Minutes of a meeting of the Board of the CFA Society of the UK (CFA UK) held at the offices of USS, 60 Threadneedle Street, London EC2R 8HP and via Zoom at 5.00pm on Tuesday 12th July 2022

Present:	L Matthews	chair
	H Eastman*	
	G Elcock*	
	K Ferguson*	
	W Hung*	
	K Kosmopoulou*	(items 1441 to 1448)
	P Lenoble	(items 1445i. to 1450)
	F Lundie	
	T Nuding	
	S Solomon	
	H Thomas*	(items 1446 i. to 1446 vii. only)
	D Zahn*	(items 1441 to 1446 vii only)

Attending:

B Young (company secretary)
W Goodhart (chief executive)
C Curtin (director of education)
V French (chief financial officer)
A Ramsay* (chief operating officer) (items 1445 to 1450 only)
L Gracie (Indigo Independent Governance)

* denotes attendance via video conference

1441 Apologies for absence

There were no apologies for absence.

1442 Declarations of interest

The register of directors' interests was noted. It was noted that a change to the directors involved in the volunteer orientation working group had been notified by email to the company secretary and the updated responsibilities schedule would be included in the pack for the next meeting.

1443 Minutes of previous meeting

The minutes of the board meetings held on 26th April 2022 and 26th May 2022 were reviewed and approved as accurate records for signature.

1444 Matters arising

The matters arising report was reviewed and noted.

Board members had been invited to provide feedback to the chief executive on the strategic objectives at the last meeting but none had been received. The option to discuss the objectives with the chief executive and/or chief operating officer remained open but the action point would be closed.

It was confirmed that the finance committee had discussed auditor independence and was satisfied that the both the length of time the auditor had been appointed and the non-audit work that was carried out did not compromise independence. The committee were noted to be mindful of the best practice governance guidelines for larger organisations, not applicable to the society but advocated by it, regarding independence and partner rotation and had committed to monitor the position on an annual basis.

It was confirmed that changes to the professional steering committee terms of reference were in progress.

1445 Committee reports

i. E&E committee report

The report of the E&E committee was taken as read and noted. The E&E committee chair highlighted the bandwidth challenges being faced by the recent widening of the committee's remit to include the oversight of professional learning plans. It was noted that the committee membership would be increased from 13 to 15 to assist with the additional workload resulting from this change. Recruitment for the new members would commence and early career professionals would be encouraged to apply to assist the committee with considering the direction career development examinations could take from the perspective of the younger members. The decision to increase the committee membership was discussed and it was agreed that information would be provided to the volunteer orientation working group to note

The chair, having been the former chair of the E&E committee, fully supported the increase in members particularly with the increase in workload.

It was confirmed that the ESG certificate transition had now been completed but ESG registration numbers were still being monitored by the ESG panel on a monthly basis.

The relationship between the E&E committee and the IMC panel was queried and it was confirmed that this was strong with lots of collaborative work continuing under sub-groups. It was also noted that a business review of the IMC offering was being carried out, which was strengthening the relationship between the two groups.

It was suggested that, based on feedback which had been received from members, the E&E committee should retain some focus on traditional investment analysis as well as the newer investment areas. The business review of the IMC was considered a positive workstream in this regard.

ii. Scottish committee report

The report of the Scottish committee had been uploaded to CFA UK Connect earlier that day and was noted. The COO summarised the progress made since the last report and highlighted the participation of the committee chair and chief executive with the Government's Green Finance taskforce and the Global Ethical Finance Initiative.

The committee was focusing on careers in Scotland and it was planned that a survey about ESG would be launched later in the year. Potential partnerships with Scottish universities would also be researched and explored. The links with Scottish universities were strong due to the connection with a number of senior CFA UK members. The committee also ran events in partnership with Edinburgh business school.

The overall outreach strategy was discussed and it was agreed to be a benefit to the society to increase outreach to new and existing members during times of economic challenge to demonstrate the value of being a member. It was also agreed that increasing outreach would be good to mitigate current negative media attention on CFA Institute.

The committee re-iterated its request for dedicated staffed office support for outreach activities. It was confirmed that dedicated support was not likely to be possible within the forecast for the next year but that support could possibly be provided for a short-term project. It was agreed to review the request in six months' time when IT and transformation costs were more certain.

iii. Investment committee semi-annual update

The investment committee semi-annual update report was taken as read and noted. The finance team was thanked for providing June-end numbers quickly so that the committee chair could report back to the board in time for the meeting.

Despite the huge efforts to diversify the portfolio in response to the challenging market conditions, it was noted that a loss on the value of the investments had been made since the last report. The value had decreased 7.8%% for the 12 months to 30 June and now stood at a total value of £6.14m.

The portfolio was being moved towards a more defensive position. The weighting for each asset class was noted to be 33.6% in fixed income, 34.2% in equities, 24.4% in other and 7.8% in cash.

It was expected that the market would remain challenging for at least six months to a year. It was queried to what extent the losses had been crystalised in the portfolio and it was confirmed that mark-to-market figures were included in the management accounts on a monthly basis. There had been some limited crystallisation of losses, however, the value of the investments may return to their previous higher values in future, once the markets recovered following a potential recession and inflation rates returned to regular levels.

It was confirmed that the contract with Morningstar had commenced to receive investment data and a part-time consultant had also been hired.

The succession plans for the chair of the investment committee, who was due to stand down in January 2023, were queried and discussed. It was noted that the current chair would remain on the committee and that there was scope for him to remain in office for a further five years, if he agreed, although this was not planned. There were currently two options available, either the current vice-chair was appointed as chair in January 2023 or at a later date, or a new chair was recruited. The directors on the committee together with two other Directors were continuing to deliberate over the succession plans. It was confirmed that a recruitment drive for investment committee members was being planned.

1446 Board matters

Strategic

The strategic summary report was reviewed and noted.

i. Strategic objectives

The proposed objectives for FY23 were taken as read and noted. The changes that had been made to the objectives since the last board meeting were noted to relate mainly to timings and some refinement of details.

The objective relating to the professional learning plans was queried and it was noted that this had been an objective that had carried forward from the previous year. Work to plan out the format of the first pilot professional learning plan, ESG, had begun. The number of plans was queried as being suggested to be too many considering the workload required, however, it was suggested that development of the framework of the plans was the most time-consuming part of the process and to tailor each plan to a specific area would be less onerous and therefore the objective was considered to be manageable.

It was noted that, in order to achieve the objective relating to sustainability reporting in the FY23 report, measures and targets would need to be put in place as soon as possible in order to monitor and report against something meaningful next year.

The way in the which the engagement in communities would be measured was queried. It was confirmed that engagement would be monitored through activity in CFA UK Connect. It was clarified that only active participants should be classed as engaged and this would be updated in the objective.

The pilot statistics objective for the impact investing certificate were queried in comparison to historical metrics for the ESG certificate and climate certificate. It was noted that a more detailed satisfaction survey would be taken in the future to split out satisfaction measures in relation to learning materials and content and the overall experience. It was considered that the targets were appropriate.

It was queried what plans had been made to scope the next potential certificate after impact investing and it was confirmed that ideas for a certificate in bio-diversity had been considered but no scoping plans had yet been made. The IMC strategic review was also planned. It was considered important to horizon scan and plan in advance to keep ahead of trends. It was agreed to be important to provide members with relevant and new products but, at the same time, focusing resourcing on the society's transition activities was equally important.

It was suggested that membership numbers below forecast might point to less focus on membership activity and distractions from other areas.

The engagement statistics were queried and it was confirmed that a better engagement rate was being achieved with new members. It was agreed that this was a useful KPI to monitor.

The staff turnover objective was discussed. It was not considered an increasing trend or a problem that staff members sometimes moved to CFA Institute. In fact, it was often considered a benefit to have this connection with the Institute. The overall staff retention issue and the potential root causes were also discussed and it was hoped that, now an HR manager had been appointed, recruitment and retention management could be improved.

Subject to the minor changes discussed, the one-year strategic objectives were approved.

ii. Transition roadmap

The transition roadmap was reviewed and noted. The roadmap had been prepared in readiness for the transition working group. Good progress had been made on the transition work so far. It was confirmed that a senior technology officer and a transition manager had been recruited and the staffed office had been re-organised with two internal promotions. Five squads had been set up within the staffed office to encourage collaboration across workstreams. Each squad was tasked with a specific workstream which should take approximately three months to complete. The bandwidth of the staffed office was queried. and it was confirmed that it has been made clear to staff that they should prioritise work that would contribute towards the one-year objectives.

It was confirmed that a transition working group would be set up with board members, however a chair and other members of the group had not yet been identified. Board members were invited to put themselves forward for the roles. The working group would monitor progress on a monthly basis and release funds on behalf of the board.

It was confirmed that the COO would provide a transition update at each board meeting going forward.

iii. Forecast FY23

The forecast for FY23 was reviewed and noted.

The FY22 communication cost estimate was £100k lower than the reforecast and it was queried whether the climate certificate registration numbers were lower due to less marketing and communication activity however this was confirmed not to be the case. The underspend in communication costs related to changes taking longer than originally thought and the spend being delayed. An acquisition campaign was being planned for the climate certificate and a spend of approximately £25k to £35k would be proposed at a future board meeting.

The cause of the current low level of climate certificate registrations was thought to be due to the length of the materials. A shorter Version 2 of the materials was currently being developed and would be launched in December 2022. Confidence was high that a reduction in the volume of the materials and content would increase attractiveness to candidates. It was confirmed that an estimate was included in the FY23 forecast for the possible sale of the IP for the climate certificate.

It was requested that transition costs be separated out in the management accounts in FY23 and it was confirmed that this would be possible for IT and consultancy costs and brand work. The additional costs for people would be more complex to allocate and therefore it was suggested to continue reporting those staff costs within the standard profit and loss account.

It was confirmed that profits or losses from revaluation of investments were not normally included in the forecast although a low value of receivable dividends and interest were included.

The forecast for FY23 was approved.

iv. Brand development roadmap

The brand development roadmap was taken as read and noted.

It was confirmed that a dedicated squad in the staffed office was monitoring progress on brand development. It was expected that a brand concept would be delivered at the end of July 2022 and would be circulated to the board.

It was confirmed that the brand development work was on track and continued progress would be shared with the board regularly.

v. Staffing and recruitment

The staffing and recruitment update in the strategic summary and the updated organisation chart were reviewed and noted.

Concern was raised that staffing levels were being increased in a time of economic uncertainty and it was suggested that the staff plans be reviewed and reduced. The impact on the society in previous recessions was discussed and it was noted that there had previously been quite a lag before reduction in renewals had been seen following an economic downturn. It was confirmed that a reduction of the staff expansion proposal would directly impact on the one-year objectives and what could be achieved in the timeframe. It was agreed that the one-year objectives and the staff recruitment plan would be reviewed to identify any areas that could be paused or postponed if the need arose and an update would be provided at the October board meeting.

The level of staff turnover was discussed and it was confirmed that the HR manager would look at problematic areas and consider re-organising teams to reduce staff exits. A focus would be placed on quality hirings and retention of key skills. It was also considered that the increase in turnover was a catch-up effect of the pandemic and a result of the active job market.

It was suggested and agreed that additional staff surveys would be conducted to focus on job satisfaction and the changes made under the re-organisation and the move to the new operating model.

It was confirmed that Ashley Ramsay had been promoted to chief operating officer. It was noted that the chief executive would be taking a six-week sabbatical shortly.

Governance

vi. Risk register

The revised risk register, the summary note and the summarised register, were reviewed and noted.

It was confirmed that the risk of recession was covered in risk 2.

The risk of revenues from CFA Institute being reduced and the extent of the society's reliance on the revenues were discussed. It was confirmed that funding received from the Institute was limited compared to revenues from other channels and therefore the risk was low in that regard

Inflationary pressure had been flagged as a likely risk due to contract costs which were in some cases, linked to RPI. Inflationary rises were also relevant to staff costs. Increases in these costs had been included in the forecast assumptions based on the best estimate and would certainly be classed as a risk if the assumptions were correct.

Risk 21 regarding selling investments was discussed and it was noted that investments were already in some instances being sold and the proceeds re-invested, albeit this was due to a re-organisation of the portfolio rather than the need to release cash. The investments are marked to market and reflected in the profit and loss account on a monthly basis.

It was suggested that people risk be moved to an operational risk category from the legal and regulatory column and it was suggested that a people management risk should also be added.

It was queried whether transition risk and brand risk should be separate risks in their own right. It was noted that risk 9 covered project delivery risks. It was agreed that the director of finance would review the approach and split out as she thought most appropriate.

The work on the risk register carried out by the treasurer, director of finance and the finance committee was acknowledged and thanks were extended to all involved.

Subject to the minor amendments discussed, the risk register was approved.

vii. Volunteer orientation working group

The volunteer orientation working group paper was taken as read and noted.

The working group had made good progress so far and a more detailed update would be provided at the October Board meeting.

vii. Sustainability committee governance proposals

The sustainability committee terms of reference, which had been uploaded to CFA UK Connect, were reviewed and noted.

It was confirmed that the committee had appointed a sustainability consultant who it was planned would help drive sustainability activity for the organisation.

It was suggested that representatives of CFA Institute and the finance committee be invited to join the committee to create stronger collaboration in this area.

The sustainability committee terms of reference were approved.

viii. Director corporate governance training proposals

The director training paper and the potential trainer interview notes were reviewed and noted. It was planned that a full two-day director training course would be arranged for November 2022 so that newly appointed directors could also attend the course. It was also suggested that the COO, together with any directors who had previously attended the IOD course but wished to have a refresher, participate in the training.

The vice chair and the shadow vice chair had interviewed three potential course providers and their findings were discussed. It was confirmed that all providers covered directors' statutory responsibilities but each delivered the content and additional aspects in a different format.

It was confirmed that the cost of the training had not been included in the forecast but would be added.

It was agreed to accept the recommendation of the vice chair and shadow vice chair on the choice of training provider.

The vice chair requested that any feedback from the directors due to take the training be sent to the vice chair, shadow vice chair, chief executive and COO by email.

ix. IMC price increase proposal

The proposed IMC price increases were reviewed and noted. It was proposed that IMC registration and OTM prices increase by 7% due to the increase in Pearson Vue costs of 7.5%. The proposals had been agreed by the E&E committee and the finance committee and had been taken into account in the forecast FY23 assumptions.

After due consideration the price increased was approved.

x. HSBC foreign exchange facility

The HSBC foreign exchange facility agreement was reviewed and noted.

It was queried why the facility had a daily settlement amount of $1.75m, which seemed to be higher than the society's needs. It was agreed that it would be explored with HSBC if the daily settlement amount could be reduced and if that would, in turn, reduce the capital requirement amount.

Subject to the exploration of the reduction of the daily settlement amount, the HSBC facility was agreed.

It was noted that HSBC UK Bank plc (the Bank) had agreed to provide the Company with certain uncommitted facilities including (as applicable) a forward exchange contracts facility (the Facility) and that it was a condition of the Facility that the Company grant security to the Bank to secure its obligations to the Bank.

There were produced to the meeting the following documents:

1.1 an uncommitted facility agreement, which included the terms of the Facility; and

1.2 certificates and any other documents to be signed and/or delivered by the Company to the Bank in connection with the Facility, (together, the Documents).

Those Directors present at the meeting who had interests in the matters under consideration declared those interests and it was noted that a quorum was present.

After considering the financial position of the Company and its future requirements and after giving consideration to the requirements of sections 171 to 177 of the Companies Act 2006, IT WAS UNANIMOUSLY RESOLVED:

(a) THAT entering into the Documents would be most likely to promote the success of the Company for the benefit of its members as a whole and to do so would be of commercial benefit to the Company;

(b) THAT the Company should sign or execute and deliver the Documents to the Bank and that any two Directors are authorised (or where the Company has a sole director at the time it executes the Documents or where it is otherwise agreed by the Bank, any one Director is authorised) on behalf of the Company to sign or execute any Document, including any amendments made to it, (other than any Document which needs to be signed as a Deed) or THAT the Company's seal be affixed thereto as appropriate;

(c) THAT two Directors, one Director and the Company Secretary or One Director in the presence of a witness is/are authorised on behalf of the Company to sign or execute any Document, including any amendments made to it, which need to be signed as a Deed or THAT the Company's seal be affixed thereto as appropriate;

(d) THAT any of the persons authorised in (b) and (c) above are authorised to sign, dispatch or deliver any other documents required by the Bank in connection with the Documents.

The director of finance would arrange for a certified extract of the resolutions passed to be signed by the chair and submitted to HSBC.

xi. Bank mandate update

An update to the bank signatory mandate was proposed, to authorise the treasurer, chief executive and director of finance to be authorised signatories for both HSBC and RBS bank accounts and to remove the former treasurer, Matthew Lonergan as a signatory. The resolutions were agreed as follows:

HSBC Bank mandate amendment

IT WAS RESOLVED that the Signing Rules in the current HSBC Mandate, for all the bank accounts held at HSBC be updated as per the following:

The Bank may act on the instructions of:

- Any authorised signatory for amounts up to and including £5,000 from either Group A or Group B; and
- Two authorised signatories for amounts greater than £5,000, with one signatory being from Group A and one from Group B.

Royal Bank of Scotland (RBS) Bank mandate amendment

IT WAS RESOLVED that the Signing Rules in the current RBS Mandate, for all the bank accounts held at RBS be updated as per the following:

The Bank may act on the instructions of:

- Any authorised signatory for amounts up to and including £5,000 from either Group A or Group B; and

- Two authorised signatories for amounts greater than £5,000, with one signatory being from Group A and one from Group B.

The director of finance would arrange for a certified extract of the resolutions passed to be signed by the chair and submitted to HSBC and RBS.

It was proposed by the treasurer and finance director that an additional signatory for group A be authorised to provide cover in the absence of the treasurer. It had been discussed that this might potentially be the vice chair of finance committee. Some concern was raised about the need for the second group A signatory to be board member considering the responsibility it would involve. It was noted that the board nominations process was in progress and perhaps a finance orientated board member would be appointed who might join the finance committee and become the second group A signatory. It was therefore agreed to carry forward the proposal to the October Board meeting when the matter could be discussed further.

1447 Chief executive's report

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

i. ESG and climate certificate updates

The ESG and climate certificate updates were taken as read and noted.

ii. CFA Institute discussion regarding climate certificate

The update on the discussions with CFA Institute regarding the climate certificate was reviewed and noted.

The developments were discussed. A letter was expected from the Institute which would outline the full situation. A response to the letter was unlikely to be possible until the board and the chief executive could be consulted in September. It was agreed that a rushed response was not beneficial and a considered approached should be taken.

iii. CFA Institute update

The update report on CFA Institute was reviewed and noted. Changes to the CFA program were planned but, in the meantime, some recovery on registration numbers and pass rates had been seen since the pandemic. The timing of the changes to the CFA program had not been confirmed but it was thought possible that the aim was for level 1 to be in place for February 2023 sittings.

Negative attention in the media for CFA Institute, particularly surrounding the proposed changes to the purpose statement and membership categories, was discussed. The chief executive had offered to respond to inaccurate press articles on behalf of the Institute but this had been declined. The negativity towards the Institute and the impact of reputational damage by association for the society was concerning and would be closely monitored.

1448 Finance report, management accounts and KPIs

The finance report, management accounts and KPIs as at 31st May 2022 were taken as read and noted.

The society had made a surplus of £3,088k as at the end of May 2022. This was a positive variance against the reforecast of £999k year-to-date, partly due to the timing difference of the ESG IP payment of £557k in March rather than June. Excluding the IP payment, a positive variance of £442k year-to-day had been achieved, mainly driven by higher than expected ESG revenues and lower direct costs offset by an investment revaluation loss.

It was noted that ESG registration numbers had slowed during March and April, however May and June levels had improved which was encouraging.

The year-end figures were not yet available but it was noted that the surplus was at an all time high.

1449 Any other business

i. Directors' IMC designation use in annual report and on website

It was verbally updated that the E&E committee had reviewed whether the IMC designation should be used after board members' names in the annual report and website. The committee had recommended the use of IMC as a designation, as, apart from noting the achievement, it was also a good way to promote the IMC product. Therefore, it was agreed to use the IMC designation for board members in the annual report and on the website.

The wider discussion about the validity of the IMC as a designation was still unclear, although it was noted to be recognised by the FCA. The matter would require further thought and discussion at the October board meeting.

ii. Update on senior technology role recruitment

It was verbally confirmed that a senior technology officer had been found and the role had been offered. It was hoped that he could commence in the role in mid-August. Arrangements would be made to introduce the STO to the officers.

iii. Board effectiveness review

Discussion of the board effectiveness review report which had been emailed to directors, would be carried forward. A separate board call would be arranged in due course.

It was agreed that responses made by the senior leadership team would be separated out from the analysis and the report would be re-circulated.

1450 Date of next meeting

It was noted that the next board meeting would be held on Tuesday 4th October 2022 at 5.00pm at the offices of USS, 6th floor, 60 Threadneedle Street, London EC2R 8HP.

There being no other business, the meeting was closed at 7.50pm.

4th Floor, Minster House
42 Mincing Lane
London EC3R 7AE

Signed: ________________________

Dated: _________________________