

**Minutes of a meeting of the Board of the
CFA Society of the UK (CFA UK) held at 5.00pm
on Tuesday 16th March 2021
by video conference**

Present: D Murray (chair)
G Cook
H Eastman
K Ferguson
W Hung
A Livsey
M Lonergan
F Lundie
L Matthews
T Nuding
K Kosmopoulou
H Thomas (from item 1352)
D Zahn
G Elcock

Attending: B Young (company secretary)
W Goodhart (chief executive)
C Curtin (director of education)
V French (director of finance & operations)
A Ramsay (director of member services)
L Gracie (Chadwick Corporate Consulting) (from item 1352)

1347 Apologies for absence

There were no apologies for absence.

1348 Declarations of interest

The register of directors' interests had been updated for 2021 and was noted. It was confirmed that the interests of Graham Cook had remained unchanged from the previous review and therefore also remained correct.

1349 Minutes of previous meetings

The minutes of the board meeting held on 26th January 2021 were reviewed. An amendment to, and omission from, the minutes was queried and would be reviewed. The minutes would be re-submitted to the board for approval at the next meeting.

1350 Matters arising

The matters arising report was reviewed and noted. It was agreed that the directors' responsibilities schedule be reviewed and updated before the next meeting.

1351 Sustainability working group interim report

The sustainability working group interim report was reviewed and noted. The intention of the group was to produce recommendations, on becoming a sustainable organisation and the society's role in contributing to sustainability in wider society, for consideration at the April strategy meeting. The group was in contact with CFA Institute on the issues which included qualifications, education, standards setting and advocacy.

The fast-moving nature of sustainability issues was emphasised together with the need to take account of relevant EU developments impacting the industry. A member consultation was planned and options for its format and areas of focus were outlined.

1352 Content steering committee report

The content steering committee report was reviewed and noted.

The structure of the committee and associated working groups had been successfully re-configured to enhance working practices, co-ordination and communication.

The progress made in the delivery of content through CFA UK Discover was highlighted. It was noted that content was also being published on other platforms to continue the testing regime to establish the most effective format of content. The testing results and user data metrics being gathered would be analysed to identify trends to inform the production of the most effective and engaging content.

Content being added to CFA UK Discover continued to be mapped to competency framework attributes, with approximately 80% of current content being mapped. The content connected to the competency framework was proving less engaging to users but was a useful tool for classifying content.

The challenges of staffed office time constraints and technology limitations were discussed. The capability to segment and target members with pertinent content was not currently available through CFA UK Discover, although the new CRM would be able to facilitate such functions. The staffed office was adjusting the tools available in CFA UK Discover to segment as effectively as was possible.

The opportunity to increase reach of the service through engagement with employers was discussed but was not considered appropriate due to the reluctance of employers to pay for content and the amount of resource required to provide the service. The curation of content, to provide clear direction and delivery to members, was considered the best focus of attention.

Content for professional development activity could be refreshed more regularly and swiftly than qualifications and the risk of a lack of alignment should be considered. Thought would be given to this in the strategy session.

1353 Ethics steering committee report

The ethics steering committee report was reviewed and noted. A summary of the progress made in the last year to increase engagement was discussed.

The possibility of the society engaging with the general public, as well as members, to better promote the ethical image of the industry, was discussed. Collaboration with the sustainability working group for an outreach programme would be considered, as well as working with the professionalism steering committee to address ethical viewpoints in their publications.

The momentum created in the ethical steering committee was noted to be a great enhancement within the group and the plans for the future were promising.

The objective of helping members to apply an ethical mindset to their actions was discussed and the opportunity to integrate ethics more widely into the society would be further discussed at the strategy meeting.

The work in collaboration with the ethical leadership working group was noted. Some content from the ethical leadership programme would be repurposed through the ethics steering committee.

It was agreed that the society's ethics survey would be re-launched and invitations to participate would be extended to the general public, as well as members, to canvass a wider, more independent opinion. Suggestions of specific ethical issues could be requested in the survey. The professionalism steering committee had also discussed gauging public perception of the industry through the outcomes of the trust survey usually conducted by CFA Institute. It would be confirmed if CFA Institute intended to conduct their trust survey in the near future.

1354 Fellowship committee and advisory and asset owner council's update

The board report on the fellowship committee and the advisory and asset owner councils was reviewed and noted.

It was noted that Richard Dunbar would be taking over as chair of the fellowship committee. The committee was due to conduct fellowship elections this year however, considering the unusual events of the last year, it might be considered appropriate to postpone the elections until 2022.

The fellowship election process was noted to be a formal process that nominated candidates mindful of the need for diversity.

Ways to encourage more interaction between the fellows on the society's strategy would be considered.

The advisory council required additional members. The members were usually CEOs of firms from the industry. It was suggested that it could be potentially beneficial to involve the advisory council in the future in matters of education and qualification development. The council had provided guidance in relation to the direction of the society's strategic plans.

1355 Professionalism steering committee proposal

A verbal update was provided following the professionalism steering committee meeting held last week.

The communication between the professionalism steering committee and the board operating under the current arrangements was thought to be sufficient considering the board member representations on the committee. The concern that more board review opportunities prior to publication of consultation responses would increase the bureaucracy and potentially create delays, was noted. Therefore, it was agreed that the papers that were considered particularly sensitive would be prioritised to allow for more time for board review prior to publication. In addition, it was proposed the committee would align the schedule of papers and consultations to the society's strategy following the strategy meeting.

1356 Board matters

The board matters report was reviewed and noted.

i. Board effectiveness

The proposal for the company secretary to conduct a review of the board's effectiveness by questionnaire to each director was considered and approved. The results of the review would be provided at the board meeting in July.

ii. Determination of membership dues 2021/22

The paper setting out the determination of membership dues for 2021/22 and the recommended proposal was discussed and noted. It was proposed that membership dues would remain unchanged from the current year at £120 and \$165.

The rounding down of the US dollar rate for members was queried. It was agreed to be more appropriate to round down considering the favourable exchange rate received from the Institute and given the society's strong reserves position.

After careful and due consideration, the membership dues proposal was approved.

iii. Nominating committee recommendations on succession plan for officers

It was noted that the nominating committee had confirmed that the three directors, who had expressed an interest in succeeding to officer roles: Lindsey Matthews as chair; Tim Nuding as vice chair; and Hilary Eastman as treasurer, should commence shadowing the respective roles with a view to formal appointment after the AGM 2021.

iv. Code of conduct review

The current version of the code of conduct was reviewed.

It was agreed that the media engagement point should be clarified to specifically relate only to media comment relating to CFA UK. It should also be added that a member of the leadership team or an officer should be able to provide authority in the event the CEO was unavailable.

A suggestion to increase information relating to stakeholder engagement, specifically with other CFA societies, was discussed. It was also suggested that the complaints handling procedure, referred to in the code of conduct, should be reviewed to ensure it is appropriately robust.

It was agreed that the word 'undue' be removed from 'undue bias' in the second section of the code of conduct and to increase the clarity of the sentence in the appointment tenure section relating to disqualified directors. It was also agreed to include a section relating to the disclosure of gifts and

hospitality received over a set amount from CFA UK or connected sources. The code of conduct was approved subject to the changes discussed.

It was agreed that media briefing notes would be provided to board members relating to the society's promotion of the certificate in ESG investing and certificate in climate and investing in the run up to COP26.

v. Update on strategic planning meeting

The plans being developed in preparation for the strategic planning meeting were noted and discussed. The importance of the strategy session was emphasised and the co-operation and interaction of all board members was appreciated.

The intention to refresh the society's mission statement prior to the strategy meeting was noted. A survey would be issued to canvass board members' views of the society in the next five-year horizon, the results of which would be analysed and presented at the strategy meeting. An additional SWOT analysis was also requested to be completed by each member.

Pre-strategy meeting briefing sessions had been arranged via Zoom for the mornings of 30th and 31st March with David McCann and Alex Birkin who would each provide a view of developments within the industry. It was confirmed that the sessions would be recorded for playback at a later date if board members were unable to attend live. It was requested that any questions be submitted by email prior to the session if live attendance was not possible.

The logistics of holding the meeting in person in London were discussed. It was confirmed that business meetings were permitted to be held under Government guidance regarding COVID-19. A suggestion to use the CFA Institute conference facility would be explored and the possibility to hold the meeting both in person and virtually was considered. Board members would be asked to feedback their personal preference in relation to the meeting arrangements, although it was confirmed that, for board members living in Scotland, long distance travel was not permitted until after 26th April 2021.

1357 Chief executive's summary

The chief executive's summary report was taken as read and noted.

i. ESG and Climate certificate

It was confirmed that the CFA Institute press release promoting the collaboration and global roll out of the certificate in ESG investing had been published on 16th March 2021.

The current run rate of 160 registrations per week was noted.

A concern regarding the long delay between registration and the sitting of the examination or the expiration of the registration, where the examination was not taken in time, was discussed. It was confirmed that candidates who had registered were sent regular reminders to sit the examination in the allotted time. It was confirmed that extensions of the registration period were allowed on a discretionary basis but a blanket extension had not been offered to ESG certificate candidates. The possibility that candidates registered to access the study material without the intention of sitting the examination was discussed. It was also suggested that the closure of the physical test centres might have been a contributing factor but more understanding of the reasons behind the large number of expirations was required and that candidate data for those who had not sat the examination should be analysed for any suggestive trends. It was agreed that a short survey would be sent to those candidates who had not taken the examination to ascertain if there were any common reasons.

The authors for the majority of chapters for the climate in investing certificate had been engaged and chapters were being received or due to be received in the near future. It was proving more of a challenge to find authors for the last two chapters and work continued to secure writers. Identifying item writers had progressed well and it was possible to save time in that process to make up for the lost time relating to the writing of the final two chapters.

ii. Reforecast for FY21

The updated re-forecast paper for FY21 was reviewed and noted. The re-forecast projected a total surplus of just over £1m and an operating surplus of £583k. ESG certificate sales were the main driver behind the increase in revenue, with total ESG certificate revenue projected at £2.1m for the full year. It was noted that the reduction in revenue to 35% of ESG certificate sales was expected to be effective from the autumn when the first phase of the operational transfer of the certificate to CFA Institute was likely to be implemented. Given the change in revenue basis and significance of revenues from the ESG certificate, it was agreed that possible scenarios should be examined.

Preparations for the year end included ensuring the IT project costs were appropriately accounted for and reviewing general provisions.

It was discussed that the operating reserve account was currently holding 43% of total reserves and that a systematic plan to transfer funds to investment reserves would be helpful to give the investment committee sufficient time to plan the investment strategy. It was agreed that the treasurer would communicate the results of the annual calculation of the target amount to be held in operating reserves, and any decision to move cash between reserves, to the chair of the investment committee.

It was also agreed that providing directors with the operating reserves policy and investment reserves policy be included in the induction process. The policies would be circulated to the new director.

Considering the future revenue streams in US dollars expected from CFA Institute, in relation to the ESG certificate, it was agreed that implementing a hedging policy would be beneficial. The hedging policy would need to be in effect for FY22. The hedging projections would be reviewed and a policy drafted.

iii. IT project update

The updated IT project paper was reviewed and noted.

It was confirmed that the shop re-write had been completed in time for the ESG certificate launch with CFA Institute. Thanks were extended to the Head of IT who had been instrumental in achieving this deadline.

The large number of bugs in the CRM dynamics phase 1a had been addressed directly with Trillium. A plan to resolve the issues had been developed, which included a second testing regime and regular review meetings with senior Trillium representatives had also been agreed to monitor progress. The second testing round had been proceeding better than the first round with fewer bugs being identified.

It was noted that, to de-risk the implementation of the next stage, phase 1b, a project board would be set up to enable a more robust oversight of progress of the phase and to raise concerns quickly, if necessary. The terms of reference for the project board would be shared with the IT committee for review in the coming week. The cost of phase 1b had increased by £29k, as a result of the increased governance required.

It was noted that, since January, the IT project cost had increased by £42.8k to a total project cost of £985k. Further cost increases to the total project were expected due to a more detailed focus on the IT requirements of the society.

It was confirmed that communication levels between the staffed office and the IT committee had increased and this was helping to keep everyone informed.

iv. Office move and plan for returning to work

It was noted that the society's landlord, The Master Wardens and Commonalty of Freemen of the Art or Mystery of Clothworkers of the City of London, had confirmed that an extension of the current lease might be possible, although this was dependent upon enough of the other tenants of the building confirming their intention to extend their leases too. Therefore, it was proposed that Kinney Green, property consultants, be engaged to act on the society's behalf to negotiate an extension of the current lease with the landlord and/or to search for alternative premises. It was noted that the current lease terms were favourable and a move to a new office would likely be more expensive.

The appointment of Kinney Green was approved.

1358 Finance report, management accounts and KPIs

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

The operating surplus for the first seven months of the year to 31st January 2020 was £905k compared to £330k surplus for the same period for the prior year. It was noted that £118k of costs had been expensed for the IT project in January. The management accounts to the end of February 2021 were now available and these would be uploaded to CFA UK Connect for review.

Despite the large increase in revenue from the ESG certificate, there was still concern regarding a decline in membership levels and the revenue generated. The membership analysis from last year was reviewed and it was noted that revenue had been reduced due to the absence of the level three CFA program cohort. The levels of local members were also lower and ways to generate more membership through students passing certificates should be considered.

The plans of CFA Institute to re-instate the foundations certificate in the UK were noted.

1359 Any other business

i. Proposed sabbatical policy

A proposed sabbatical policy had been drafted and would be circulated to the board for review.

ii. Proposed impact in investing certificate working group

It was proposed that a working group of the E&E committee be set up to explore the option of developing an impact in investing certificate.

It was noted that there was an active impact investing SIG and that members of the SIG should be contacted to collaborate on this matter.

The establishment of the working group was approved from June 2021 when the staffed office would have the bandwidth to support the working group.

iii. Retail investor issue

It was noted that concerns had been raised by a retail investor regarding a matter of member ethics. The matter was being referred to the disciplinary committee.

1360 Date of next meeting

It was noted that the strategy meeting would be held on Tuesday 20th April 2021 at 3.00pm. The final arrangements for the meeting would be confirmed nearer the time.

There being no other business, the meeting was closed at 7.33 p.m.

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Signed: _____

Dated: _____