

**Minutes of a meeting of the Board of the  
CFA Society of the UK (CFA UK) held at 5.30pm  
on Tuesday 23<sup>rd</sup> June 2020  
by video conference**

**Present:** D Murray (chairman)  
G Cook  
H Eastman  
G Elcock  
W Hung  
A Livsey  
M Lonergan  
F Lundie  
L Matthews  
T Nuding  
K Kosmopoulou  
S Wackerle  
H Thomas  
D Zahn (items 1292 to 1305 only)

**Attending:** B Young (company secretary)  
C Curtin (director of education)  
V French (director of finance & operations)  
W Goodhart (chief executive)  
A Ramsay (director of member services)  
L Gracie (Chadwick Corporate Consulting)

**1292 Apologies for absence**

No apologies for absence were noted.

**1293 Declarations of interest**

The register of directors' interests was noted, there were no changes to make.

**1294 Minutes of previous meetings**

The minutes of the board meeting held on 26<sup>th</sup> May 2020 were reviewed and, subject to some minor changes, approved as an accurate record for signature.

**1295 Matters arising**

The matters arising report was reviewed and noted.

It was agreed that some changes were required to be made to the directors' responsibilities document to reflect the new members of the nominating committee, working group members and to include the year that each director joined the board.

The RAG ratings for the strategic objectives were queried and a brief explanation of the rating for each objective was provided.

**1296 FY21 Forecast**

The FY21 forecast presented at the last meeting had been flexed to provide two further scenarios of a worse and severe case to provide assurance on the society's ability to maintain financial stability in times of severe stress. The scenarios for FY21 and FY22, which had been examined by the finance committee, were reviewed and discussed. The key drivers were ESG and IMC registration and sittings volumes, membership renewals and future CFA funding. The assumptions for each key driver were widely varying for each scenario.

It was noted that an improvement in examination registrations and sittings had been seen in the last few weeks and levels were thought unlikely to fall to those indicated in the severe case. The base case remained the most realistic scenario. It was agreed that should the forecast start to diverge from the base case, the board would be updated. The range of likely outcomes for FY22 were much harder to predict at this time and there was less certainty with those projections.

It was noted that under a severe scenario mitigating actions would be necessary. It was confirmed that no mitigating factors had been included in the scenarios in order to provide an idea of the worst possible outcome.

The possibility of changing the accounting policy for ESG certificate revenue was discussed. Currently the ESG certificate revenue was received upon registration but was not recognised until the student sat the examination. It was proposed to recognise the revenue associated with the supply of learning materials upon registration with the balance to be recognised once the examination had been sat or the time to sit had expired. The matter had been reviewed by the finance committee and the auditor and all parties had been in favour of the revenue recognition proposal. The ESG certificate was in its first year and so changing the accounting practice to reflect the commercial reality of the immediate benefit supplied to students in the form of the training manual would be a legitimate action before year end accounts were finalised. A final check with tax advisors was being made to ensure that the proposal would not have a detrimental effect on VAT payable. It was agreed that, once the VAT treatment had been confirmed, the proposed accounting treatment should be reviewed by the finance committee in advance of the board's approval of the statutory accounts.

It was confirmed that, under the most severe scenario and without mitigating actions, the society had sufficient reserves to cover operating costs through FY21 and FY22. A long-term cashflow forecast was being developed to closely monitor the cash situation.

**1297 Finance report, management accounts and KPIs**

The finance report, management accounts and KPIs were taken as read and noted.

**1298 IT project**

The progress update of the IT project in the chief executive's report was noted.

The draft contract with Trillium had been reviewed by the IT committee and a request to strengthen key protections for the society, including on IP and warranties, had been made. It was hoped that the final form of contract could be swiftly agreed so that the project could continue unimpeded.

A reduced licence fee for years 4-10 had been offered if the society exercised an option to purchase the IP at that time.

**1299 Governance review working groups updates**

**i. Management Committee**

The paper, with recommendations of changes to the management committee as set out by the working group, was reviewed and noted. Changes to the society's articles would be required.

As set out in the recommendations, it was noted that the management committee would be discontinued and a chief executive's meeting would be established as a forum to oversee the implementation of the board's strategic objectives. A monthly chief executive's meeting would be held to ensure that information flowed effectively between the board, staffed office and committees in pursuit of the strategic objectives. All Board members and senior volunteers would be invited.

The decision making process for periods between board meetings was discussed and it was noted that extra ad-hoc board meetings might be required to be convened, as required.

The recommended proposals were approved.

#### ii. Board induction

The paper from the working group formed to review board induction and training was noted.

The experiences of different board members had been considered and the various initiatives had been evaluated. It was proposed that a more formal induction process should be implemented. The feasibility of utilising CFA Discover as a platform to deliver set learning materials required further exploration.

It was agreed that it would be useful to have the new induction process in place for the next director intake this year. The working group would continue to develop plans and provide recommendations at the next management committee meeting.

#### iii. Succession planning

The proposed recommendations for succession planning for officers of the board and the CEO, in the case of the latter for both a planned or unplanned situation, were reviewed and noted.

It was discussed that, by implementing the proposed recommendations, succession planning would become more transparent and the needs of the society could be better met by thinking further ahead about the wide range of skills required on the board and, in particular, the officer roles.

It was suggested that establishing clear role descriptions for officers of the board together with a board skills audit were important elements. It was also suggested that the nominating committee membership should be limited to board members who would not wish and/or be able to undertake an officer role in order to avoid conflicts of interest.

It was agreed that amendments would be made to the recommendations and emailed to the board for approval.

#### iv. Member resolutions

The recommendations of the changes to member resolutions were reviewed and noted.

The requisite number of members to convene an EGM had been carefully considered and left at 5% of members to ensure that whilst members retained this right, a balance was struck so that members would need to overcome a reasonable hurdle in order to deter trivial requests. With that in mind, it was further proposed that the number of members required to support the proposal of a resolution at the society's AGM should be lowered to 100. It was hoped that this would provide a more attractive option to members as an alternative to convening an EGM, which would burden the society with the costs involved in that process. Greater transparency of these rights would be provided.

The board approved the recommendations which would involve changes to be made to the society's articles to implement the changes.

### **1300 Local membership proposal**

The local membership paper was reviewed and noted.

The offering of additional routes to local membership was considered a way to widen the reach to potential members which was an important long-term strategic objective.

It was proposed that a local membership category be offered in two phases, phase one being opened to ESG certificate holders and graduates of the CFA level 1. Phase two would open local membership in the longer term to a wider number of professionals within the industry. Criteria for that category had not yet been established but it was discussed that there might be a minimum requirement for a CFA member referee and/or having to sit a professional ethics examination.

It was noted that local members would be expected to comply with the same code of conduct attestation as full members, not including section seven which related to CFA Institute requirements.

Whilst exploring the potential options of local membership, it was suggested that a review and simplification of the current membership categories should also be considered.

It was agreed that clear distinction should be made between full charterholders and those members without charter status in order to avoid dilution. Suggested names for the local membership category were discussed. It was suggested that a category to include CIPM qualified members should also be considered, as well as graduates of the IMC.

Feedback from the board was invited to be emailed to the chair by 3<sup>rd</sup> July 2020. It was agreed that a more detailed proposal would be presented to the management committee in July.

#### **1301 Ethical leadership programme**

The ethical leadership programme paper was reviewed and noted.

The working group had conducted a comprehensive review of the existing programme taking into consideration the accessibility, impact and value for money for participants. The positive feedback received from the alumni of the programme had also been considered. Despite changes to the cost and price point, running the programme was still expected to be a loss making exercise unless more than 15 participants registered.

Providers had been reviewed and it had been recommended to remain with the existing providers, Duke, although a reduction in the number of proposed alumni events included in the proposals would be made to further cut costs.

It was agreed that the ethical leadership programme was a valuable offering and the programme would be run in 2021. Due to COVID-19, it was proposed to postpone the programme until Autumn 2021, which would provide more time to sell the programme. It was agreed that the alumni events could be run by the providers in the meantime.

#### **1302 ESG partnership with CFA Institute**

The proposed framework setting out the parameters of partnering with CFA Institute to deliver the ESG certificate, which had been agreed at the last board meeting and shared with CFA Institute, was noted.

The Institute was keen to move ahead quickly and some preliminary discussions had been held. It was proposed that the “white labelling” stage be split into two phases, phase one to involve the Institute with marketing and distribution of the ESG certificate and phase two to transfer more operational responsibilities to the Institute.

A memorandum of understanding was being drafted to set out the major principles of how both parties would work together. It was confirmed that check point processes, discussed at the last meeting, would be included. Assurance was provided that the society remained alert to the risk of being bound to an agreement that might become disadvantageous in the future.

#### **1303 Climate change certificate**

The climate change paper, setting out the results of the scoping process and proposals for proceeding, was reviewed and noted.

The market research that had been undertaken had suggested there would be significant interest and appetite for a climate change certificate.

The proposal to form a climate change working group to develop a syllabus was approved. There would be no external costs at this time. It was noted that a proposal to commission learning materials would be presented to the board in September 2020.

#### **1304 Update on action against Charlie Cruz**

An update on the action against Charlie Cruz, provided in the chief executive's report, was noted. It had been confirmed by Trowers and Hamlins that it would not be necessary for CFA Institute to be involved in the action.

It was agreed that a review of the current legal advisors would be considered in due course.

#### **1305 Business plans**

The draft business plans supporting strategic objectives of the society were noted.

It was discussed that CFA Institute required final business plans to be submitted by 30<sup>th</sup> June 2020 to support funding applications.

It was suggested that there was a need to enhance inclusion and diversity aspects within the business plans. Plans of initiatives of an inclusion and diversity nature would be shared with the board, it was confirmed that a full calendar of events was currently being finalised and work with the Institute had increased. A full update would be provided at the next board meeting but no change to reflect these initiatives would be included in the current submission.

The board approved the draft business plans and delegated authority for final approval of the plans and full forms for submission to the treasurer.

#### **1306 Risk Register**

The updated risk register was taken as read and noted.

It was suggested that columns be included to record when the risk was last assessed and would next be reviewed and also to include details of possible controls and mitigants. References to "COVID-19" should be changed to "pandemic" and other possible business interruption scenarios, such as terrorism, should also be included. Further comments were invited to be sent by email by 3<sup>rd</sup> July 2020.

It was noted that, during the COVID-19 pandemic, the society had been operational almost without interruption, signifying that risk management processes and planning had been carried out effectively by management and the staffed office.

#### **1307 Any other business**

##### i. Nominating committee

The recommendation of the nominating committee to appoint Lucy MacDonald, ASIP as the independent member of the committee, was reviewed.

It was noted that two members of the board, Katerina Kosmopoulou and Tim Nuding, had previously worked with Lucy.

The appointment was approved.

##### ii. ESG certificate partnership working group

It was noted that a working group would be established to manage the ESG certificate partnership with CFA Institute. Individual board members would be contacted in the near future.

#### **1308 Date of next meeting**

It was noted that the next board meeting would be held at 5.30pm on Tuesday 29<sup>th</sup> September 2020 either by video conference or at EFG Asset Management, Leconfield House, Curzon Street, London W1J 5JB to be confirmed nearer the time.

It was noted that the next management committee meeting would be held at 5.30pm on Tuesday 21<sup>st</sup> July 2020 by video conference.

There being no further business the meeting closed at 8.10pm.

4<sup>th</sup> Floor, Minster House  
42 Mincing Lane  
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Signed: \_\_\_\_\_

Dated: \_\_\_\_\_