Version 2

CFA Institute

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Board of Governors
Meeting Minutes

1-2 February 2019
Mumbai

Board of Governors Present:

Leah Bennett, CFA
Alex Birkin
Heather Brilliant, CFA (Meeting Chair)
Robert Bruner, DBA ☏
Daniel Fasciano, CFA
Daniel Gamba, CFA
Robert Jenkins, FSIP
Punita Kumar-Sinha, CFA
Geoffrey Ng, CFA
Diane Nordin, CFA
Sunil Singhania, CFA
Paul Smith, CFA
Zouheir Tamim El Jarkass,
CFA Yu Hua, CFA ☏
Maria Wilton, CFA

Presidents Council Representatives Present:

James Bailey, CFA
Ashraf Bava, CFA
Bogdan Bilaus, CFA
Aaron Brown, CFA (PC Chair)
Simon Cawdery, CFA
Kati Eriksson, CFA
Jennifer Garbowicz, CFA
Phil Graham, CFA
Richard Mundinger, CFA
David Smith, CFA
Susan Williams, CFA

Presidents Council Representatives Absent:

Steven Gattuso, CFA

Leadership Team Members Present:

Chris Ainsworth
Gary Baker, CFA
Diane Basile, CFA
Elaine Cheng
Emily Dunbar
Bjorn Forfang, CFA
Stephen Horan, CFA
Sheri Littlefield
Nick Pollard
Paul Smith, CFA

Leadership team Members Absent:

Michael Collins
Kurt Schacht, CFA

Others Present:

Stephanie Ennaco
Ed Hulina
Joseph Lange (Meeting Secretary)
Karyn McLean

Materials Provided:

Board Meeting Pack

Blue – Action Items

Reference	Request	Management	Board Sponsor
Q2.OS.1	Provide the percentage of CFA Program candidates and/or charterholders in China who had an undergraduate degree in finance and were still unemployed.	Nick Pollard	Hua Yu
Q2.OS.2	Requested that the asset management category be further defined in the strategic plan.	Diane Basile	Diane Nordin

Reference	Request	Management	Board Sponsor
Q2.OS.3	Define the core in each of the categories in the strategic plan.	Diane Basile	Diane Nordin
Q2.OS.4	Board Chair and CEO should both sign the letter of commitment to the UN Global Compact.	Gary Baker	Maria Wilton

Green – Approved Resolutions

FRIDAY, 1 FEBRUARY

OPENING REMARKS AND PROCEDURAL MATTERS
Presenter: Heather Brilliant, Board of Governors Chair

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The Board Chair welcomed everyone to the meeting in Mumbai. The group was notified that the sessions would be recorded, and the governors were asked to disclose any conflicts of interest as they pertained to the agenda. None were reported. A brief overview of the agenda was then provided.

It was announced that the Nominating Committee (NC) slate had been approved during the Board's executive session. The report would be circulated to the PCRs shortly. The following nominations had been approved:

Diane Nordin, CFA	*Nomination – Board Chair and 2nd Term*
Daniel Gamba, CFA	*Nomination – Board Vice Chair*
Maria Wilton, CFA	*Nomination – 1st Term*
Tricia Rothschild, CFA	*Nomination – 1st Term*
Karina Litvack	*Nomination – 1st Term*

The group also congratulated Maria Wilton, CFA, on being named a member of the Order of Australia.

CONSENT MATTERS
Presenter: Heather Brilliant, CFA

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The following resolutions were approved unanimously:

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

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

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

RESOLVED, that the Board of Governors accepts and approves the establishment of a branch of Si Wei in Shanghai, China.

CEO REPORT
Presenter: Paul Smith, President and CEO at CFA Institute

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The CEO shared the highlights of his report. He emphasized points on continuing professional development, advocacy for Societies 2.0, society technology and the IT strategy, the future of exam delivery, cultural values, the China business plan, the three-year strategy, the CEO transition, the change in the accounting system, and the high net worth (HNW) campaign.

There was question with regards to the uneven understanding of Societies 2.0. it was explained that this misalignment largely resided with society presidents who served limited terms and therefore did not have the benefit of continuity as it related to the Societies 2.0 discussion. In addition, the concept that Societies 2.0 was a journey as opposed to a deliverable could be difficult for newcomers to grasp. The purpose of Societies 2.0 was to transfer more power to the societies over time to help them raise professional standards in the communities in which CFA Institute served.

The specifics around the society law firm program were clarified. Any society that desired engagement with Latham & Watkins could enter into their own engagement letter. While the bills came to CFA Institute, this was considered a separate relationship, and the organization was not party to the content. There were therefore no liability concerns.

The CEO stated that he did not have an issue with the headcount cap of 637. The organization had been working on building up resources in China and India and wanted to hire the right people vs. hiring people as quickly as possible. There had also been an effort to migrate some of the IT contract support work to the full-time headcount. The CEO would come back to the Board if he felt that more positions were needed at any point.

There was a question on how CFA Institute would evolve with the technology changes in the investment industry. The CEO believed that the bigger firms would become bigger and that the private wealth industry would expand greatly from an employment perspective. The organization would moderate the strategy to address these broad issues and move with a sense of direction rather than make wholesale changes to follow current trends. It seemed clear that big companies in the West had been less likely to mandate the charter. The industry had been growing in complexity and companies had various needs in terms of educating their staff. The CEO believed that micro-credentials, which were at the core of Credentialing 2030 vision, would become increasingly important to the organization's relevance.

With respect to culture, the Chief Human Resources Officer (CHRO) had completed the RFP process and had retained Egon Zehnder (EZ) to help the organization promote its cultural values at every level and office location. This work would align well with the timing of the CEO transition. EZ would ensure that an action plan was in place for consistently defining and calibrating the desired behaviors and values. The organization had been working to reinforce trust and transparency through candid communications and various training opportunities for staff. There had also been a substantial effort to make the heads and directors feel equipped to lead the cultural change from their position within the organization. Lastly, it was noted that the career site was under development and that cultural fit was indeed part of the interview process for future hires.

CFO REPORT
Presenter: Diane Basile, Chief Financial Officer at CFA Institute

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The organization had continued to perform extremely well, with a 12% year over year growth in revenue. The Chief Financial Officer (CFO) had been focused on building scalable, repeatable processes and hiring the right people in the right locations to better manage this growth.

In terms of public company standards, the organization had supported GAAP financial reporting; the yearend financials had been GAAP while the quarterly reports had been non-GAAP. The CFO would be changing that process and generating GAPP reports for both to help the organization focus on the balance sheet and cash flow metrics. By recognizing revenue too early, the organization's liability had been understated, and this had impacted the contingency reserve metrics. The move to quarterly GAAP reporting would help to address this issue. It was explained that the Board would receive the report consistent with prior practice as well as the GAAP report on a quarterly basis.

In terms of the reporting structure, the CFA exam would have the most impact on revenue while the ability to track accruals would have the most impact on expenses.

The number of administrations for CIPM had declined slightly, and the organization had been considering the program's role in the overall portfolio of offerings. There were no concerns for the long term, but the organization would be changing marketing agencies and looking to increase market penetration for CIPM. The current demand had largely come from institutions, which aligned well with the strategy of increasing penetration in the private wealth space.

It was stated that forecasting cash flow would become more complicated when the organization moved to the future of exam delivery model, because there would multiple deadlines to consider. The quarterly reports would therefore become much more important to the analysis of the financial statements. The finance group would continue to work on increasing its cadence to prepare for this significant shift in the business.

Candidate registrations had been growing at a much faster rate in the Asia Pacific versus Americas region, and the organization was aware of this trend. These figures would be discussed further during the strategy session.

The organization had been more aggressive and realistic in terms of forecasting revenue in this year's budget. While registrations had been mildly below budget, they were expected to catch up over the remainder of the year. It was also noted that quarterly forecasting would be synced up with the new revenue recognition by next year.

CHINA BUSINESS PLAN
Presenter: Nick Pollard, Managing Director of APAC at CFA Institute
LJ Jia, Country Head of China at CFA Institute

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The organization had been experiencing dramatic growth in China, with a 45% year over year increase in candidate registrations. In addition, global Chinese passport holders had represented 44% of total revenue contributions. The organization wanted to find a way to maintain and sustain this level of growth, and the

Audit and Risk Committee had been tasked with regularly reviewing the risks associated with operations in China.

Over the last three years, CFA Institute had increased its financial investments in China by 56% to achieve its vision of developing premium financial talent in country. There were currently eight staff members in the Beijing office with plans to increase that figure significantly over the next couple of years, especially with the recent approval of the Shanghai office, and there were three societies in operation with a fourth working toward approval. The organization had also increased its spending on brand efforts by over 100% in the past two years.

The brand reputation of the credential around the world and the fact that it directly aligned with the Chinese governmental policy on education had made the CFA Program the best option for individuals to further their careers in China and beyond. Moreover, the investment market was still maturing in China, and there would be a continued critical need for talent within the industry.

With the changing regulatory environment and unique political system, it would be important for the organization to say close to its key regulators. The charter was currently one of 17 internal designation that had been recognized in China, making these relationships critical for continued success. The organization had also been sensitive to certain areas of advocacy, trying to focus on themes that were both important to China and areas of expertise for CFA Institute. This would help the organization develop its reputation in the region. The focus had been more on institutional relationships as opposed to government bodies, and the organization was about to sign a memo of understanding with two of the leading industry associations in China, the China Banking Association and the Insurance Association of China. CFA Institute would be working on several different activities with these partners.

The societies were in the early stages of development, and the organization had been offering training programs for the board members and professional staff to help them become more effective. As the credential remained strong in China and computer-based testing became available for candidates, more societies and test centers would open to help manage and sustain this growth. Increasing the accessibility of the exam was expected to greatly impact the exam numbers in China, and the organization wanted to ensure this was a positive experience for future candidates.

It was noted that if the world moved toward an eastern-centric financial system, the curriculum would have to move in that direction as well over time.

The organization understood the importance of compliance with the electronic payments systems in China and was currently in the process of hiring an IT Director for the Asia Pacific region. The Board encouraged management to act quickly on this issue as it could help to address the lapsed member numbers.

There was a question on any risks associated with China building its own domestic standard. It was stated that the CFA Program was a journey that had a strong ethical component and offered global credibility, something a national designation could not. It was added that China was more concerned about being strong globally and was therefore aligned with the ambitions of the CFA designation.

While government recognition had been encouraging, the organization needed to do more in terms of working with the local societies to reach out to local employers to further promote the brand of the credential. This would be key to increasing member value in China. Management agreed and stated that they had been elevating industry recognition, holding many well-attended talent conferences that had focused on developing people’s soft and technical skills.

It was suggested that the local societies should have more involvement in process of producing the China business plan for CFA Institute. They should have the opportunity to provide input on where resources should be directed to more efficiently promote member value.

It was recognized that the new FNGO laws had created a challenging transition period for the local societies, and the organization was offering as much support as possible to them during this time. It would also be important for the societies to learn to become more disciplined about advising the organization on their needs well in advance.

In terms of the trade war between the US and China, there was a potential risk to CFA Institute business operations in the region. However, the risk had been assessed and considered to be low given the organization's alignment with Chinese government policy.

Management was asked to provide the percentage of CFA Program candidates and/or charterholders in China who had an undergraduate degree in finance and were still unemployed.[Q2.OS.1] Management was asked to consider this request and report back on whether this data could be provided.

There were currently about 7,000 members in China, and the organization was preparing for exponential growth in the membership population now even though it was likely 10 to 15 years away.

It was explained that a not-for-profit could not be registered in China. It had therefore been necessary for CFA Institute to register a for-profit parent company to set up office locations in country. A brief overview of the changing entity structure was provided.

THREE-YEAR STRATEGY

Presenter: Diane Basile, Chief Financial Officer at CFA Institute

Mr. Bruner, Mr. Yu, and Mr. Collins joined the discussion via conference call.

Management's objective was to have an interactive conversation with the Board on the strategy and how best to support the organization's key initiatives. The goal was to discuss various issues at this meeting and come back to the Board with a three-year plan for approval at the May meeting. The budgeting process would then follow and sync up accordingly with the multi-year strategy.

The organization sought to develop future professionals, deliver member value, build market integrity, and exemplify operational excellence. To support that effort, the current strategic initiatives included Credentialing 2030, Societies 2.0, advocacy and ethics, continuing professional development (CPD), brand awareness, and regional execution and infrastructure. The desired outcomes would be 100% market penetration, 100% member satisfaction, 100% industry penetration, and operational excellence. Lastly, there were 12 key performance indicators, which were displayed for the group, to measure the success of these outcomes.

It was highlighted that the organization planned to spend about the same amount on the first two pillars (developing future professionals and member value) and significantly less on the third pillar (building market integrity).

The organization had surveyed their stakeholders – members, candidates, societies, industry institutions, government/regulators, and HNW Investors – and asked them to gauge how important each strategic pillar was to them. Stakeholders had also had an opportunity to indicate their tops needs from CFA Institute.

In terms of core market penetration, the organization was at 21%, which had included lapsed members, CFA Program candidates, and active members. The data had shown slow progress over time, and it was confirmed that the methodology had been consistent with what had been used historically. The broad definition of the core market only covered about 60% of the organization's membership, which meant that penetration rates varied greatly from one region to the next. The organization was currently working to build the pipeline, especially in the emerging world, and expected a faster pace of growth in four- or five-years' time. It was admittedly more difficult to penetrate the more mature markets.

It was clarified that many servicing functions of the asset management industry had not been considered core. These individuals were not discouraged from engaging with the CFA Program, but they were not the organization's main audience, especially in terms of member value and CPD. The Board was asked whether the organization should continue to focus on the investment management industry or expand beyond that category. It was noted that by broadening the core, the organization would also have to consider the potential impact on the curriculum, CPD, and member value among other areas.

The Board requested that the asset management category be further defined in the strategic plan.[Q2.OS.2]

The Board asked management to further define the core in each of the categories provided.[Q2.OS.3] Management stated that it would take this request back to the Market Intelligence group to see what was possible. The Board mainly wanted to see where the industry was heading and what skillsets would be needed in the future.

There was a comment that by servicing a core population, the organization would remain relevant over time, because it would be evolving and adjusting within this space to serve individuals in the investment management profession.

There were many candidates who had no intention of becoming charterholders and had used the program primarily for financial education purposes. The organization would not discourage this behavior and would therefore not be as concerned about the charter pending numbers in this regard. The larger concern would be the charter pendings working toward enough experience and the lapsed member numbers.
The organization would continue to elevate the brand of the charter with employers, regulators, and HNW investors, to increase the prominence of charterholders looking for jobs in the industry. The intent was to ensure that charterholders were well-trained and well-known in the industry as the best of the best. It was noted that there was a resource challenge associated with the latter as it was difficult to have enough of the right people in the right places to engage at the C-suite level.

While there was no strategy directly related to attracting more regular members who might not take the exam, the organization had been socializing this idea with societies more and more. Management believed that engaging non-charterholders was one way to impact the profession more broadly.

The CEO stated that the goal of 100% market penetration was aspirational and established a clear sense of direction. The objective was motivating and should be expected of a professional body. Over the longer term, the organization would like to work closer with credentialing bodies in the CFA Institute space and form a meta-professional association but recognized that this idea would first need to be socialized with the membership over time.

There was a comment that societies would be able to address some of the gaps in the strategy attributed to the non-core population. The Societies 2.0 initiative would help to resources those efforts.

It was clarified that a significant portion of the curriculum was already geared toward alternatives.

The organization had considered whether it was best to leverage internal or external resources when it came to strategic oversight. The CEO felt that this had been effectively accomplished internally by the leadership team but recognized that the next CEO might have a different opinion. The group agreed that there would be many considerations in hiring such a person, such as location and reporting hierarchy, and that this individual would likely be an expensive addition to the organization.

INFORMATION TECHNOLOGY STRATEGY
Presenter: Elaine Cheng, Chief Information Officer at CFA Institute

Mr. Bruner, Mr. Yu, and Mr. Collins joined the discussion via conference call.

It was highlighted that the Executive Committee had asked Mr. Ng and Mr. Birkin to partner with the Chief Information Officer (CIO) to engage a consulting firm to look at resource allocation and how the organization was executing against the strategy. The results of this review would be presented to the Board later in the year.

The information technology (IT) strategy supported the organization's strategy by delivering technology solutions that mattered to members, candidates, societies, and colleagues. The main priorities were to deliver "wow" digital experiences, strengthen platforms and processes, and invest in the organization's people and culture. There were several measurements attached to these outcomes, such as increasing member satisfaction with the digital experience from 64% to 80%.

The CIO stated that she would like to keep the Board updated on the IT initiatives through a strategic roadmap, which would show how the major projects were progressing over time.

It was noted that the IT group had learned many lessons in the past couple of years, and management would continue to review and assess the risks associated with executing on the strategy in partnership with the Audit and Risk Committee.

There was a question about whether the IT strategy was too ambitious, especially in terms of resources and capacity. The group was reminded that the initiatives would take place over multiple years, and that it had been a long-term project to replace all the organization's systems.

It was explained that the organization had tried to purchase as much technology as possible and customize it as needed. When the purchase and the additional need for customization became too expensive, the organization would opt to build its own platforms and processes.

It was clarified that technology enabled other parts of the business to pursue their objectives. Several different departments measured and tracked success metrics for key IT business products, such as the member app. The organization could see which features people were using to better understand which elements to pursue, change, or drop. It was reported that approximately 20,000 members had downloaded the app, and that the marketing team had been pushing out messaging to members more frequently through that medium. Ultimately, the organization wanted the app to be the primary platform for all member communications.

Management did not believe that technology was a differentiator for CFA Institute. While it was certainly ideal to have "wow" technology that delivered a great user experience, it was not the driving force behind what it meant to be a membership organization. There was some debate on this subject with the Board, but management maintained that CFA Institute was not fulfilling a technology need for the investment community. The primary aim of the organization was to deliver knowledge and member value to many stakeholders with many needs, and technology should be used to fulfill those needs.

The CIO stated that the most challenging technology products had been Salesforce and NetSuite, but mainly because the organization had not hired specialists who really understood the platforms at great depth and could lead the consultant through the implementation from the outset. The CIO was currently in the process of fixing this issue and had hired a Chief Technology Officer two months ago to shape these efforts and hire individuals to lead these platforms.

The organization had been investing the most in the primary user experiences, and the highest IT priority was finishing out the digital core transformation followed closely by CPD and the future of exam delivery.

Management was asked to consider what more they could be doing with technology to enable and accelerate the mission, and whether the organization had the right capability and capacity for investment to sufficiently achieve on the business strategy. The group recognized the risk in not delivering what had been promised to societies and members. Management felt that the technology transformation had been moving at the right pace with the right spend and would look to the external consultant to provide an objective assessment of the IT strategy.

BUSINESS-TO-BUSINESS MANAGEMENT

Presenters: Bjorn Forfang, Deputy CEO at CFA Institute
Ed Hulina, Global Head of Institutional Relationships at CFA Institute

The organization had been working to form partner relationships instead of vendor relationships at the C-suite level to increase its transformational power. The objective of the business-to-business (B2B) strategy was to engage with and listen to the industry to make sure the offerings from CFA Institute were still relevant. These conversations were then fed back into the organization through CPD, member value, the curriculum, and other educational content.

It was reported that firms seemed to have three major concerns: performance, talent, and risk. Management had considered how best to position these issues every time they met with C-suite executives to maximize their level of interest and engagement. There were two types of engagement, transactional and transformational. The former emphasized the product offerings and required automation and scalability (i.e. B2B portal) whereas the latter emphasized thought leadership programs and required increased human capital. Through these institutional partnerships the organization would influence the industry, elevate the reputation of the charter, and be perceived as the professional body of choice.

In terms of advocacy, CFA Institute would sometimes have a view that contrasted with others in the industry, but it was important for the organization to promote its beliefs and values. Management had held conversations with C-suite executives on substantive matters always with the goal of moving the industry toward serving investors first and had looked to partner with firms with similar objectives.

The B2B portal would be a technology solution to handle the transactional engagements (i.e. AMC, GIPS), offering a dependent infrastructure for direct interactions between CFA Institute and institutions. This would remove the manual effort for the customer and allow the organization to focus more time and resources on the transformational engagements. In addition, the portal would allow the organization to collect information on institutional behaviors and share data on best practices and benchmarks. This would help to change incentives and create healthy competition among the asset management firms with CFA Institute at the center.

It was clarified that the transactional relationships typically took place at a firm's mid-level whereas the transformational relationships typically took place at the C-suite level. Management had a top-down approach, engaging with the C-suite level first on more conceptual issues and waiting for the mid-level executives to reach out on more technical issues. It was added that the portal would just be a follow up to the C-suite conversations and not the primary focus.

There were few charterholders at the C-suite level of the firms engaged by CFA Institute. It was explained that one of the goals of CPD was to prepare charterholders for this career progression. It also meant that the organization needed to work more closely with societies to leverage their local networks to bring in ambassadors, individuals near or at the C-suite level, into these meetings. There were many firms across many geographies, and there needed to be a strong society connection whenever possible. Management had been trying to segment its targets into meeting with leading asset management firms with the largest number of charterholders while also supporting the organization's regional priorities.

Based on management's experience, there was more leverage at big asset management firms because they had more locations, more charterholders, most of the world's AUM, and more highly centralized policies. Increasing market penetration was an important metric for B2B relationships, and there needed to be a way to attract people to CFA Institute beyond the charter. The organization wanted firms to hire charterholders because of their involvement with the transformational work and their CPD potential. The relationship needed to be symbiotic in terms of advocating the charter internally and becoming more relevant to the industry.

Management had been building a metric scorecard that was based on inputs and outputs, but it was stated that the data was not strong at this point. There was a clean-up project underway to help confirm the attestation numbers in the system. In addition, while the B2B portal could help measure the transactional items, it would continue to be a challenge to measure the transformational items.

The market had been moving toward private wealth management, but this business was becoming increasingly fragmented. The organization therefore wanted to spend more time with the larger firms and partner with them on events and workshops to influence them in unison. The societies would also be provided with the tools and support to engage in these efforts. In terms of segmentation, it was clarified that CFA Institute would lead the work with institutions with valuable inputs from the societies.

With regards to the business strategy, it was noted that the B2B relationships would align with the operational efficiency KPI.

SATURDAY, 2 FEBRUARY

MANDATORY CONTINUING PROFESSIONAL DEVELOPMENT

Presenters: Paul Smith, President and CEO at CFA Institute
Emily Dunbar, Managing Director of Member Value and Society Relations at CFA Institute
Steve Horan, Managing Director of Credentialing at CFA Institute

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The purpose of the session was to continue the discussion on mandatory CPD, confirm the strategic direction of the initiative, and receive unanimous support from the Board to discuss the subject publicly with the organization's various stakeholders. The next step would be to work on the details of mandatory CPD with input from these key audiences. It was noted that it would be a multi-year project from now until the membership vote, and the Board would be updated and involved throughout the process.

The group was reminded that at the Board retreat in 2017, 14 out of 15 governors agreed that mandatory CPD was a strategic imperative for the organization. The CEO had stated that the topic should evolve to a point where the CPD offering and technology delivery would be so compelling and user friendly that the mandatory issue would resolve itself. While there had seemed to be clear support for the strategic direction, management wanted the ability to speak publicly about the Board's commitment to mandatory CPD.
CPD was involved with the three elements of the business strategy, and it was somewhat easier to measure, particularly in terms of engagement. It was also an area that could be more reactive to member needs by helping them develop skills, advance in their careers, and remain relevant to the investment industry. There had also been increasing requirements from local regulators and societies and some employers had been looking to CFA Institute for solutions. In addition, the organization was not aligned with other professional bodies, including those within its own sector, that had requirements for mandatory CPD. Lastly, it was noted that while a large proportion of members attested to CPD (70%), a much smaller segment engaged with CFA Institute content.

The member experience would be driven by providing easily accessible and relevant content through trusted resources. Management had a vision for a platform that could create a personalized and localized experience for members. The competency framework would be at the core of this platform, with content flowing to and from the organization as provided by societies, members, or third parties. The group was reminded that the competency framework had been designed around job roles to help individuals excel in their current roles or progress to more senior positions. Within these job roles would be workflows with a series of tasks; members would be able to populate this framework with content from CFA Institute, societies, and third parties, allowing them to localize and specialize their development. It was emphasized that the competency framework served both the CFA Program and CPD, establishing a journey from the exam to membership to member value.

The organization was in the process of creating a pilot competency framework for CFA Society UK that had a total of 14 job roles and would be delivered by the end of February. The focus would be to test and assess the pilot model and build it out even further over time. It was explained that management had been working with the Education Advisory Committee on the job role definitions contained within the competency framework.

There were many advanced platforms in the market, and the organization would look to learn from other entities on the preferred structural design. There was also a CPD Design Council composed of volunteers from societies who would be working on the finer details of the offering. It was confirmed that the goal was to provide a framework that would allow members to obtain education for multiple designations and regulatory requirements. Instead of adding more work for members, CFA Institute would be a piece of that overall arrangement.

While it was understood that there would be societies delivering programs with specific costs to sustain their business models, the organization was not interested in a for-profit approach to CPD from a philosophical standpoint. The primary purpose was to deliver a service to members to make them the best professionals possible, and there needed to be a free option or several free options available.

There was a comment that mandatory CPD could result in a decline in membership. Management had recognized this possibility but felt that it might be a good way to exit individuals who were not interested in the commitments associated with being part of the investment profession. Furthermore, other organizations who had moved to mandatory CPD had not lost a significant number of members. There had also been many changes since the last vote in 2002, including the improved relationship between the organization and the societies as well as the strengthened ambassadorial role of the Board and the society boards.

There was a comment that the organization should be careful about setting expectations with respect to timing and delivery. Management agreed and clarified that the internal timeline would not be communicated externally as the path to mandatory CPD would a dynamic one with many learnings along the way. The internal timeline would be necessary to maintain the momentum of the project and continue to make improvements to the CPD product and member experience over the next two years. The organization had ambitious goals but would delay the proxy vote if it did not receive enough positive feedback in that time frame.

It was recognized that a reduction in membership could impact income levels for some societies, and the organization would be attentive to that possibility. It was also noted that there would be no increase in member dues.

Management would be working on a campaign for mandatory CPD to make sure it was communicated properly to the membership. It was also highlighted that societies would be equipped with messaging and other tools to speak to their members on mandatory CPD.

The governors were asked to postpone these conversations until an external consulting firm had been hired by CFA Institute. The consultant would support the communication effort around CPD.

The Board suggested a modification to the resolution to provide more flexibility on the timing of mandatory CPD. The following resolution was approved unanimously:

RESOLVED, that the Board of Governors formally endorses CFA Institute's efforts to pursue Mandatory Continuing Professional Development with the objective of putting forth to a membership vote as soon as the Board and leadership team feel the organization is ready:

FURTHER RESOLVED, in pursuing Mandatory Continuing Professional Development CFA Institute shall:

- **Design a plan for CPD implementation;**
- **Share CFA Institute's intent publicly;**
- **Seek member input on the plan; and**
- **Lay the groundwork for a member vote.**

UNITED NATIONS GLOBAL IMPACT ALIGNMENT

Presenter: Gary Baker, Managing Director or EMEA at CFA Institute

Mr. Bruner and Mr. Yu joined the discussion via conference call.

The purpose of the session was to request Board approval to make CFA institute one of the more than 12,000 signatories of the United Nation's Global Compact, which represented a set of ten ethical business principles. Management was looking for a long-term commitment to support the organization's efforts in ESG as it was becoming increasingly fundamental to its credibility. ESG was an important industry trend and significant to the organization's business strategy and key stakeholders. The United Nation's Global Compact was the first step toward strategic alignment between management and the Board on this matter. Once approval had been received, the tremendous work on the disclosures and requirements could begin.

ESG had been one of the primary discussion points for management when visiting the societies, particularly those in the EMEA region. There had been a desire for CFA Institute to command a more prominent and influential role in the conversation with regulators and governments.

There were a couple comments that the organization should focus on clarifying the ESG landscape for the end investors through setting standards to help them make better decisions. This would need to be a thoughtful approach that added value to a rather confusing market. It was also suggested that members should be leveraged for their local expertise and passion on the subject.

Management had recognized that by engaging in this compact, the organization would need to align its internal actions with its external statements.

The industry imperative for ESG had been moving faster than traditional asset managers could handle, and it would be important for CFA Institute to take a leadership role and create a clear framework for the next generation of clients and employees. It was also suggested that CFA Institute look for partnership opportunities with other leading organizations.

The organization had published materials and other previous works related to ESG but had not done well developing these efforts into a compelling narrative for consumers, either internal or external. The compact would motivate CFA Institute to communicate the positive impact of its strategic initiatives more readily.

It was highlighted that the definition of ESG differed on a country by country basis. The organization had therefore crafted a carefully worded global message emphasizing the educational aspect as opposed to establishing a requirement.

It was clarified that the United Nation's Global Compact would represent the mildest form of entry into the ESG discussion. The organization had already met the principles within the compact but want to officially state its position to move forward and determine how it wanted to self-certify and commit to annual reporting. Internally, the organization would need to consider proper resourcing and planning to become market leading on ESG. Externally, the organization would engage with regulators and governments on the subject but would not be prescriptive in its language to the global investment community.

The Board was supportive of CFA Institute entering the compact but cautioned the organization to proceed in a thoughtful way that both recognized the geographical diverse opinions on ESG and ensured its internal operations aligned with its external messaging.

The group agreed that the Board Chair and CEO should both sign the letter of commitment.[Q2.OS.4]

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves CFA Institute's commitment to the United Nation's Global Compact.

<u>ANNUAL MEETING OF MEMBERS AND PROXY</u>

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

Mr. Yu joined the discussion via conference call.

The group was reminded that the Board was requested on an annual basis to establish the date for holding the Annual Meeting of Members and other deadlines for completing the proxy process. An overview of new proxy content as well as the timeline of upcoming activities was provided.

The following resolution was approved unanimously:

RESOLVED, that the CFA Institute Annual Meeting of Members shall be held as an in-person event on 10 May 2019 in London, UK;

FURTHER RESOLVED, that the close of business on 27 February 2019 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 4 March 2019 shall be the "Record Date" for determining members eligible to receive the 2019 proxy materials, including the Notice of Meeting, Proxy Statement, and Proxy for voting at the Annual Meeting of Members;

FURTHER RESOLVED, that 12:00 p.m. (EDT – 16:00:00 UTC), 9 May 2019 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 12 March 2019 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.

<u>PRESIDENTS COUNCIL CHAIR REPORT</u>

Presenter: Aaron Brown, Presidents Council Chair

Mr. Yu joined the discussion via conference call.

The highlights of the Presidents Council (PC) Chair report were shared with the group. There had been a focus on operations, charter awards, programming, and forecast dinners since the last Board meeting. At the May Society Partnership Advisory Council meeting, it was noted that several societies would be invited to present on various topics regarding member value. The Board would informed of the agenda and timing. Lastly, it was noted that the tone on society technology had improved and become more constructive.

In addition, there was a request for Board approval to increase the number of Presidents Council Representatives (PCRs) from 11 to 12 members for the FY2020 cycle. It was explained that the 2018 PCR Allocation Work Group had identified two regions of concern, EMEA East and Greater China. The PC had favored the working group's recommendation of splitting EMEA East into two regions and would determine the boundaries of those new territories soon. It was reported that this individual would be elected at the May 2019 Global Society Leadership Conference.

Lastly, it was noted that the PC Executive Committee would be evaluating the role of the PCRs and the PC Chair with the purpose of maximizing the value of the PC to societies, the Board, and staff. The group would review the Mandates and Roles document for the PC and recommend structural changes, including the need for a framework to inform future PCR allocations.

Mr. Yu commented that he had disagreed with the working group's recommendation and believed that the additional slot should be allocated to Greater China. It was explained that the PC Chair had received many differing inputs on China and did not feel that there was enough time for resolution on the matter as the nominating process would need to begin the following week. By contrast, splitting up the EMEA East region had received much support.

Mr. Graham provided an overview of his experience representing the Chinese and other societies in his region and noted that his term would be coming to an end this year.

The Board recognized Mr. Yu's concerns and believed that he had raised an important issue. There was general support for the current proposal, and it was understood that the PC would need more time to address the Greater China region.

The group agreed to amend the resolution as presented in the materials. The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the Presidents Council's proposal to increase the number of Presidents Council Representatives from 11 to 12 members starting in FY2020.

Abstentions: Yu Hua, CFA

BOARD COMMITTEE REPORTS

Presenters: Heather Brilliant, Executive Committee Chair
Robert Jenkins, Compensation Committee Chair
Daniel Gamba, Audit and Risk Committee Chair
Sunil Singhania, Investment Committee Chair
Aaron Brown, Society Partnership Advisory Council Co-Chair

Mr. Yu joined the discussion via conference call.

Executive Committee (EC)

The EC had met a couple times since the last meeting and a report of their activities had been included in the materials. The group was reminded that the EC discussions were open to all governors and especially welcomed their input on future Board agendas.

Compensation Committee (CC)

The CC had met once since the last meeting and agreed to the compensation framework for the CEO and the philosophy behind executive benchmarking.

Audit and Risk Committee (ARC)

The ARC had conducted a systemic review of its five goals, technology, future of exam delivery, China, Finance 2.0, and global compliance and ethics. It was noted that each ARC member had been assigned to act as a liaison for one of the topics. The group has also selected a new external auditor and discussed the Chief Compliance, Risk, and Ethics officer position.

Investment Committee (IC)
The IC reported that the organization currently had $440 million in reserves. The group had extended their consultant agreement to February 2020 and had been working with them to create more movement within the various asset classes. Lastly, the committee had discussed a modification of the reserves in terms of strategic and near-term cash management and would come back with a recommendation once the three-year plan had been completed.

Society Partnership Advisory Council (SPAC)
The SPAC had discussed branding and society communication, the PCR allocation, and Societies 2.0. The council was looking forward to the outcomes of the Principles of Partnership Work Group, which would be holding an in-person meeting in Charlottesville in a week or so.

NOMINATING COMMITTEE AWARDS
Presenter: Robert Jenkins, Board of Governors Past Chair

The Nominating Committee (NC) was recommending a strategic review of the awards process. It was noted that the committee would proceed with the current process for this year and then contemplate recommended changes to the process for the following cycle. The number, definition/purpose, and branding of the awards would all be taken into consideration. The NC would aim to present an awards slate for approval at the May meeting and its strategy recommendations for approval at the July meeting.

A history of the award recipients was provided, including a breakdown of gender and geographical location, and a list of recommended guidelines for this year's awards cycle was displayed. The Board had no disagreements about the proposed direction for the current cycle.

It was announced that recipient recommendations would be solicited from the Board, PCRs, and leadership team. There was also agreement that the CEO should have an opportunity to review the list of awards recipients before Board approval.

Meeting adjourned.