CFA Institute

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Board of Governors
Meeting Minutes

2-4 February 2018
New York

Board of Governors Present:

Leah Bennett, CFA
Heather Brilliant, CFA
Daniel Gamba, CFA
Robert Jenkins, FSIP (Meeting Chair)
Mark Lazberger, CFA
Frederic Lebel, CFA
Colin McLean, FSIP
Diane Nordin, CFA
Sunil Singhania, CFA
Paul Smith, CFA
George Spentzos, CFA, FSIP
Zouheir Tamim El Jarkass, CFA
Yu Hua, CFA

Board of Governors Absent:

Lynn Stout

Presidents Council Representatives Present:

Lamees Al-Baharna, CFA
James Bailey, CFA
Simon Cawdery, CFA
BD Deora, CFA
Kati Eriksson, CFA
Daniel Fasciano, CFA
Clayton Gall, CFA
Jennifer Garbowicz, CFA
Steven Gattuso, CFA
Phil Graham, CFA
Richard Mundinger, CFA
Susan Williams, CFA

Leadership Team Members Present:

Chris Ainsworth
Gary Baker, CFA
Diane Basile, CFA
Elaine Cheng
Michael Collins
Emily Dunbar
Bjorn Forfang
Darin Goodwiler
Stephen Horan, CFA
Sheri Littlefield
Nick Pollard, CFA
Kurt Schacht, CFA
Paul Smith, CFA

Others Present:

Stephanie Ennaco
Peg Jobst, CFA
Joseph Lange (Meeting Secretary)
Craig Lindquist
Vidhu Shekhar, CFA
Tony Tan, DBA, CFA
Chris Wiese, CFA

Materials Provided:

Board Meeting Pack

Green – Approved Resolutions
Blue – Action Items

FRIDAY, 2 FEBRUARY

WELCOME, MEETING OVERVIEW, CONFLICT OF INTEREST DECLARATIONS, AND RECORDING
Presenter: Robert Jenkins, Board of Governors Chair

The Board Chair welcomed everyone to the meeting in New York. The group was notified that the sessions would be recorded, and the governors were asked to disclose any conflicts of interest associated with the agenda. Mr. Lazberger restated that he and Ms. Brilliant had a working relationship; Ms. Brilliant joined First State Investments on 8 September 2017 and reported to Mr. Lazberger, who was the current CEO of this firm.

There was a question regarding action item FY18.2, and the Corporate Secretary stated he would follow up.

It was clarified that the Delegation of Authority and Board Beliefs and Values documents had been included as standing items on the agenda.

CONSENT MATTERS
Presenter: Robert Jenkins, Board of Governors Chair

There were some comments with regards to the amendments to the Article of Incorporation and Bylaws. It was clarified that the statement of purpose would be updated to better reflect the organization's activities. In addition, the Board would have more flexibility and authority to consider and grant regular membership. It was explained that the credentialing function would be conducting a triennial review of the work experience piece and would potentially be coming back to the Board with some proposed changes. Lastly, the Bylaws would more clearly state that the governors were elected by the regular members at the annual meeting.

With the Board's approval of the two new societies, the legal team would begin its review of the establishment contracts.

A brief overview of the risk appetite statement revisions was provided. It was explained that each strategic initiative had been graded from a risk appetite perspective, and that a lower risk tolerance for one item did not mean the organization should not pursue it. Instead, these initiatives would need to be handled carefully to allow the organization to expand in that direction while also mitigating potential risk. The governors were reminded that they were responsible for reviewing the risk appetite statement annually. The Audit and Risk Committee would continue to lead this review with the Chief Compliance, Risk and Ethics Officer and the Chief Financial Officer.

An additional revision was requested for the Audit and Risk Committee Charter. It was requested that the independent auditor section refer to the fact that the committee recommends the appointment and compensation of the auditor the Board.

The following resolutions were approved:

Board Meeting Minutes

RESOLVED, that the Board of Governors accepts and approves the meeting minutes dated 20 December 2017 substantially in the form presented.

RESOLVED, that the Board of Governors accepts and approves the meeting minutes dated 10 January 2018 substantially in the form presented.

Abstention: Mr. Lazberger

Amendments to the Articles of Incorporation & Bylaws

RESOLVED, that the Board of Governors accept and recommends for submission to the membership at the Annual Meeting of Members in May 2018 the amendments to the CFA Institute Articles of Incorporation and Bylaws for approval substantially in the form presented.

Establishment of CFA Society Jamaica

RESOLVED, that the Board of Governors accepts and approves CFA Society Jamaica for membership as an independent, constituent Member Society of CFA Institute.

Establishment of CFA Society Uruguay

RESOLVED, that the Board of Governors accepts and approves CFA Society Uruguay for membership as an independent, constituent Member Society of CFA Institute.

Risk Appetite Statement

RESOLVED, that the Board of Governors accepts and approves the Risk Appetite Statement for CFA Institute substantially in the form presented.

Revisions to the Audit & Risk Committee Charter

RESOLVED, that the Board of Governors accepts and approves the revisions to the Audit & Risk Committee Charter substantially in the form presented.

BOARD POLICY ALIGNMENT

Presenters: Diane Nordin, Audit and Risk Committee Chair
Ellen Odoner, Partner at Weil, Gotshal & Manges LLP
Darin Goodwiler, Managing Director and Chief Risk, Ethics and Compliance Officer at CFA Institute
Sheri Littlefield, Managing Director, Chief Legal Officer and General Counsel at CFA Institute

The purpose of the Board policy alignment work had been to submit new and revised Board and related policy documents for Board approval. These policies had been developed under the leadership of the Board's independent counsel, Ms. Odoner, who had collaborated closely with several internal partners at CFA Institute through the means of a working group. The policies had been presented for review and feedback to the Audit and Risk Committee (ARC) and had ultimately been recommended by the ARC for approval by the Board. It was noted that the CEO's comments had been reflected as well.

Ms. Odoner provided an overview of the proposed changes, which had been included in the materials, to the group. She emphasized that these were living documents that could be modified as needed. The working group would reconvene in January 2019 to assess the effectiveness of these policies and consider further improvements.

It was clarified that the policies had endeavored to push as many staff issues as possible to the head of employee relations as the primary point of intake. If the subject pertained to financial matters, it would then be forwarded to the ARC Chair, who would then, at his or her discretion, notify the CEO. The Board Incident Escalation Policy detailed which issues would be escalated to the ARC Chair, the ARC as a whole, the Executive Committee (EC), and to the Board.

If a complaint was raised by a governor that seemed to implicate the entire EC, it would go to Board counsel to evaluate and recommend a course of action. It was also clarified that in most Board-related cases, the EC would be the primary point of intake, and that the EC could determine that a different body handle the issue. The important thing to note was that issues would be resolved with governor oversight.

The CEO was officially a member of the Board and had been considered as such in the policies.

The CCREO would be scheduling time to formally communicate the policies in more detail to the PCRs.

Theo CEO fully supported the policies as written, but did caution that they might have a negative impact on the organization's culture. There was a counterargument that the policies provided more clarity and structure, which would likely reduce the result of a negative outcome. It would be important how this message was communicated to employees to ensure that the overall intention was clear and to give confidence that issues would be properly handled and resolved. While the CEO largely agreed with these statements, he also believed that these policies escalated staff issues to a high level considering the organization was not a regulated public company and had concerns that it would create a defensive workplace environment. He reaffirmed his support for the policies, but wanted to make this possibility known to the group. Ms. Odoner stated that many organizations, not-for-profit and for-profit alike, had been undergoing these types of reviews recently to protect both the company and staff.

It was stated that the organization had been developing a communications plan for the rollout of these policies to all staff.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors approves the revised Board Code of Conduct, Board Reporting Concerns and Investigation Policy, Board Incident Escalation and Documentation Guidelines, revised Policy on Raising Concerns, and Toolkit for Implementing the Policy on Raising Concerns in the forms presented.

SATURDAY, 3 FEBRUARY

WELCOME AND POLLING

Presenter: Robert Jenkins, Board of Governors Chair

Everyone was welcomed to the session, and the Board Chair informed the audience that he had several polling questions to stimulate discussion throughout the day's agenda.

CHIEF EXECUTIVE OFFICER (CEO) REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

It was reported that organization had made great progress in the past six months, and the CEO highlighted the strategy scorecard included in the materials for the group's reference. Many of the projects were linked to one another and were all striving to advance the mission forward. The CEO had been satisfied with the work being conducted by the leadership team and staff.

CHIEF FINANCIAL OFFICER (CFO) REPORT
Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute

The CFO provided an overview of the report. It was stated that first quarter results had been very solid, both in the year over year comparison and against the budget plan. Revenue had come in at $242 million, which was up 18% year over year and 6% against the budget plan, and expenses had come in at $81 million, which was up 16% year over year and less than 1% against the budget plan. As a resulted, the YTD FY2018 operating margin had exceeded that of last year by 20% or $26 million and exceeded the budget plan by 9% or $14 million.

It was highlighted that Level I candidate registrations for the December exam had increased by 15% since last year, with particular growth noted in China. New Level I registrations had been 10% higher against the budget plan, and total registrations had been 7% higher against the budget plan. From a regional perspective, registrations had been 57%, 25%, and 16% in APAC, Americas and India respectively for the December exam, with China representing 32% of total registrations. For the June exam, new Level I registrations had been 46% higher against the budget plan, and total registrations had been 20% higher against the budget plan. From a regional perspective, registrations had been 55%, 26% and 18% in APAC, Americas an India respectively for the June exam. Since the quarter had closed, the gap to budget for the June exam had narrowed modestly from 46% to 41%. The organization would continue to monitor this and provide an update after the next deadline on 14 February 2018.

The organization was forecasting $360 million in revenues for the year, which was 16% favorable to the budget plan, and $338 million in expenses, which would result in an operating margin of 22%, close to the 20% in the budget plan. It was recognized that the report was still missing the profit and loss statements, which would be developed in FY2018. The CFO reminded the group that the financial system redesign was still underway and would move the organization closer to more timely and accurate monthly and quarterly closings. These improved processes would help the finance function better understand the balance sheet and cash flow forecasting, and increase member value through operational efficiencies.

The CFO stated that a significant amount of the spend on computer-based testing would likely be capitalized. It was shared that the next leadership team meeting would cover this very subject.

The trend of US ex-Chinese passport holders was less than 5% over a four-year period. It was also noted that the fastest growing region was Europe when you removed the Chinese passport holders from the equation.

The CEO remarked that the organization did not spend money on advertising to the candidate population. The growing candidate numbers in the developing world could therefore be attributed to the work of university outreach, institutional partnerships and societies. He also explained that the spending strategy in Asia was difficult due to low member numbers; one idea with the reserves was to set money aside for the emerging markets, money that had been contributed by the candidate populations there, to be spent at a future date when candidates had converted to members. The organization had also made a conscious effort to only spend money where it impacted the mission; otherwise, it would go into the reserves.

It would be a big challenge to increase member growth, infrastructure and value, especially in areas where candidate numbers exceeded member numbers. It would be important to consider the current vs. future member proposition to ensure that money earned from candidates today was spent on the same candidates when they became members in the future.

The organization would be taking a closer look at the charter pending numbers in China. It was explained that there were two groups, one that was interested in joining the investment profession and one that was not. The

Board should not be concerned with the latter as these individuals had entered the program for general financial education purposes and not for the credential.

There had been a downward trend in society partnership satisfaction in the APAC region, and the organization would continue to monitor these results in the next survey.

Candidates in China had primarily been students (about 40%) with finance and business degrees. It was noted that the university relations program had focused on these types of students, and that the organization was looking to broaden its approach and increase the diversity of educational backgrounds drawn to the credential.

INDIA MARKET REPORT

Presenters: Nick Pollard, Managing Director of APAC at CFA Institute
Vidhu Shekhar, Country Head of India at CFA Institute

The report detailed CFA Institute's achievements in APAC's second largest market, India, and described the opportunities and challenges of operating there. The materials had also included a roadmap to executing the organization's 2018-2020 strategic priorities.

India represented the organization's third largest pool of candidates. Over the last five years, candidates had grown by 14% and members by 17% (2,000 total so far), and the Mumbai office had been making connections with regulators and was starting to have a real impact. Brand awareness had also been increasing rapidly in India, and the organization would be spending over $1 million in the next six months to reinforce that message.

In terms of weaknesses, India had the highest percentage of charter pending candidates and a rather large number of lapsed members. It was stated that the member value proposition had been poor to date and that the Societies 2.0 initiative would help to address that challenge. The candidate experience would need to be improved as well, and it would be important to reinforce that the Charter was a profession and not simply an exam. The brand awareness strategy would work to change that perception over time.

Looking at opportunities, the Societies 2.0 initiative would allow the Mumbai office to work with the society there as well as the eight chapters based in the regional cities, and ultimately strengthen the organization's position. The office had also been building relationships with the local regulators and improving candidate communications and engagement. Lastly, with regards to potential threats, the relevance of the curriculum, quality of the candidates, and significant competition for the credential were a few highlighted for the group.

There were 19 targets that would underpin the organization's top priorities in India going forward. These had been captured in six categories: member growth, member engagement, institutional support, advocacy impact, university relations, and media. Lastly, it was noted that the office would be moving to a new location, hiring three new employees, helping the society obtain the right level of executive support, and working on the joint development of a two-year plan to support "Where to Invest Next."

It was agreed that there had been too many young people taking the exam for the wrong reasons. Candidates would need to be engaged as early as possible to understand that the credential was an entry point for the investment profession.

It terms of challenges, taking the exam was a significant financial investment, and individuals looked for a return on that investment in the form of a job. While the organization was not a recruiting consultant, it could offer continuing professional development and advocacy and thereby help to develop professionals suitable for a career in the industry.

It was highlighted that the region was looking to increase the number of female candidates, charterholders, and members. There would be a Women in Investment initiative taking place in the summer to train 50 women for guaranteed internships with one of the biggest investment management firms in India.

The three new resources at the India office would need to be used strategically. Strengthening CFA Society India, for instance, would allow staff to provide more support to CFA Society Sri Lanka, CFA Society Pakistan, and CFA Society Bangladesh in a way that was not currently possible.

It was clarified that every office had its own budget. The difference between India and China was that India was a single society model and China was a multiple society model.

CONTINGENCY RESERVE POLICY

Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute

The contingency reserve portfolio was intended to support the financial stability of the organization in times of distress, and the strategic target for the contingency reserve had been 100% +/- 20% of CFA Institute's operating expenses. The Board received an overview of the current reserve level and key performance indicator (KPI), and reviewed the stress test under various scenarios.

The reserve balance had been $387 million at the end of FY2017 (about 122% in terms of the strategic target) and was currently over $400 million. It was highlighted that the organization had put $50 million away in net profits in the last four years. The group was reminded that the Investment Policy Statement (IPS) governed the investment of the reserve fund, which existed to protect member programs and services against business disruptions, such as missing an exam cycle, and market shifts, such as a severe economic downturn.

In a situation where CFA Institute wanted to reduce its expenses, this would vary by expense type, variable vs. fixed, and contractual obligation. Initiating an expense contingency action plan would evolve over the course of months, with variable costs (i.e. advertising, consulting, non-essential travel) being quickly addressed and fixed costs requiring a more thoughtful approach (i.e. redesigning processes, unwinding contracts, etc.). It would take approximately a year to achieve a 20% annualized expense reduction.

For the scenario analysis, the base case had assumed that current candidate levels remained flat going forward and insurance funds had not been taken into consideration. Scenario one had considered a dual exam cancellation that resulted in a temporary business disruption; scenario two had analyzed the current candidate concentration risk in China; and, scenario three had analyzed a more severe market contraction situation which had resulted in a lingering impact over multiple years. In the last scenario and absent management corrective action, the reserves had lasted only through FY2021. With management corrective action, however, operations had returned to breakeven in FY2021, and reserves had provided more than an adequate buffer. The scenarios had shown that the organization had sufficient reserves to weather signification disruptions.

Based on management's research, 45% seemed to be the industry mean for an appropriate level of buffer for an organization of similar size. CFA Institute was currently well above that figure. Management was proposing a supplemental metric with a range of 50-75% and would be looking at how this would affect the IPS and other factors before coming to the Board for approval later in the year.

In terms of next steps, management would come back with a recommendation at the May meeting to augment the strategic target KPI with the proposed Expendable Net Assets as a Percent of Expenses (ENAPE), including the confirmation of target ranges and implications for the IPS; reconfirm the expected range of buffer under all scenarios; refine and formalize the expense contingency action plan during the mid-year forecast exercise; and, explore potential implications for investment strategy, including varying time horizons.

It was stated that there were no legal guidelines for the reserves. In the event of the dissolution of CFA Institute, assets would need to be applied in the order described by Article 6 in the Articles of Incorporation and Bylaws.

There was agreement that as the organization's business model underwent changes, the Contingency Reserve Policy would need to follow suit. It was clarified that the Contingency Reserve Policy would focus on the way the organization used the reserves while the IPS would continue to guide the organization on how to invest the reserves. The CFO agreed that their findings would likely not have a big impact on the investment scenario. It was also clarified that the existing metric would not be replaced. The proposed metric would be supplemental, and it would act as a stepping stone toward something more cash flow oriented. Lastly, it was noted that the finance function would be thinking more about the timing of cash flows, and there was a cross functional team in place to support this effort.

The largest percentage drop in the last 10 years had occurred when the market crashed around the first deadline and new Level I candidates went down by 35%; however, at the end of the cycle, the total was only down by 15%.

The Investment Committee Chair confirmed that if the buffer became $100 million, it would be managed much more conservatively. He also added that the committee would be discussing how different currencies impacted the investment vision.

Management was working to pay down a loan tied to historical tax credits, which would free up the organization to obtain additional credit if needed.

ETHICAL LEADERSHIP STRATEGY

Presenter: Tony Tan, Co-Head, Ethics, Standards and Professional Conduct at CFA Institute

The focus of the ethical leadership strategy was to have leaders demonstrate ethical behavior through personal conduct and to have the skillsets to communicate effectively to others to encourage change when unethical behavior was observed. The strategy would be executed through a three-pronged approach: ethics for members, ethics for industry, and ethics for continuing professional development (CPD).

Ethics for members aimed to train 100% of the organization's members to be ethical leaders in their communities. CFA Institute intended to increase the number of educational products around its Code and Standards, and to create toolkits on specific topics for members' advocacy needs.

Ethics for industry aimed to achieve 100% penetration with the investment management profession about CFA Institute's ethical values. The approach would be to grab the attention of the industry through the organization's innovative approach to ethics education. This would be achieved through behavioral economics and the Giving Voice to Values methods for taking action. It was highlighted that the Giving Voice to Values curriculum at the University of Virginia Darden School of Business offered an innovative approach to values-driven leadership development in business education and the workplace. Rather than a focus on ethical analysis, the curriculum focused on ethical implementation.

Ethics for CPD would leverage off of the compulsory CPD requirements by local jurisdictions and firms. The organization would endeavor to have all its products accredited with as many licensing bodies as possible. This would create awareness about CFA Institute's identity and mission.

Through the above activities, the goal would to be develop ethical leaders for the profession, so that people would listen to and follow the actions of CFA Institute.

The organization had held a design thinking workshop in Hong Kong last year to consider ways to make ethics communication interesting and fun, and there had been no shortage of ideas.

It was clarified that smaller countries, like Singapore, would be used to pilot this initiative. Once the model was just right, it could be made accessible to larger countries, and it was stated that scalability was not a problem.

HUMAN RESOURCES PEOPLE STRATEGY AND CFA INSTITUTE CULTURAL VALUES
Presenter: Chris Ainsworth, Managing Director and Chief Human Resources Officer at CFA Institute

Mr. Ainsworth attended the discussion via conference call.

The people strategy had evolved from the organization's mission and business strategy. Through a combination of strategic partnerships, expert consultation, and consistent, fair policies and practices, the human resources department would attract, develop, reward and retain the talented, diverse and inclusive workforce needed to realize the mission of CFA Institute.

The strategy would focus on four pillars critical to defining a best in class employee experience, delivered through a global Business Partner/Center of Excellence model. These pillars would include organizational effectiveness, total rewards, employee relations, and learning and development. This model would ensure that the right structure and talent was in place to deliver on the strategy, and would increase employee engagement.

It was clarified that the term, "employee investigations," had been included for simplicity, but that this would be communicated as, "employee advocacy." It was explained that performance improvement had been housed under employee relations, because the human resources (HR) department wanted to make sure it built a process that was both compliant with legal requirements and regulations as well as consistent, fair and employee friendly. Lastly, it was stated that learning and development would be communicated as "employee learning and volunteer management."

A high-level overview to the HR group's key focus areas was provided. One of the primary objectives would be to rebrand the HR department as the "people department" through consistent communications and actions and best in class policies and practices. Other goals would include redesigning the performance counseling process, delivering a change management protocol, launching a job description rationalization project, and creating a robust leader capability development curriculum among others.

The organization's values and belief statements had largely been based on the Board's recent work in this area and included trust, service, inclusion, and curiosity. While these values spoke to CFA Institute's culture today, they also had an aspirational component, because an organization should have something to build toward and improve upon. It was shared that the process had involved input from employees and the leadership team.

The leadership capability framework and model had been updated to be based on three major concepts: to create, to inspire, and to deliver. The model was also supported by seven capabilities: strategic, courageous, authentic, talent magnet, growth mindset, accountable, and agile. The definitions for each were displayed and reviewed for the group. The objective was to have targeted behaviors to assess leaders and help them develop.

In terms of next steps for the cultural values and leadership capability model, the HR department wanted to ensure alignment with the Board; introduce an all employee message from the CEO; provide a detailed overview at the February Town Hall; create collateral to visually market the cultural values and incorporate fun, interactive experiences; create an e-learning module for all new people leaders; build learning and development curriculum focused on the capability model; incorporate the capability model into a simplified performance management tool and provide training on how to assess and coach to the model; and, continue to identify appropriate touchpoints to reinforce the values through actions and communications.

It was explained that talent management had been housed under organizational effectiveness, because it denoted how the organization acquired talent, identified high potential talent, and developed a clear succession protocol.

After the HR department launched this work, it would develop a program first for people leaders to ensure that they owned and shared its main concepts, and also had the opportunity to provide comments and feedback. The group would also be working with the Employee Engagement Council to help drive its initiatives forward.

The four pillars had intentionally been modeled after HR best practice to bring the department back to the basics. Once these roles had been established for a time, the model could evolve and become more sophisticated.

The definition of agile had meant to include both the ability to navigate a new organization as well as to drive forward a work product with changing complexities or demands.

Management had been working with the company's contact at Gallup to add more questions to the employee engagement survey that were relevant to CFA Institute's current culture. It was stated that these data points would be a good start, and that a formal culture audit could be conducted if the Board thought it was necessary to do so.

SUNDAY, 4 FEBRUARY

WELCOME AND POLLING

Presenter: Robert Jenkins, Board of Governors Chair

Everyone was welcomed to the session, and the Board Chair informed the audience that he had several polling questions to stimulate discussion throughout the day's agenda.

NOMINATING COMMITTEE REPORT

Presenter: Frederic Lebel, Nominating Committee Chair

There would be three governors with terms concluding at the end of FY2018: Mr. Lebel, Mr. McLean, and Mr. Lazberger. In addition, Ms. Corley had stepped down on 31 January 2018 and Ms. Stout planned to step down on 31 August 2018. During an executive session, the Board had approved the following slate of candidates for FY2019, which would be subject to final approval by the membership:

- Chair: 1-year term (1 September 2018 to 31 August 2019)
  - Heather Brilliant, CFA
- Vice Chair: 1-year term (1 September 2018 to 31 August 2019)
  - Diane Nordin, CFA
- Governors: 3-year term (1 September 2018 to 31 August 2021)
  - Alex Birkin
  - Robert Bruner
  - Dan Fasciano, CFA
  - Daniel Gamba, CFA
  - Punita Kumar-Sinha, CFA
  - Geoffrey Ng, CFA
  - Zouheir Tamim El Jarkass, CFA
- Governor vacancy – midterm replacement (1 March 2018 to 31 August 2019)
  - Maria Wilton, CFA

It was explained that Ms. Wilton would serve out the remainder of Ms. Corley's term as permitted by the organization's Articles of Incorporation and Bylaws, and could be eligible for two more three-year terms if so recommended by the Board.

The members of the Nominating Committee (NC) had been Mr. Lebel, Mr. Jenkins, Mr. Singhania, Ms. Corley, Mr. Graham, Mr. Yee, and Mr. Cardozo. An overview of the NC process was then presented to the group. It was highlighted that the NC had held seven meetings between September 2017 and January 2018 to work on its candidate recommendations to the Board. This had included 15 candidate interviews.

A new online application process had been implemented to review candidates in a fair and uniform way. It was reported that 98 applications had been received, and that every individual had been required to attest to the Board Code of Conduct, disclose any conflicts of interest, and review the Board's future meeting dates.

It was emphasized that guidance from the Board retreat had been instrumental in narrowing down the list of candidates by categorizing them into five cohorts: Asian female, information technology experience, CFA Institute and society expertise, industry leader, and interesting profile. This reduced the number from 98 to 45 applicants. The remaining candidates were then categorized into three groups: candidates likely to be nominated this cycle, candidates that had potential to be nominated this cycle, and candidates unlikely to be nominated this cycle. This had resulted in a short list of eight candidates, which were ultimately narrowed down unanimously by the NC to six using a process that employed both qualitative and quantitative approaches – competency ratings, candidate rankings, and candidate interviews. It was mentioned that all applicants not selected this cycle had been notified in a timely manner.

Potential second term governors had been reviewed by the NC applying the same method used for considering the shortlist candidates. Each governor eligible for a second term had been considered alongside the shortlist of new candidates, and the skill sets that each governor brought to the Board had been compared to the attributes agreed to at the retreat and the priority skills sought. Board number constraints, gender balance targets, and education experience had also been considerations. As with the shortlist of new candidates, potential second term governors had been interviewed, rated on the five Spencer Stuart criteria (cultural sensitivity, interpersonal communication style, tone at the top, business judgement, and passion for CFA Institute), and ranked one against the other. The resulting recommendation by the NC had been unanimous.

The same structured process for selecting new governor recommendations had also been used for the officer positions, and the NC's decision had been unanimous. Officer candidates had been rated individually by the

Spencer Stuart criteria, and there had been an emphasis on cultural sensitivity, interpersonal communication and style, and tone at the top per the guidance from the retreat. The guidance had also noted that the NC should actively give strong preference to CFA charterholders for future Chair positions, but that this was not a pre-requisite to become Chair. The candidates had also been interviewed and ranked against one another by individual committee members. The combined input was the basis for open and objective consideration by the NC.

An overview of the candidate slate and their various attributes was provided. The NC believed it had proposed a very balanced and diverse Board for FY2019.

ANNUAL MEETING OF MEMBERS AND PROXY

Presenters: Sheri Littlefield, Managing Director, Chief Legal Officer and General Counsel at CFA Institute
Joe Lange, Director of Board Services at CFA Institute

The Annual Meeting of Members (AMM) would take place on Friday, 11 May 2018 in Hong Kong. Attendees would be able to participate in person or virtually. The proposed dates for Board approval were very standard and in line with the Virginia code. It was noted that the organization would continue to produce a proxy statement in line with public company formats, and would ask the Executive Committee to approve this item at a future meeting. A draft would be circulated to all governors for feedback, and all governors would be welcome to attend the EC meeting.

The group was reminded that a microsite had been created with last year's proxy statement. The user data had shown that the site had done little to impact member engagement. As a result, the organization would not be using a microsite this year and had selected Broadridge as its proxy vendor to implement an easier, more seamless voting and virtual AMM experience for the membership. The primary objective would be to increase voter turnout.

Mr. Lazberger exited the discussion prior to the vote.

The following resolutions were approved unanimously by the Board:

- **RESOLVED, that the CFA Institute Annual Meeting of Members shall be held on 11 May 2018 as a hybrid event (in-person meeting with webcast participation) in Hong Kong;**
- **FURTHER RESOLVED, that the close of business on 12 February 2018 shall be the "Publication Date" by which names of the nominees will be published to the membership;**
- **FURTHER RESOLVED, that the close of business on 6 March 2018 shall be the "Record Date" for determining members eligible to receive the 2018 proxy materials, including the Notice of Meeting, Proxy Statement, and Proxy for voting at the Annual Meeting of Members; and**
- **FURTHER RESOLVED, that 12:00 p.m. (EDT – 16:00:00 UTC), 9 May 2018 shall be the "Deadline Date" for tabulating proxies received by Internet, Facsimile, or Mail;**
- **FURTHER RESOLVED, that the CFA Institute Secretary is directed and authorized to send the proxy materials to the Regular Members of CFA Institute on or about the "Mail Date" of 26 March 2018 and to take such action as necessary to implement the resolve of the Board; and**
- **FURTHER RESOLVED, that the Executive Committee is authorized to approve the Notice of Meeting, Proxy Statement, and Proxy.**

CFA PROGRAM VISIONING

Presenter: Stephen Horan, Managing Director of Credentialing at CFA Institute

An update was provided to the Board on Credentialing 2030, a multi-year, forward-looking plan to maintain the relevance of the CFA Program and the organization's suite of credentialing programs in an environment characterized by accelerating change. Based on market research and an extrapolation of trends, CFA Institute's vision was to create inviting, flexible, modular learning paths with recognition for incremental achievement that met the just-in-time learning needs of pre-professionals and professionals with a variety of unique career paths.

There were five key elements of program evolution that would unlock the unrealized value of the CFA Program as a single-path, inflexible learning experience, with no recognition for incremental learning. These included: a learning ecosystem that offered a state-of-the art learning platform; the future of exam delivery (FED) project that would shift the credentialing programs to CBT; continuing professional development (CPD) that would elevate learning opportunities beyond credentialing programs and through societies; specialist certificates that would allow learners to create customized "stacks" to meet the just-in-time learning needs of a broad set of career paths; and, multiple learning paths that would unbundle Level I into smaller segments to increase flexibility and access to the organization's flagship program.

It was clarified that the primary motivation behind this project had been to protect the global relevance of the CFA Program. The materials provided had been predicated on the collective wisdom of external and internal experts, and management now wanted to understand the governors' concerns and what further information they would need to support Credentialing 2030 over the longer term. The objective would be to develop a strategy in the next fiscal year to cover these multi-year commitments.

It was suggested that outside credentialing experts and/or leaders in other peer organizations could be invited to speak at a future Board retreat.

From a B2B standpoint, the weaknesses of the CFA Program were that it was not digital, customizable, modular or just-in-time. Credentialing 2030 was really meant to address these weaknesses. The CBT and CPD aspects of the project were therefore essential. The goal was for CFA Institute to become the operating platform for others to build around. This platform would offer "stacks" of micro-credentials that could ultimately lead to a larger designation.

The competency framework was displayed to the group and showed how multiple career paths could benefit from Credentialing 2030.

It was emphasized that CFA Institute wanted to be the leading professional body in the investment management industry and for the good of society. Credentialing 2030 would expand the reach of the organization's educational offerings by making them more accessible to a larger population, including pre-professionals, professionals and regulators.

It was clarified that the specialist certificates were product extensions of the brand. This would be preferred as opposed to forcing as much as possible into the 9,000-page curriculum.

It was stated that there was not a firm timeline yet for Credentialing 2030. Management was looking for guidance from the Board first before setting the strategy and wanted to understand what information the governors would like to see over the coming months. It was highlighted that a couple key factors for success would be members using the CPD platform and products, and engaging candidates sooner through the smaller certificate programs, which they could take during the 18 to 24-month discernment period.

It was clarified that not all programs would need to be within the purview of CFA Institute. The purpose would be to build, for the industry at large, an integrative platform for learners to seamlessly transition from one program to the other. Management would be liaising with other credentialing organizations on this initiative, with the goal of becoming a part of employer learning platforms.

The group was encouraged to email their questions directly to management for future meeting discussions. The Board would decide whether to continue the conversation on Credentialing 2030 at the May or July meeting during its executive session.

PRESIDENTS COUNCIL REPRESENTATIVES REPORT
Presenter: Dan Fasciano, Presidents Council Chair

The report included in the materials had detailed the PCRs' recent activities broken out by region.

It was highlighted that the organization had started to socialize the Societies 2.0 initiative at the regional meetings and had continued to do so at other events, including gatherings of society executive directors at CFA Institute's New York and London offices.

PCR elections would take place at the Hong Kong meeting in May. It was stated that Mr. Fasciano and Ms. Al-Baharna's terms would be concluding and that Ms. Williams, Mr. Deora and Mr. Gall would be up for reelection for a second two-year term. The nominations window would open in two weeks.

The PCRs had been working closely with staff on several topics, including those related to the Research Foundation, the online training module for society leaders, and the implications of merging with other societies.

BOARD COMMITTEE REPORTS
Presenters: Robert Jenkins, Executive Committee Chair
Frederic Lebel, Compensation Committee Chair
Diane Nordin, Audit and Risk Committee Chair
Sunil Singhania, Investment Committee Chair
Daniel Gamba and Dan Fasciano, Society Partnership Advisory Council Co-Chairs

Executive Committee (EC)
There had been two EC meetings since the start of the fiscal year, and all governors had been and would continue to be invited to these discussions. During these sessions, the EC had reviewed the Board agendas, CEO and CLO reports, and the CEO succession planning process, which would begin very shortly, starting with the engagement of an outside search firm. The CEO had advised the Board that is targeted retirement date would be January 2020. The EC had also discussed the guidance from the September retreat, governor event attendance, and a framework for a Board Alumni Network.

Compensation Committee (CC)
The CC had met three times since the start of the fiscal year. The group had covered several topics, including the annual reporting on CFA Institute global employee pension/retirement benefits, the approval of an annual discretionary contribution to the US and Hong Kong retirement plans for calendar year 2017, and the year-end performance distribution and projected incentive and salary increases as well as a discussion on the year-end

leadership team compensation recommendations with the CEO. The CC had also provided its approval of the compensation for the CEO, CLO and CCREO for the FY2017 performance cycle as well as its approval of the executive compensation issuance and recoupment policies. Most recently, the committee had continued its discussion on the organization's compensation philosophy as well as the comparator groups used for its executives, and conducted a final review and approval of the Compensation, Discussion and Analysis section of the 2018 proxy statement.

Audit and Risk Committee (ARC)
An overview of ARC's progress since the start of the fiscal year was provided. The committee had sought to ensure that the launch and framework of the outsourced internal audit function was coordinated properly. In addition, the ARC had approved PwC for a final year to audit the consolidated financial statements and would begin an RFP for an external auditor for FY2019. The committee would also be monitoring risks associated with Finance 2.0, project FED, and the global compliance and ethics program recommendations, and working to complete the whistleblower policy, to monitor the implementation of cyber security recommendations, and to review the risk appetite statement and advise the Board.

Investment Committee (IC)
The organization had $422 million in reserves as of 21 December 2017. It was noted that the reserves had previously been divided into two categories before being merged together, and that it might be time to enact a strategy to manage the reserves separately once again. The IC had also reviewed currency exposure of foreign investment and would be conducting a scenario analysis. It was stated that 72% of the reserves were in USD assets while the other 28% were in different currencies. The committee had also determined that one of the funds had been underperforming and had been able to lower the fees associated with that fund, and had also done a peer level comparison of the organization's returns. It had been found that CFA Institute's returns had been lower than some of its peers, because, unlike CFA Institute, these groups were investing in alternative investments. The IC would convene in May and bring an updated method of managing the portfolio to the Board for review.

Society Partnership Advisory Council (SPAC)
Over the past three sessions, the SPAC had spent time on two key areas: the group's goals and Societies 2.0. In terms of goals, the SPAC had identified three membership gaps. First, there were about 34,000 CFA Institute members who were not part of societies, and this gap was increasing. Second, there were about 37,000 charter pending candidates that needed to be addressed. And, lastly, there were about 41,000 lapsed members who had decided not to renew for some reason. In total, there were approximately 100,000 individuals who had passed the Level III exam, but were not CFA Institute or society members. In terms of Societies 2.0, the organization had already contributed a great deal to this initiative, but it had not been communicated well. The SPAC would be proposing a document that detailed how the vision was coming together and progressing forward.

Meeting adjourned.

The Board went into executive session.