

Board of Governors Meeting Minutes

9-11 February 2020

Tokyo

Board of Governors Present:

Alex Birkin

Leah Bennett, CFA 

Heather Brilliant, CFA 

Robert Bruner, DBA 

Daniel Fasciano, CFA 

Marg Franklin, CFA

Daniel Gamba, CFA

Punita Kumar-Sinha, CFA

Karina Litvack

Geoffrey Ng, CFA

Diane Nordin, CFA (Meeting Chair)

Tricia Rothschild, CFA 

Zouheir Tamim El Jarkass, CFA

Yu Hua, CFA 

Maria Wilton, CFA

Presidents Council Representatives Present:

Camille Alexander, CFA 

Ashraf Bava, CFA

Bogdan Bilaus, CFA

Aaron Brown, CFA (PC Chair)

Jennifer Garbowicz, CFA

Joshua Howard, CFA

Mauro Miranda, CFA

Pieter van Putten, CFA

Ming Shu, CFA

David Smith, CFA

Peter Varga, CFA

Susan Williams, CFA

Ken Yee, CFA

Leadership Team Members Present:

Chris Ainsworth

Gary Baker, CFA

Marty Colburn

Michael Collins 

Marg Franklin, CFA

Leilani Hall, CFA, CIPM

Allison Holmes

Stephen Horan, CFA, CIPM 

Peg Jobst

Sheri Littlefield 

Nick Pollard

Others Present:

Anne O'Brien

Stephanie Ennaco 

Marquia Gunn

Jeffrey Knighton

Joseph Lange (Meeting Secretary)

Marc Sterne

Materials Provided:

Board Meeting Pack

Blue – Action Items

Green – Approved Resolutions

Red – Tabled Resolutions

MONDAY, 10 FEBRUARY

OPENING REMARKS AND PROCEDURAL MATTERS

Presenter: Diane Nordin, Board of Governors Chair

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Board Chair welcomed everyone to the meeting in Tokyo as well as those participating virtually from New York and elsewhere. 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.

CONSENT APPROVAL AND INFORMATIONAL MATTERS

Presenter: Diane Nordin, Board of Governors Chair

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The following resolutions were approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the following: Effective 10 February 2020 and as soon as possible thereafter, add Allison Holmes, Chief Financial Officer, as an authorized signatory to the following CFA Institute bank and investment accounts, and grant the same authority as the current authorized signatories on these accounts:

JPMorgan Chase Bank	Main Operating Account
JPMorgan Chase Bank	Check Disbursement Account
JPMorgan Chase Bank	Payroll Account
JPMorgan Chase Bank	Receipts Account
JPMorgan Chase Bank	FedWire/ACH Account
JPMorgan Chase Bank	Rejected Enrollment Account
JPMorgan Chase Bank	Letters of Credit
JPMorgan Chase Bank	Main Operating Account-Hong Kong
HSBC Bank Plc	Main Operating Account-London
JPMorgan Asset Management	Overnight Investment Sweep
JPMorgan Worldwide Securities Services	U.S. Treasury Bills
JPMorgan Securities, LLC	U.S. Treasury Bills
The Vanguard Group	Mutual Funds - Reserves
The Vanguard Group	Mutual Funds – Deferred Comp
BlackRock	Collective Trust - Reserves
Wells Fargo	Operating Account
Wells Fargo	Disbursement Account

RESOLVED, that the Board of Governors accepts and approves the pricing for the CFA Program for calendar year 2021 substantially in the form presented.

PRESIDENTS COUNCIL REPRESENTATIVES SURVEY REPORT

Presenters: Aaron Brown, Presidents Council Chair

Mauro Miranda, Presidents Council Representative for Atlantic Islands and Latin America

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Board received an informational update on the outcomes of a survey conducted by the Presidents Council Representatives (PCRs). It was highlighted that this item had also been presented to the Society Partnership Advisory Council (SPAC) in Tokyo. It was reported that 110 out of the 159 societies had responded to the following questions and yielded the following results:

1. Global institutions and corporations have increasingly voiced their opinions about ESG (Environmental, Social, Governance) themes, particularly regarding the Social aspect. Such opinions and views include

public comments on social themes and current events around the world (e.g. social unrest, political rallies, etc.). From your perspective as a society leader and member, do you believe CFA Institute should voice a public opinion regarding these themes?

- Yes, always (18.8%)
 - Generally, yes (50.4%)
 - Generally, no (25.6%)
 - No, never (5.1%)
2. The stance on social issues taken by countries or cities around the world has affected the very choice of venues for large-scale events made by global institutions and corporations. From your perspective as a society leader and member, do you believe CFA Institute should consider the stance of countries or cities on social issues when choosing a venue for its events?
- Yes, always (23.9%)
 - Generally, yes (39.3%)
 - Generally, no (32.5%)
 - No, never (4.3%)
3. Regarding the eight Societies 2.0 Capabilities (listed below), what are the ones that you consider top priorities for your society in the next 6-12 months? Please choose three.
- Foundational: Professional Society Staffing (32.5%)
 - Foundational: Governance & Operating Framework (29.9%)
 - Foundational: Society Operational Support (28.2%)
 - Foundational: Technology (34.2%)
 - Strategic: Brand Development (51.3%)
 - Strategic: Member & Candidate Journey (46.2%)
 - Strategic: Professional Learning (41%)
 - Strategic: Advocacy & Outreach (36.8%)

The materials had included the individual comments submitted with each question and been provided to the Board for reference and review. [The survey had recently closed, and the PCRs would circulate an executive summary to the Board in about 10 day once more analysis had been conducted. The governors encouraged the PCRs to ensure that any questions deserving of a response be passed along to the SPAC.](#)

The PCRs had found the survey mechanism interesting and effective and would look for more opportunities to solicit input from societies in the future. The Board encouraged this approach.

CHIEF EXECUTIVE OFFICER (CEO) REPORT

Presenter: Marg Franklin, President and CEO at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The CEO stated that she had been focused on ensuring operational resilience for the organization, which had included building out her leadership team. The new Chief Financial Officer (CFO), Allison Holmes, and new Chief Information Officer (CIO), Marty Colburn, were introduced to the group. The CEO had also been reviewing the Societies 2.0 initiative and assessing how best to engage with and continue to strengthen the society network.

The strategic review process was underway and would be critical to the future of the organization. The mission of leading the investment profession through education, ethics, and professional excellence would drive the strategy toward influencing the industry to lead to valuable outcomes for the membership. The organization had composed an internal strategy group, independent from the leadership team, that would report directly to the CEO and appointed a consultant for external expertise as well. Management would be presenting a draft of the strategy to the Board at the May meeting and aiming for final approval at the July meeting.

The CEO noted that she had been invited to table and forums that would give CFA Institute a meaningful, valid, and unique voice in the industry.

CHIEF INFORMATION OFFICER (CIO) REPORT

Presenter: Marty Colburn, Chief Information Officer at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The CIO stated that he had spent time with several governors over the last two months to discuss the organization's current technology challenges and thanked them for their input and support. He had reviewed the 31 recommendations in the Accenture report and conducted a full assessment of his own to create an action plan to improve and remediate the IT challenges for CFA Institute. The CIO then provided his insights on the people, processes, and technology at the organization.

In terms of people, skillset gaps and overlaps had been identified and not all employees had been placed in the right roles. There would also need to be a global presence in APAC and more entry-level roles offered to improve costs as well as the delivery structure. The CIO stated that it was too early to determine the appropriate size of the IT team and noted that there were 80 full-time employees and 140 contingent workers.

In terms of process, it had not been possible to accurately predict product delivery schedules, the management of the organization's business technology portfolio had been lacking, and the current process documentation had been insufficient to move efficiently or to scale. It was highlighted that since IT had started to monitor quality more closely, monthly incidents had decreased from 2,001 in October to 680 in December.

In terms of technology, there had been multiple solutions for the same functionality, which would not be sustainable going forward. The organization's legacy platforms were out-of-date and needed to be retired while the new platforms were considered fragile.

The CIO explained the IT vision and strategic priorities to the group. The vision would be to develop and deliver positive digital experiences for members, candidates, societies, and colleagues. The strategic priorities for FY2020 and beyond would be to establish operational excellence, strengthen platforms and processes, invest in people and culture, develop data strategy, and deliver high-functioning and cost-effective products and services. It was noted that the organization could only achieve the last two if the first two succeeded. The CIO confirmed that the IT strategy would involve a more cross-functional and integrated approach. The group was also reminded that several Board liaisons had been asked to engage with the CIO on a regular basis.

The technology portfolio currently included about 350 applications across 80 different technologies, and the CIO had determined what to invest, keep, or remove to narrow and consolidate that list over the next 18 to 24 months. He further explained that the new technology ecosystem had five clouds and that it would be important for his team to manage how these environments interfaced.

The IT team had been producing metrics around reliability, availability, and serviceability and would continue to do so going forward. In terms of recent success, it was noted that a new payment gateway system had been

implemented to handle China Union Pay and Alipay. It was also shared that the recent launches for the CFA Program had gone well.

The CIO clarified that the Accenture report had included high-level recommendations, which he had used as the basis for his more fulsome, practitioner review. He explained that the consultants had not offered detailed plans with their recommendations and that it would be his job as the CIO to make those specific determinations for CFA Institute.

The CIO stated that the previous IT strategies had been good but poorly executed. Furthermore, there had not been a process for reviewing and introducing change in a thoughtful way that analyzed the full impact to the business beforehand. There was agreement that the organization would need to have a balanced approach to implementation, which would sometimes entail working through IT projects more slowly at the outset before ultimately moving faster. The CIO confirmed that he often spoke with the CEO about these types of tradeoffs to ensure the focus remained on the quality of the technology.

With regards to the Future of Exam Delivery, there was a cross-functional steering committee in place composed of key business stakeholders to review the initiatives, dependencies, risks, and execution metrics. The CIO felt confident that his team would meet the computer-based testing requirements for February. He understood that there was a great deal of work to complete, but believed he had the processes and business partners in place to succeed.

The CIO had found his meetings with societies valuable to the data strategy and would endeavor to build these relationships to address and analyze their technological needs in a secure way. There was agreement that the organization would need to commit to deadlines and meet those deadlines, even if it meant setting audacious goals for staff at times. The CIO stated that setting the right goals and objectives as well as having the right workforce in place would be critical in this capacity. [The CIO had been assessing the talent and structure of the IT department and would share an interim report with the Board before the May meeting.](#)

The CIO stated that he did not have any concerns about financial pressures impacting the execution of key IT projects, remarking that while the technology department had been well-funded, it had not always spent money in the right places. The IT team would be making better investment decisions and would be looking to expand its global footprint in APAC to better manage the organization's costs and workload. It was recognized that if any new legal entities or structures were needed to accommodate the IT staffing strategy, the Board's approval would be required.

It was explained that the professional learning application would have a direct impact on members and would be rolled out on an integrated basis later in the year. The goal would be to have a singular platform whenever possible to create a cohesive experience for members.

CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL REPORT

Presenters: Daniel Gamba, Audit and Risk Committee Chair

Marg Franklin, President and CEO at CFA Institute

Allison Holmes, Chief Financial Officer at CFA Institute

Jeffrey Knighton, Controller and Head of Accounting Operations at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, Ms. Ennaco, Ms. Gunn, and Mr. Sterne attended via conference call.

The Audit and Risk Committee Chair noted that the committee had conducted an in-depth review of the audited financial statements and ultimately recommended them for Board approval. The group was reminded that FY2019 had been the organization's first year with its newly appointed external auditor, KPMG. The

transition had been smooth and despite the slight timing delay, there had been no significant or material findings to report. KPMG had confirmed that the audit was nearly finished and that they were prepared to issue an unmodified opinion on the audited financial statements.

The following resolutions were approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the CFA Institute consolidated and CFA Institute Research Foundation audited financial statements for fiscal year ended 31 August 2019 substantially in the form presented.

RESOLVED, that the Board of Governors accepts and approves the Annual Report substantially in the form presented.

CHIEF FINANCIAL OFFICER (CFO) REPORT

Presenter: Allison Holmes, Chief Financial Officer at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The CFO reminded the group that she had joined the organization in mid-December, and then provided a high-level overview of her report, which had been included in the materials.

The FY2020 forecast had not been materializing as planned. The organization still expected to be up 12% in expenses but was no longer projecting to be up 14% in revenue given the recent registration figures. The CFO had estimated that this outcome would lead to a \$21.5 million operating margin loss for the year. It was clarified that the operating margin had been based on revenues and operating expenses and had not included interest or investment income.

The leadership team had launched an action plan in two phases starting on 17 December to mitigate the financial impact. The first step had been to identify 6% in cost savings across the organization without pausing any projects deemed essential to the business. This had resulted in classifying \$22 million in savings. The second step had been to identify enough funding to cover the critical investments to finance and technology and rationalize the headcount. Without taking Coronavirus into consideration, the reforecasting process had led the organization to a nearly breakeven point, close to a \$1 or \$2 million operating loss. The CEO emphasized that the organization had been deliberate in not cutting any costs to its society commitments.

The CFO stated that there needed to be more financial discipline in terms of reporting and reforecasting on a regular basis. The objective would be to provide the Board with more transparent and frequent reporting in the next two or three months. By the May meeting, the CFO aimed to have monthly reports in circulation, a status report of all projects underway, and the first round of the FY2021 budget. Once the data and reporting structure had improved, the CFO would turn her attention to establishing cost benchmarks and specifying cost definitions in terms of direct vs. indirect and variable vs. fixed. These constructs would help the organization manage costs in direct proportion to the size of the business. It was clarified that management would use the monthly reports to reforecast and operate within the budget. If urgent action was needed (i.e. use of the reserves), the Board would become involved in that decision-making process.

Registration had opened on 5 February, and the finance team had been tracking the results daily and been cautiously optimistic about the numbers. The CFO would not know more until the second deadline. A scenario analysis had been conducted for the Coronavirus, which had been loosely based on SARS and resulted in a worst case of \$20 million lost vs. a best case of \$9 million lost. It was noted that this calculation had not included insurance for the facilities used and had referenced a broad range, because the overall impact of the

virus was still unknown. The analysis had also taken into consideration the fact that as registrations declined so did certain expenses.

There was a question on the reserves, which currently showed a \$10 million loss. The Investment Committee Chair noted the amount in the reserves fluctuated throughout the year and would circulate a response to the Board on the recent changes post-meeting.

The difference between volume and member pricing was emphasized. It was also noted that the organization had gone through periods of slowdown before and that these instances had been followed by a doubling in growth afterward. If the current situation aligned with this pattern, it would be important to better understand the key drivers.

The CFO would endeavor to make finance a partner to the business by embedding finance staff in each functional area. The finance team needed more accurate ways to predict revenues and expenses and to maximize the power of the market intelligence and marketing teams to better understand the composition of the registrant pool using data from pre-registration research and surveys.

The CEO noted that it would be important to have a sustainable society funding model operating with good governance practices and that this would be part of the strategic review process.

CFA PROGRAM CANDIDATE TRENDS

Presenter: Peg Jobs, Managing Director of Credentialing at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The CEO announced that Peg Jobst had been selected as the new Managing Director of Credentialing at CFA Institute. The group congratulated Ms. Jobst on her new position.

It was reported that CFA Program candidate enrollments for FY2020 had been expected to decrease by 5% over the prior year and 12% against the budget. These numbers would be largely driven by a decline in new Level I registrations, down 12% from the prior year and 15% against the budget. The candidate trends had marked a global, but not unprecedented, phenomenon likely influenced by two external factors and one internal factor. These had included competition for entry-level talent with the technology sector, a retreat from globalism that had eroded the global passport value proposition, and the increasing resistance to the lack of flexibility associated with the CFA Program.

Unlike prior registration reversals characterized by significant market contractions and transitory registration impacts, these drivers could have a more sustained impact. The organization therefore had several in-flight and planned initiatives designed to mitigate a continued reversal, including B2B, product marketing, and product development.

Robert Bruner had offered his perspectives to management as well. These had included a declining population of those targeting higher education, uncertainty about cross-border career prospects, the peak of the business cycle, and millennial anti-credentialism.

The credentialing team had not believed artificial intelligence or machine learning to be contributing factors to the decline in registrations but would continue to solicit data to learn more about why the numbers had been fluctuating. The organization had been working on a digital campaign to survey candidates on their preferences and general feedback.

There would be a focus on marketing efforts to restart demand generation from March to July. There would be three different pilots that used completely digital tactics to drive charterholder awareness in key markets. This approach would yield valuable data and metrics and help the organization remarket to prospective candidates and provide insights around product development. It was also noted that both traditional and non-traditional (i.e. IT) segments of the population would be targeted. The pilots would start in four US cities and eventually move to the APAC region.

It was clarified that the marketing team would be working within its current budget to fund the digital campaign. If the strategy was successful, the marketing team would continue to support it at the expense of other investments, such as branding. Management highlighted that it had not cut back on anything this year that would be recognized by external stakeholders, so diverting more funds toward the campaign would not result in any outwardly negative consequences.

The recent feedback from the market intelligence survey had revealed that approximately half of lapsed candidates had not registered, because they had not believed that they would have enough time to study. This had seemed to support the millennial anti-credentialism theory. The next biggest reason had been the cost of the exam followed by various personal reasons and industry trends.

In addition to marketing, the organization had been focused on industry and university relations to increase the adoption of and support for the CFA Program, as well as product development to modernize and enhance accessibility in response to candidate concerns and learning preferences (i.e. Future of Exam Delivery, Credentialing 2025, etc.).

It was noted that with the Future of Exam Delivery and moving to computer-based testing, the organization would have an opportunity to transition from a multiple-choice manifestation to a real workplace problem for candidates. This would improve the competitive position of the CFA Program.

The group was reminded that while the curriculum had been a function of practice analysis, which targeted topics of foundational relevance for the just qualified candidate, professional learning would be an opportunity to expand into other areas and subject matters. This would involve a broader pool of people who would not necessarily come from a finance background.

[It was requested that management share the communications plan for computer-based testing with the Board.](#)

The organization would look to broaden its focus in terms of relationship management, seeking to work with employers, institutions, regulators and other associations to raise the voice of CFA Institute and pursue a more structured approach at the global level.

Looking ahead, the first deadline for the December 2020 exam would be 25 March, the digital campaign would launch in April, registration for the February 2021 computer-based testing of the Level I exam would open on 15 June, registration for the May 2021 computer-based testing of the Level I exam would open 13 August, and the second deadline for the December 2020 exam would be 19 August. It was explained that candidates would be allowed to reschedule within their registration window for computer-based testing without incurring an additional fee. If a candidate wished to reschedule and join a different registration window, they would have to pay full price for that option.

[It was requested that management create a dashboard to track the organization's competition and market penetration.](#)

TUESDAY, 11 FEBRUARY

STRATEGIC REVIEW

Presenter: Marg Franklin, President and CEO at CFA Institute

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The CEO reported that the strategic review process was well underway at CFA Institute. Management had been composing an internal strategy team that would report independently to the CEO and had recently appointed an external consulting firm that would start in two weeks. The goal was to present the draft strategic plan at the May meeting and seek final Board approval at the July meeting.

There was a comment that any adjustments to the CFA Institute strategy would impact the society strategy, and that it would be important to manage and brief the consultants well to ensure that this was a facilitation exercise as opposed to a total rewrite of the strategy. In addition, change management would be an important component of the process, and it was recommended that there be frequent and clear communications. The CEO clarified that she had met with the XL societies a week ago in London and invited them to provide input. While the strategic review would need to be a collaborative effort between CFA Institute and societies, it was also recognized that the two would have separate strategies with some common areas of overlap. The CEO would be interested in giving definition to these shared activities as well as key points of separation.

It was noted that operational resilience had been one of the CEO's goals for FY2020 and that KPIs would be an important result of the strategy. The leadership team had been reviewing the KPIs and found them too aspirational and difficult to cascade down throughout the organization. The group had been focused on identifying the direct drivers of actual outcomes and reducing the number of metrics overall.

In speaking with societies, the organization had been very mindful of closing the membership gap while also considering a bigger, addressable market of different stakeholders that might not be part of the society community. There had also been a heightened awareness around not favoring one membership group over another due to size, location, or any other factors.

The CEO stated that she would have a very open-minded approach to the strategy refresh and was eager to hear the ideas from the internal team and external consultants. There would be a good landscape of perspective data from many different constituents, and it would be used to help management think about leading with the CFA Institute mission.

The Board suggested appointing an internal strategy team with a leadership team member to oversee it. There was a concern that the consultants would determine the answer for the organization without enough navigation and input from staff. The CEO stated that she would be the point of oversight for the internal team and had budgeted fifteen hours a week to address the strategy refresh. In addition, there would be a core strategy team spending 50-60% of their time, or possibly more depending on the direction of the consultants, on the strategy refresh with previously established objectives and checkpoints.

It was requested that a few Board liaisons be engaged in the strategic review process. The selected governors would be determined post-meeting.

The Board was asked to send any additional feedback to the CEO or her Chief of Staff.

It was clarified that nothing would be excluded from the strategy refresh. The Board would be involved in any potentially controversial decisions in that regard and kept informed in general. *The Board would receive a*

monthly update on the strategy refresh between now and the May meeting, and there would be at least two conference calls on the subject. It was noted that the Board Chair and CEO had been holding weekly calls.

It was confirmed that the Presidents Council (PC) Chair and PC Vice Chair would be involved in the strategic review process.

The CEO stated that several communications had been circulated to all employees about the strategy refresh, and that there would be another town hall session focused on this topic. The regional MDs reported that employees had appreciated the messaging from leadership and had not submitted many questions thus far in the process. It was highlighted that the APAC and EMEA offices had indicated a desire for a more global focus.

ESTABLISHMENT OF CFA SOCIETY ISRAEL

*Presenters: Diane Nordin, Board of Governors Chair
Gary Baker, Managing Director of EMEA at CFA Institute*

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Board was asked to review and approve the establishment of CFA Society Israel. It was explained that the society would be governed as part of western Europe, and that the organization would manage any logistical and strategic challenges as needed.

With regards to the overall society strategy, it was noted that Zimbabwe and Armenia could qualify for society establishment soon. It was added that the current strategy in Africa would be to invest in and leverage the existing societies there for outreach purposes. It was also remarked that the Baltic region had 85 charterholders and that this area could potentially be addressed with one society in the future. In general, management had seen a tremendous growth in activity and interest and would continue to thoroughly assess any new societies from an individual country vs. sub regional standpoint.

The CEO stated that with Emily Dunbar's departure, there would not be any changes to the society operating model until the strategy refresh had been completed. In addition, an internal working group had been tasked with addressing the audit findings and been working to implement better controls and policies. As part of that review, management would identify potential issues with establishing a society upfront, as it had with CFA Society Israel, as well as ways to resolve them.

There was agreement that since the organization had shown a commitment to making improvements to the process, there should not be a delay in setting up CFA Society Israel. [The Board requested progress updates on the remediation of the internal audit findings as they pertained to the society operating model.](#)

The following resolution as approved unanimously:

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

NOMINATING COMMITTEE REPORT AND ANNUAL MEETING OF MEMBERS

*Presenters: Heather Brilliant, Board of Governors Past Chair
Sheri Littlefield, Chief Legal Officer and General Counsel at CFA Institute
Joe Lange, Director of Board Services at CFA Institute*

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Nominating Committee (NC) had reviewed a list of approximately 50 candidates and narrowed it down to five. The group was now in the process of interviewing these candidates in person and would be ready to propose a final slate to the Board toward the end of the month.

The relevant timeline and dates associated with completing the proxy process and holding the Annual Meeting of Members had been included in the materials for the Board's review and approval.

There was a question on the targeted Board size for FY2021. The group was reminded that the Board had provided guidance to either reduce or maintain the Board size.

It was clarified that the NC had been direct with the final candidates about the minimum and maximum time commitments of a serving governor. In addition, the application process had offered these individuals detailed information on the scope of the Board's responsibilities upfront.

The NC had endeavored to increase transparency around the nominations process to help the Board better understand why certain candidates had been selected over others. Furthermore, the NC had asked the leadership team for recommendations from the outset as well as input on the shortlist of candidates.

The following resolutions were approved unanimously:

RESOLVED, that the CFA Institute Annual Meeting of Members shall be held as an in-person event on 17 May 2020 in Atlanta, Georgia USA;

FURTHER RESOLVED, that the close of business on 3 March 2020 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 10 March 2020 shall be the "Record Date" for determining members eligible to receive the 2020 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), 15 May 2020 shall be the "Deadline Date" for tabulating proxies received by Internet, Facsimile, or Mail; and

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 19 March 2020 and to take such action as necessary to implement the resolve of the Board.

GOVERNANCE COMMITTEE REPORT

Presenters: Diane Nordin, Board of Governors Chair

Sheri Littlefield, Chief Legal Officer and General Counsel at CFA Institute

Joe Lange, Director of Board Services at CFA

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Board was asked to review and approve the Governance Committee (GC) charter as well as the appointment of four governors to serve on the committee for the remainder of the fiscal year. The Executive Committee had reviewed the charter, and the Nominating Committee (NC) had proposed the member appointments.

It was clarified that governance typically resided with a Nominating and Governance Committee at most public companies; however, due to the unique composition of the NC at CFA Institute, this had not been possible. The GC had been formed to fill this gap, and the charter had outlined the standing requirements of the committee. In addition, the Board would have the authority to delegate specific projects to the GC as deemed necessary.

It was stated that after FY2020, the Board Vice Chair would serve as the GC Chair.

After some discussion, the Board agreed on the following edits to the GC charter:

- **Removed:** *Develop guidance for the Nominating Committee that is approved by the Board, including as to the selection of the Board Chair and criteria for selection of individuals qualified to serve as Governors and officers of CFA Institute;*
- **Revised:** *Make recommendations to the Board regarding ~~the Board's size, composition and Governor recruitment activities, and the tenure of Governors in accordance with the Bylaws~~ any modification to the Bylaws regarding the Board's size, composition, and the tenure of Governors;*

With the edits discussed, the following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the charter for the Governance Committee.

RESOLVED, that the Board of Governors appoints the following governors to serve as designated on the Governance Committee commencing on 11 February 2020:

- **Heather Brilliant / Committee Chair**
- **Dan Fasciano / Member**
- **Karina Litvack / Member**
- **Punita Kumar-Sinha / Member**

PRESIDENTS COUNCIL (PC) CHAIR REPORT

Presenter: Aaron Brown, Presidents Council Chair

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The recent activities for each of the regions led by the Presidents Council Representatives (PCRs) had been included in the materials. It was highlighted that CFA Society Brazil had been collaborating with CFA Institute on the Young Women in Investment program, which had been previously launched in India. There would be 35 female students selected to pursue a four-year educational program at the society's offices in Sao Paolo. Afterward, they would be guaranteed internships with the society's corporate partners.

The PC Chair and PCRs had appreciated the rigor behind management's decision to postpone the Global Society Leadership Conference (SLC), and they had played an active role in developing the communications to be circulated. It was added that this change would allow for an opportunity to discuss the strategy and efficacy around the Global SLC and regional SLCs.

The CEO expressed her gratitude for the PC Chair's guidance and looked forward to elevating her relationship with him and the PCRs during her tenure.

BOARD COMMITTEE REPORTS

Presenters: Diane Nordin, Executive Committee Chair

Daniel Gamba, Audit and Risk Committee Chair

Executive Committee (EC)

The EC Chair reminded the group that all governors were welcome to attend and participate in the EC calls.

Audit and Risk (ARC)

The ARC Chair provided a brief update on five matters: the opening of CFA Society Shanghai, the accounting assessment done by Deloitte, the continued reduction in continent workers, the review and approval of the internal audit, and the impact on operations due to the Coronavirus.

The Deloitte report had stated that if the organization funded societies over 75%, ownership would pass to CFA Institute. At present, there were no risks identified in this area, and the society operations team would be tracking society funding closely going forward. It was requested that the Deloitte report be circulated to the full Board.

It was shared that management was in the process of an in-depth review of residual risk across the organization's control processes. The objective of this self-assessment would be to lead to increased business accountability, transparency, and discipline at CFA Institute

Investment Committee (IC)

The IC Chair reported that the committee had reviewed the organization's portfolio and would be considering the tradeoffs between costs and allocations and whether to diversify managers at the next meeting. The active vs. passive debate would be part of this discussion as well. The IC had also reviewed the proposed revisions to the Investment Policy Statement (IPS) and decided to renew the organization's contract with Mercer for one more year.

With regards to the revised IPS, the IC had considered the organization's positions on ESG and worked with Mercer on developing a thoughtful approach. The updates had included reference to the belief that ESG factors could and might very well have an impact on results and that CFA Institute would like to engage with companies on ESG issues, especially firms that aligned well with the organization's governance principles.

Karina Litvack stated what while the revised IPS had been as step in the right direction, it would not position CFA Institute as a thought leader or voice for change. The IC Chair agreed and noted that after this iteration of the IPS had been approved, the next step would be to review which providers had been more active in voting the proxy.

The following resolution was approved:

RESOLVED, that the Board of Governors accepts and approves the revisions to the Investment Policy Statement substantially in the form presented.

Against: Karina Litvack

Abstain: Daniel Gamba, CFA

Karina Litvack clarified that she had voted against the resolution, because she believed that the organization could do considerably more in terms of its leadership position on ESG.

People and Culture Committee (PCC)

The PCC Chair reported that the committee had reviewed the final year-end compensation outcomes, the newly created organizational health scorecard and supporting data, the newly created culture roadmap, the draft compensation discussion and analysis (CD&A) section of the 2020 proxy statement, and the proposed CEO goals for the remainder of FY2020.

There had been a strong focus on developing a more holistic view of the people and culture at CFA Institute.

It was noted that the CD&A would include a reduced number of leadership team compensation disclosures per best practice recommendations.

It was noted that the CEO goals would need to be reviewed and approved by the full Board.

Society Partnership Advisory Council (SPAC)

The SPAC Co-Chairs stated that the council had discussed the composition of the PCR Effectiveness Working Group, the delegation of risks between SPAC and ARC as they pertained to the societies, and the governance issues associated with Societies 2.0, particularly those around professional learning.

FUTURE MEETING DATES AND LOCATIONS

Presenter: Diane Nordin, Board of Governors Chair

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

There had been two changes to the future Board meeting dates and locations. It was stated that the FY2021 Q1 location had moved from Charlottesville to Washington, DC and that the meeting dates had shifted by one day. In addition, it was noted that while Hong Kong would remain the primary option for the FY2021 Q2 meeting, Singapore had been selected as the backup location. The travel and event management team would need a final decision in the next three to six months.

The organization would also be looking at opportunities to hold more virtual meetings when sensible.

OTHER BUSINESS

Presenter: Diane Nordin, Board of Governors Chair

Ms. Bennett, Ms. Brilliant, Mr. Fasciano, Ms. Rothschild, Mr. Yu, Ms. Alexander, Mr. Collins, Mr. Horan, Ms. Littlefield, and Ms. Ennaco attended via conference call.

The Board Chair took a moment to thank the staff for their efforts in making the meetings work in Tokyo and virtually for those in New York and elsewhere.

It was highlighted that Punita Kumar-Sinha had been selected by the *Director to Watch* publication. The group applauded this recognition.

The Board went into executive session.

Meeting adjourned.