


Board of Governors Meeting Minutes

12-13 July 2019
San Francisco

Board of Governors Present:

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

Board of Governors Absent:

Sunil Singhania, CFA

Incoming Board of Governors Present:

Karina Litvack	Tricia Rothschild, CFA
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Presidents Council Representatives Present:

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

Incoming Presidents Council Representatives Present:

Camille Alexander, CFA	Mauro Miranda, CFA	Ming Shu, CFA
Joshua Howard, CFA	Pieter van Putten, CFA	Peter Varga, CFA

Leadership Team Members Present:

Chris Ainsworth	Emily Dunbar	Sheri Littlefield
Gary Baker, CFA	Leilani Hall, CFA	Nick Pollard, CFA
Diane Basile, CFA	Virginia Heraghty	Kurt Schacht, CFA
Michael Collins	Stephen Horan, CFA	Paul Smith, CFA

Others Present:

Jean-Francois Bureau, CFA	Stephanie Ennaco	Joseph Lange (Meeting Secretary)
Glenn Doggett, CFA	Jeffrey Knighton	Tony Tan, CFA

Materials Provided:

Board Meeting Pack

Blue – Action Items

Reference	Request	Management	Board Sponsor
Q4.OS.1	Prioritize the strategic initiatives discussed and consider which elements should be accelerated in the near future.	Paul Smith Marg Franklin	Heather Brilliant Diane Nordin

Reference	Request	Management	Board Sponsor
Q4.OS.2	CSC Chair was asked to share the committee’s list of lessons learned regarding the CEO search with the Board before the next succession planning process.	Chris Ainsworth	Diane Nordin

Green – Approved Resolutions

Red – Tabled Resolutions

FRIDAY, 12 JULY

OPENING REMARKS AND PROCEDURAL MATTERS

Presenter: Heather Brilliant, Board of Governors Chair

Ms. Kumar-Sinha attended via video conference call.

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

Since the May meeting, the organization had announced the next CEO as Margaret Franklin, CFA. The Board congratulated and thanked the CEO Search Committee members for their efforts.

CONSENT APPROVAL AND INFORMATIONAL MATTERS

Presenter: Heather Brilliant, Board of Governors Chair

Ms. Kumar-Sinha attended via video conference call.

The following resolutions were approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals to serve as Board committee and council chairs and co-chairs for a one-year term commencing 1 September 2019 and until their successors are chosen and qualified:

Audit and Risk Committee	Chair:	Daniel Gamba, CFA
Investment Committee	Chair:	Dan Fasciano, CFA
Society Partnership Advisory Council	Co-Chair:	Leah Bennett, CFA

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals to serve as Board committee and council members for terms commencing 1 September 2019 and until their successors are chosen and qualified.

	<u>Audit and Risk Committee</u>	<u>Executive Committee</u>	<u>Compensation Committee</u>
Chair:	Daniel Gamba, CFA	Diane Nordin, CFA	Maria Wilton, CFA
Members:	Geoffrey Ng, CFA	Daniel Gamba, CFA	Heather Brilliant, CFA
	Tricia Rothschild, CFA	Heather Brilliant, CFA	Diane Nordin, CFA
	Yu Hua, CFA	Margaret Franklin, CFA	Daniel Gamba, CFA
	Robert Bruner, DBA		

	<u>Investment Committee</u>	<u>Nominating Committee</u>	<u>Society Partnership Advisory Council</u>
Chair:	Dan Fasciano, CFA	Heather Brilliant, CFA	Leah Bennett (Co-Chair)
Members:	Punita Kumar-Sinha, CFA Richard Mundinger, CFA Gary Baker, CFA Bob Dannhauser, CFA	Diane Nordin, CFA Zouheir Tamim El Jarkass, CFA Alex Birkin Susan Williams, CFA Lamees Al-Baharna, CFA David Smith, CFA	Karina Litvack Aaron Brown, CFA (Co-Chair) Jennifer Garbowicz, CFA Bogdan Bilas, CFA

RESOLVED, that Heather Brilliant, CFA, is authorized to vote on the behalf of CFA Institute as the sole Voting Member of the Research Foundation at its annual meeting of members;

FURTHER RESOLVED, that Heather Brilliant, CFA, is authorized to vote for the approval of Joanne Hill, PhD, to serve as Vice-Chair of the CFA Institute Research Foundation Board of Trustees for a two-year term commencing 1 September 2019;

FURTHER RESOLVED, that Heather Brilliant, CFA, is authorized to vote for the approval of Lotta Moberg, PhD, CFA; Dave Uduanu, CFA; and Joachim Klement, CFP, CFA, to serve as Elected Trustees of the CFA Institute Research Foundation Board of Trustees for a three-year term commencing 1 September 2019;

FURTHER RESOLVED, that Heather Brilliant, CFA, is authorized to vote for the approval of Roger Ibbotson, PhD, to serve as an Emeritus Trustee of the CFA Institute Research Foundation Board of Trustees for a three-year term commencing 1 September 2019; and

FURTHER RESOLVED, that Heather Brilliant, CFA, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

RESOLVED, that the Board of Governors appoints Heather Brilliant, CFA, to serve in place of the Chair of CFA Institute as the Ex Officio Trustee of the Research Foundation assuming all responsibilities and duties of that position through fiscal year 2020.

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Joseph Lange is appointed to serve as Secretary for a one-year term commencing 1 September 2019 and until his successor is chosen and qualified.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Robert Jenkins, FSIP, and Sunil Singhania, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as governors on the CFA Institute Board.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to James Bailey, CFA; Kati Eriksson, CFA; Philip Graham, CFA; Simon Cawdery, CFA; and Steven Gattuso, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as Presidents Council Representatives.

The following resolution was tabled:

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Diane Basile, CFA, is appointed to serve as Chief Financial Officer for a one-year term commencing 1 September 2019 and until her successor is chosen and qualified.

CHIEF EXECUTIVE OFFICER (CEO) REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

Ms. Kumar-Sinha attended via video conference call.

The CEO shared that he had recently met with the incoming CEO in New York to initiate the transition process. He stated that Ms. Franklin would be prepared to take over the role on 2 September and that he had heard nothing but positive feedback from the organization's stakeholders since the public announcement.

The CEO took a moment to thank his leadership team for all their hard work and support and indicated that there would be four major areas of focus for the incoming CEO. First, the Board would need to coalesce around the vision for Credentialing 2030 to ensure that the curriculum remained relevant going forward. Second, there needed to be a stronger relationship between the Board and leadership team to increase the organization's ability to execute. Third, there needed to be a bigger emphasis on culture. Fourth, the conversations around Societies 2.0 needed to continue to help local communities fulfill the mission. Lastly, it was noted that the positioning of the mandatory Continuing Professional Development campaign would likely determine its success or failure, and there would need to be leadership from governors, PCRs, society leaders, and management.

Since the last meeting, the organization had continued to develop its IT platform, had administered a successful June exam to 250,000 people in 400 test centers in 165 countries, made great progress in the product management world, shown a positive brand campaign impact on the high net worth populations in the US and Canada, and developed an FY2020 operating plan and budget for the Board's consideration.

The CEO believed that the organization's reserves could be managed more effectively and advocated using some of these funds to generate more impact at the local level and show CFA Institute as the leader of the investment profession.

Management had followed the activities of other credentialing organizations as a means of establishing an external benchmark for best in class professional bodies. The CEO stated that a better framework for doing so might be needed to help the organization stay relevant and competitive.

The CFA Program was popular largely due to its status as a globally recognized credential, but the organization was unsure what actions changed the rate of candidate registrations. Based on some studies, the best explanation seemed to be that growth had been directly related to GDP growth. It had also become apparent that the prominence of the credential had been increasing in the emerging markets and waning in the US and Canada. This could pose a long-term risk to the organization, but initiatives like Credentialing 2030 and Societies 2.0 could help to address some of those concerns.

It was stated that the organization had look at diversification of revenue by region. The CEO stated that 30% of the world's young would be in Africa in 20 to 30 years' time, and that he anticipated a CFA Institute office there in the next five years or so to start securing that pipeline of revenue.

The Board wanted to empower the CEO and leadership team to bring forward more aggressive budget proposals and ideas and would reflect on how best to do that.

CHIEF FINANCIAL OFFICER (CFO) REPORT

*Presenters: Diane Basile, Chief Financial Officer at CFA Institute
Jeffrey Knighton, Controller at CFA Institute*

Ms. Kumar-Sinha attended via video conference call.

It was explained that Mr. Knighton had served as Controller at CFA Institute for the past two years and would be serving as the Interim CFO after Ms. Basile's departure. Mr. Knighton introduced himself to the group.

The organization had experienced another successful year with registrations up 12% year over year and revenue growing 14% year over year. It was reported that 52% of the new Level I population and 48% of the overall exam population had consisted of Chinese passport holders.

It was highlighted that the new systems would help the finance team complete its requirements for not-for-profit reporting and 606 revenue recognition. In addition, the purchase order system had been helping the finance team manage vendors and expenses. These subjects had been discussed with the Audit and Risk Committee the day prior.

It was clarified that from the beginning of FY2013 to present day, Investment Foundations had reported approximately \$10 million in revenue and \$12 million in direct costs. The NetSuite platform had been helping the finance team better identify these direct costs and track which ones should be allocated. It was further stated that the number of people accessing the curriculum, which was now offered free of charge, had increased to 35,000 in the last year. The Board applauded this return on mission.

The finance team had been working very closely with legal to catalog the current list of vendors to better monitor them in terms of the organization's standard compliance matters.

The contingency reserve and its related metrics had given the organization visibility into how it could immediately reduce costs at any given point in time. The finance team had also partnered with human resources to better understand the headcount and the employee commitments in place.

It was confirmed that disruptions associated with continuing professional development and Credentialing 2030 would be taken into account in terms of budget forecasting.

ADVOCACY REPORT

Presenter: Kurt Schacht, Managing Director of Standards at CFA Institute

Ms. Kumar-Sinha attended via video conference call.

A brief history of advocacy at CFA Institute was provided. It was clear that the organization had come a long way to build market integrity through advocacy. There were four primary areas of focus: policy advocacy and regulator engagement, thought leadership and industry engagement, ethics and practitioner engagement, and investor education and public engagement. The first area would be the most significant in terms of creating a bolder voice for CFA Institute and would require a more effective and sustained delivery of the organization's policy views as well as increased engagement from the societies.

The Board was reminded of the three policy advocacy principles: to advance and promote policies that serve investor protection over commercial interests; to create content and advance policy research that improves market structure, transparency, and fairness for all investors; and, to support the creation and adoption of rules and regulatory standards which improve and expand investment industry professionalism.

It was explained that to influence other industry stakeholders, professional associations, and policy makers, an organization needed to first select the right topics and then create and distribute the right content. CFA Institute used societies, expert staff, and volunteer committees, all of whom had varying perspectives, to help scope and frame the organization's advocacy policy focus. Despite the differences in opinion, the three guiding principles had returned people to the primary objectives, which did not include commercial interests.

A litmus test, which incorporated 32 different elements, was then used to screen down all the advocacy topics into a workable project. The universe of advocacy topics considered was screened from the European Union and the US, because these locations had a centralized system of industry regulations and oversight, around September and October every year. These issues were then plotted on a graph based on their relevance to CFA Institute and the organization's ability to influence the thinking or outcome on the subject. Input was solicited from societies, expert staff, and volunteer committees to address regional differences, and the four or five most important potentially impactful themes in capital markets and the financial reporting area were selected, resulting in an overall top 10 list. As part of the next phase of work, the organization would endeavor to provide tools and tactics to societies interested in addressing other advocacy topics outside of the top 10.

It was reaffirmed that the top 10 priority list was representative of the societies. The regional society advocacy councils had provided a great deal of input and had created a better marriage between the individual society priorities and the organization's priorities.

It was stated that the three principles would guide the organization to meet high level requirements of investor protection, market integrity, transparency, and professionalism regardless of the impact on the commercial interests of the membership or where a subject might fall on the partisan scale. It was noted that the materials had included a set of advocacy success metrics, which had been in line with what many other think tanks used to measure impact. In terms of influence and impact, the organization had gained credibility for calling out commercial interests that were being disguised as protections.

It was explained that while the research and policy content creation pieces had a more thoughtful, longer term approach, the organization could react quickly to breaking items in the press, such as regulation best interest, mis-selling value for money, etc.

The organization's stance on ESG had been that analysts should incorporate it if it was considered a material factor. It was not a mandate.

The group was reminded that policy advocacy would be discussed at the Board retreat in September.

FY2020-FY2022 STRATEGY PLAN WORKSHOP

Presenters: Diane Basile, Chief Financial Officer at CFA Institute

Stephen Horan, Managing Director of Credentialing at CFA Institute

Ms. Kumar-Sinha attended via video conference call.

The governors, PCRs, and members of the leadership team were broken into six representative teams to discuss the strategy behind the three strategic pillars: Develop Future Professionals, Deliver Member Value, and Build Market Integrity. Each team was asked to address the following questions:

- Does CFA Institute have the right initiatives in place to achieve the mission?
- Are these initiatives being prioritized appropriately?
- Does CFA Institute have the capabilities and capacity to deliver them?
- Where does CFA Institute hope to be 1,2,3 years from now?

Develop Future Professionals

- Overall, CFA Institute had the right initiatives in place with three core items underway: the learning ecosystem, computer-based testing (CBT), and continuing professional development (CPD).
- 100% market penetration could be achieved outside of the charter (i.e. special certificates) with a binding ethics component.
- The charter could be delivered differently in the future, potentially through modularization and/or third-party (i.e. societies, current competitors) input. Credentialing 2030 would help address the growing segmentation of the investment management field, but there was a question as to whether the bar was being set high enough for the CFA Program.
- There should be a formalized initiative to accelerate the learning ecosystem work, specifically the institutional relationships to increase penetration of the core and the relevance of the charter and specialist certificates.
- CFA Institute could leverage societies to achieve this pillar by sourcing content from them for the learning platform.
- Societies could leverage CFA Institute to achieve this pillar by partnering with them to develop institutional relationships and sharing specialist certificates launched at the local level for wider distribution to other parts of the world.
- The mission was to serve the profession, and the group recognized that the profession had been changing. The CFA Program had been geared toward security analysts, portfolio managers, and private wealth advisors, but should also include other rising fields, such as private equity and Fintech, and consider the growing importance of soft skills.
- Professional development should be defined as more than just the mastery of objective knowledge, and the organization's CPD program should be flexible enough to serve its constituents by including more experiential learning (i.e. wisdom) and local relevance (i.e. programs developed by societies). Virtual communities could be leveraged to connect people for higher learning opportunities (i.e. mentoring with experts).
- The organization would soon need to achieve clarity of content and create a documented plan toward a positive vote for mandatory CPD.

Deliver Member Value

- The transition from candidate to member (i.e. from CFA Institute to a local society) needed to be a smoother and more positive experience. It was suggested that Level III candidates have a society connection to ensure integration and better job opportunities after receiving the charter.
- It was noted that member satisfaction had been low around career management and brand of the charter.
- CFA Institute was not a technology firm but needed to be technology enabled. Technology should provide a seamless foundation for CPD, a closed network for professional connections, and be integrated with the societies.
- The CPD framework needed to clearly map an individual's career path through the various jobs and skill sets required.
- The organization had the capacity and funding to achieve its initiatives but there needed to be a clear vision of how technology and CPD were going to enhance member satisfaction. The necessary resources should then follow to accomplish that vision.
- The development of soft skills to help members secure more opportunities at the C-suite level was emphasized. There was a question whether this should be in the CPD framework, the curriculum, or both.
- There was a question as to whether the organization put enough emphasis on the career portal and whether it was achieving its intended results.
- It was recognized that there were many organic overlaps between the three strategic pillars.

Building Market Integrity

- Advocacy had created significant opportunities for networking and professional development and gave CFA Institute a strong and credible voice to strengthen its brand. If the desire was to lead the profession and be a champion for investors, the organization might need to be more courageous in this area.
- The organization might need to consider different initiatives for the developed vs. emerging markets in the future. There was great value in asking local people what the initiatives should be to facilitate idea generation, but there was still an important role at the CFA Institute level in terms of oversight and coordination. The organization could allocate more funding towards the emerging markets for a bigger return on mission (i.e. regulators approaching local societies).
- CFA Institute had the depth and length of tenure to organize introductions and create a network in the local markets. If justified (i.e. high ultimate impact), more resources could be allocated toward the organization's capacity to deepen relationships with the societies to deliver on building market integrity.
- Leveraging the membership database could lead to strong advocates for CFA Institute and societies in the industry. It was acknowledged, however, that member participation could be constrained by the laws, regulations, and social/political climate within their country of residence.
- Looking ahead, the group advocated for a more balanced partnership between CFA Institute and the societies to empower societies to take more ownership of building market integrity in their local markets wherever possible.
- In the future, the group wanted regulators to view CFA Institute as the voice of integrity and asset owners and pension trustees to approach CFA Institute for training. There was also a desire to increase the non-charterholder membership population as this could be used as a measure of success.

[As part of the concluding comments, the Board agreed that it would be important to prioritize the strategic initiatives discussed and consider which elements should be accelerated in the near future.](#)^{Q4.05.1}

SATURDAY, 13 JULY

PROPOSED FY2020 BUDGET AND OPERATING PLAN

*Presenters: Diane Basile, Chief Financial Officer at CFA Institute
Jeffrey Knighton, Controller at CFA Institute*

Ms. Kumar-Sinha attended via video conference call.

The FY2020 budget had been structured to ensure that the organization was being responsible in terms of growing expenses less than revenue. Revenue had been projected to be around 11% and gross expenses around 10%, inclusive of the standalone \$5 million fund. A visual display showed the group how revenue had been forecasted for Level I, Level II, and Level III candidates and how this would change beginning in FY2021 with the introduction of computer-based testing (CBT). It was noted that the organization had already been working on modeling budgets beyond FY2021, but that there were still some uncertainties, including pricing and the overall timeline of the exam process from registration to results. There was some discussion on the known and potential changes in revenues and expenses associated with CBT. In the short-term, CBT would cause expenses to rise but would ultimately be cost-effective over the longer-term.

It was explained that a fund of \$5 million, which had not been allocated to any specific function or region, had been included in the budget. The purpose was to provide the incoming CEO with some flexibility given the number of multi-year projects underway, with an emphasis on continuing professional development (CPD) and CBT. The fund had been intentionally separated out from the main budget for reasons of full transparency. The

Board understood and encouraged management to come forward if additional resources were needed during the fiscal year.

It was clarified that the organization would eventually be able to produce quarterly forecasts with hard monthly closings. This would give management an accurate snapshot of the budget at any given point in the year and allow them to reallocate funds accordingly. In addition, the organization had been building the capacity to systematically report out on Level I, Level II, and Level II expenses. This would better support the business and fulfill some of the requirement changes occurring in the not-for-profit world.

The group was reminded that all projects at CFA Institute were cross-functional.

The credential had been a differentiating factor in times of economic downturn. Historically, registrations would plateau upon crisis and bounce back afterward. The organization had learned from these instances as well as from GDP growth metrics and developed a sensitivity analysis around the credentialing revenues. This analysis was formally conducted twice a year and accounted for both variable and fixed costs.

The organization had been keeping track of the CBT budget but would not be able to provide an accurate forecast until it had a grasp of the pricing policy and revenue side for candidates. The proposed budget had been built on current assumptions, and there were tools in place to monitor the numbers and help with the variance analysis piece.

It was explained that a review of the contingent workforce was underway and that the results would be shared with the Audit and Risk Committee and Compensation Committee.

The IT budget had included best estimates for the exhaustive list of ongoing projects, and it was noted that the department had yet to reach a “business as usual” threshold.

The Board made it clear that they were open to an increased headcount or more aggressive action plan and encouraged management to approach them with these types of requests for consideration throughout the year.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the proposed FY2020 budget substantially in the form submitted.

PROMINENT CODE AND STANDARDS CONSIDERATIONS

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

Jean-Francois Bureau, Standards of Practice Council Chair

Glenn Doggett, Director of Professional Standards at CFA Institute

Ms. Kumar-Sinha attended via video conference call.

The presenters introduced themselves to the group. It was explained that there were four elements needed for the organization’s codes and standards to be considered best in class: structure and independence, moral authority, a governance foundation, and aspirational standards. The first two elements had been met by CFA Institute, but the third and fourth needed to be revisited to ensure that the codes and standards referenced global regulations and had a “future-ready” perspective.

The Standards of Practice Council (SPC), which consisted of 15 volunteer members worldwide, had been soliciting feedback from external consultants, staff, and the Disciplinary Review Committee (DRC), and would ultimately release their proposals for public comment. These inputs would all be used when considering any

potential changes to the codes and standards, and the final recommendations would be presented to the Board for approval. It was clarified that the SPC was responsible for writing the code, the Professional Conduct (PC) team was responsible for building cases based on that code, and the DRC was responsible for reviewing cases and rendering a verdict.

The SPC had reached out to legal academics in the US from Georgetown University of Law, in the UK from University College of London Law School, and in Singapore from the National University of Singapore and gave them a broad remit to review the codes and standards against the laws in their respective markets. All three had reported that the codes and standards had met or exceeded many of the expectations within their respective markets but had also provided clear examples of where regulations might be changing. This feedback had been shared with the DRC and PC.

The codes and standards had typically be aligned with US law but would likely become more stringent with the proposed changes. The SPC believed that this was necessary to maintain the gold standard in the industry around the world. To attain these higher standards, the SPC would be addressing conflicts of interest, services and fees, competence, vulnerable investors, and ethical culture.

The governors would discuss Board involvement with regards to the work on the codes and standards during executive session and report back to management.

NOMINATING COMMITTEE / AWARDS STRATEGY

Presenter: Robert Jenkins, Nominating Committee Chair

Ms. Kumar-Sinha attended via video conference call.

The Board was briefed on the recent activities of the Nominating Committee (NC).

Nominations

The group was reminded that one of the remits of the NC was to build a balanced Board in terms of desired size and mix of skill sets. The NC would provide recommendations and look to the Board to provide ultimate direction and guidance.

An overview of the skill set matrices for FY2020, FY2021, and FY2022 was provided to highlight certain areas of focus. It was noted that while the projections were not entirely accurate as governors could depart for various reasons at various time, IT, branding and communications, and education seemed to represent potential skill set gaps in the future. The NC would prioritize these and even combine two into one – this would be referred to as “edtech,” which would emphasize expertise in the area of online delivery of educational/credentialing content. It was also stated that all else being equal, the NC would tilt toward outstanding candidates with these preferred skill sets in the EMEA region.

Per the bylaws, the Board could have 10 to 15 members, and the NC believed that at least 12 members would be needed to fulfill the current committee structure. The NC would plan to search for outstanding candidates and be flexible in terms of the size of the Board. It was preferred to have at least one or two new governors every cycle to regulate the timing of member terms and avoid a “bunching” effect.

After some discussion, the Board agreed that the NC did not need to prioritize the branding and communication skill set and that expertise on China, not necessarily representation from China, might be an additional need to address in the coming cycle. The governors agreed to conclude the conversation on NC guidance during executive session as the nominations cycle would need to begin in August.

Awards

The NC had conducted a strategic review of the Board awards process and considered its purpose and place among the other awards given out by the organization. The Board awards had mainly been fulfilling internal recognition, and the committee felt that there needed to be an increased emphasis on external opportunities to raise the profile of CFA Institute. In addition, the NC had felt that two of the six awards were redundant within the organization and recommended reducing the total number of awards to four. These awards would be given out annually and ideally presented at the Annual Conference for the biggest impact, which meant that the NC would have to revisit the overall process timeline. The committee had also revisited the idea of having a “Fellow” of CFA Institute or some equivalent offered to award recipients for the purpose of creating a global cadre of high-profile ambassadors. These individuals could be charterholders or non-charterholders and would be required to sign and abide by the Code of Conduct. The NC would conclude its discussions in the coming months and revert back to the Board with a formal proposal for approval.

ESG REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

Ms. Kumar-Sinha attended via video conference call.

The Board was asked to discuss the organization’s values and beliefs not just as they related to the investment industry, but in the context of addressing social issues in the public sphere. There needed to be a framework from the Board to guide the CEO on a regular basis and to be posted on the CFA Institute website. It was suggested that this framework be reviewed by the Board twice a year.

The Board was encouraged to approach this subject from a broad standpoint, considering universal principles in terms of the organization’s policy on labor or human rights, for instance, as opposed to starting with very specific issues. The Board recognized that CFA Institute would need to be somewhat aligned with how it believed the investment industry should incorporate ESG and the organization’s own conduct.

It was confirmed that the Board’s beliefs and values would be a meaningful portion of the September retreat.

BOARD COMMITTEE REPORTS

*Presenters: Heather Brilliant, Executive Committee Chair
Bob Jenkins, Compensation Committee Chair
Dan Fasciano, Investment Committee Member
Yu Hua, Society Partnership Advisory Council Co-Chair*

Ms. Kumar-Sinha attended via video conference call.

Executive Committee (EC)

There had been one EC meeting since the last Board meeting, and a summary of that discussion had been included in the materials. The group was reminded that there was a quarterly pack circulated to cover notable informational items in between the in-person meetings.

Compensation Committee (CC)

The CC had held several meetings since the last Board meeting, and a summary of those discussions had been included in the materials. The committee had focused on charter amendments and would be proposing recommended changes for Board approval, including amending the committee name to the Human Resources Committee. The group had also reviewed succession planning at the leadership team level with management.

Investment Committee (IC)

The IC had conducted an annual review of its two primary managers, Vanguard and BlackRock, as well as a quarterly review of Mercer. It was reported that these reviews had gone well. Looking ahead, the IC would be prioritizing and drawing conclusions on a number of items, including ESG, indexing, and real assets.

The Society Partnership Advisory Council (SPAC)

The SPAC had primarily discussed the Societies 2.0 roadmap and governance structure for FY2020 at their last meeting. The group had also reviewed its charter and formal composition and would be making some recommended changes going forward.

CEO Search Committee (CSC)

[The CSC Chair was asked to share the committee's list of lessons learned with the Board before the next succession planning process.](#)^{Q4.05.2} It was noted that while the charterholder requirement and preferred location of Charlottesville had not prevented the CSC from arriving at a great conclusion, it had placed some limitations on the search.

The governors were thanked for respecting the confidentiality of the process.

AUDIT AND RISK COMMITTEE CHAIR REPORT

Presenter: Daniel Gamba, Audit and Risk Committee Chair

Ms. Kumar-Sinha attended via video conference call.

The Audit and Risk Committee (ARC) had discussed the Department of Justice (DOJ) matter with the new external auditor, KPMG, who had concluded that the civil penalty had been immaterial to the organization and to the consolidated financial statements. KPMG had provided a written summary to memorialize their assessment.

The committee was also in the process of conducting a contingent worker risk assessment, which had included a person-by-person analysis and primarily focused on the medium-to-high risk positions – i.e. people employed by CFA Institute for a long period of time. The Chief Human Resources Officer and CFO had been engaged in these discussions and would participate in the September ARC meeting to address how these positions should be classified and managed going forward. It was likely that the ARC's recommendation would result in a material adjustment to the organization's headcount, particularly in the credentialing and IT areas.

In addition, the ARC had reviewed the internal audit plan and the implementation of the global compliance and ethics program as well as risks the associated with IT, the future of exam delivery, China, and various society issues. It was noted that a Society Operations Risk team, comprised of 12 global staff members, had been created to partner with the societies to help them execute at the local level. It had also been determined that SPAC would be best suited to continue to oversee Societies 2.0, with the understanding that legal, compliance, and financial risks would still be raised to the ARC.

Lastly, the committee had addressed concerns about overlapping oversight of certain topics by both ARC and the Board. The Board Vice Chair and ARC Chair would be looking into the matter to minimize areas of redundancy and to reduce the length of the in-person ARC meetings.

PRESIDENTS COUNCIL CHAIR REPORT

Presenter: Aaron Brown, Presidents Council Chair

Ms. Kumar-Sinha attended via video conference call.

It was highlighted that six new PCRs had been onboarded at the San Francisco meeting. The group was reminded that five PCRs had terms ending this fiscal year.

The Presidents Council (PC) Chair emphasized the importance of institutionalizing the flow of communication between the societies and the Board as well as the former's growing need for messaging tools around continuing professional development (CPD). It was stated that the societies wanted to engage with their members on the subject and be part of the campaign effort as much as possible. The organization had hired Locust Street to help manage the initiative and communications plan, and there was also a CPD Design Council meeting on a monthly basis. The first step of information gathering was well underway, and the next step of shaping and defining the CPD offering would take place in about six to nine months.

OUTGOING / INCOMING CHAIR REMARKS

Presenters: Heather Brilliant, Board of Governors Chair

Diane Nordin, Board of Governors Vice Chair

Ms. Kumar-Sinha attended via video conference call.

The outgoing chair and incoming chair took a moment to share some remarks with the group. The Board thanked these volunteers for their years of dedication and service.

OUTGOING GOVERNOR AND PCR REMARKS

Presenters: Heather Brilliant, Board of Governors Chair

Aaron Brown, Presidents Council Chair

Ms. Kumar-Sinha attended via video conference call.

The outgoing governors and PCRS were welcomed to share some remarks with the group. The Board thanked these volunteers for their years of dedication and service.

Meeting adjourned.