating high potential candidates for the future, including individuals who have been solicited over time by the organization. The Corporate Secretary maintains this development list of candidates and provides information on these candidates to successive NCs.

Requested Information

The NC requires candidates to complete an online application by the publicized deadline. The application requires a minimum of one reference as well as information on education, employment, and volunteer history. It also asks each candidate to complete the time commitment attestation and submit any potential conflicts of interest for an internal staff review. Candidates who have applied in the past must update and resubmit an application for the cycle they wish to be considered to renew their desire, ability, and capacity to serve, as well as to ensure their information is up to date.

Filtering the Candidates

Effective filtering of candidates is one of the important tasks of the NC. The NC uses a database and filtering criteria to support and provide for a systematic approach to the process. The database includes any and all characteristics that the NC considers important in the primary filtering process. It can be used to support a search and sort for any new or specific direction from the Board. CFA Institute staff supports the maintenance of the database.

With large numbers of potential nominees, it is advisable to first do a high-level filtering of the candidates during an NC meeting early in the nomination process in order to keep the active candidate list manageable and relevant. Filtering continues until a desired working list is obtained. The filtering process utilized is at the discretion of the NC Chair and helps generate the

working candidate list for greater attention, interview, and qualification. It is important to have a list of more than the requested number of nominees sought in order to provide for candidate attrition or changing circumstances.

In parallel, the NC reviews the current Board members whose terms are ending. There is specific discussion and inquiry on the potential for renewal as part of the filtering process. The NC can decide whether to allocate a certain number of openings to renewal and to place current Board members in the same filtering process as the non-Board member candidates. This renewal review takes into account many factors, including the specific skill sets and attributes of the Board members who are up for and wish to be considered for renewal, the gaps and specifics the board needs, and/or potential leadership candidacy.

The filtering process is consistently applied when ranking potential Board members for renewal, Vice Chair, and Chair positions of the Board. The filtering criteria can include focus on the competencies framework including: interpersonal communication and style, cultural sensitivity, tone at the top, business judgment, and passion for CFA Institute.

Due Diligence on Candidates

While some filtering occurs based on the information provided in the candidate application, further due diligence is necessary. Interviews are conducted with candidates deemed to meet the criteria sought by the Board for that specific nominations cycle. Clearly, privacy is of the utmost importance in this process. It is recommended that NC members lead the interview for candidates who they do not already know since they will eventually be asked to make an assessment on their fit for ongoing candidacy. This generally works better than having NC members who are already familiar with a candidate conduct the interview. Often, there can be several candidates who NC members do not have existing familiarity with or knowledge of. The interviews are typically conducted by video conference and are recorded and shared with any NC members unable to attend the interview in person. Recordings are deleted when the nomination process concludes. Interviews should be completed prior to short list review and assessment.

At times, there is greater familiarity with a candidate's involvement with CFA Institute. Due diligence will capture any contributions to or issues with our local societies, particularly the candidate's local society. This can be accomplished by a discussion with current and past society presidents or other knowledgeable individuals.

When speaking with candidates, each NC member is provided a working script and talking points, is current with the facts on the requirements and duties of a Board member, and is cautious to manage expectations and avoid misrepresentation.

Decisions

Final decisions from the short list are reached through robust discussion, reflection of the skill sets and competencies, and the management of the assessment and fit process led by the NC Chair. The decisions culminate in a recommended list of nominee candidates equal to the number of Board positions available to be filled as identified in the Board's instructions. The recommendations also include the recommended nominees for the Chair and Vice Chair positions of the Board.

On-Going Process / Long-term Candidate Solicitation
Each NC is asked to give serious consideration to previously considered candidates who could not serve in the past. The goal is not to start from scratch each year with a brand-new list of potential nominees; instead, each year's NC should begin and build on where the last NC left off. There are two areas where this can be leveraged:

1. Candidates in the final round of filtering, potential nominees who, after being identified, could not serve in a particular year, and rejected candidates should be documented in the database for future NC reference.

If highly desirable and interested potential nominees are identified, but we find that they cannot serve on the Board in a particular year, a process to recommend them and maintain them for future NCs is valuable. Senior management, including senior staff, is also helpful in the long-term candidate solicitation process.

Beyond considering previously identified candidates, there is a goal for each NC to proactively identify and solicit industry leaders and recognized experts in fields identified by the Board as potential candidates. While it can be challenging to solicit busy people, these individuals may be able to assist the Board with insight into industry issues, and their candidacy may need to be developed over several years.

2. While the NC is expected to work independently from senior management influence, there is a clear understanding and expectation that senior management will have valuable information and input regarding potential candidates. The NC Chair should maintain an appropriate dialogue with senior management to gain their insight without inappropriately influencing the recommendations of the NC. It may be appropriate to have senior management participate in portions of NC meetings when their insight is needed.

The Corporate Secretary will support the NC in any administrative functions, including but not limited to retaining institutional knowledge, with the understanding that staff members will be restricted from communicating any of the NC information with any other person at CFA Institute. If staff involvement is unworkable and the NC desires, it should have the ability to hire administrative assistance. The NC has the ability to retain consulting services if the need arises.

Non-disclosure Agreement
All NC members and staff involved in the process are required to sign an annual non-disclosure agreement provided at the start of the fiscal year.