

**Minutes of an extraordinary meeting of the Board of the
CFA Society of the UK (CFA UK) by video conference via Teams at 8.00am
on Wednesday 11th September 2024**

Present: H Eastman chair
W Hung
S Hsu
K Kosmopoulou
E Koycheva
S Solomon

Attending: B Young (company secretary)
W Goodhart (chief executive)
V French (chief financial officer)
C Curtin (director of education) (items 1600 to 1603)
P Shivaprasad (director of outreach) (items 1600 to 1603)
L Gracie (Indigo Independent Governance)

1597 Apologies for absence

Apologies for absence were noted from Alistair Byrne, Gillian Elcock, Kieran Ferguson and Philippe Lenoble.

1598 Declarations of interest

It was noted that there were no changes to the directors' interests which had previously been disclosed.

1599 Minutes of the meeting held on 9th July 2024

The minutes of the board meeting held on 9th July 2024 were duly noted.

1600 FY25 Forecast

The FY25 forecast paper, which included estimates for FY26-FY28, was reviewed and noted. It was confirmed that the forecast for FY25 was being presented for approval at the meeting and the additional forecasts for FY26 to FY28 were for information and feedback only at this stage.

It was confirmed that the revised FY25 forecast had been reviewed and was recommended for approval by the finance committee. The finance committee had raised a question regarding the society's philosophical approach to profitability, and it was agreed that this was a matter for the board to agree, taking account of the society's stakeholders, and should be discussed at the strategy meeting. It was noted that CFA Institute's aim was understood to be to generate a modest profit and that all surplus was re-invested back into the organisation.

The use of staff cost as a KPI was queried, given that such costs are generally actively managed only in response to a significant change in the outlook, and it was suggested that other key KPIs could be more appropriate. It was agreed that this matter should be reviewed again in the new year.

The areas where additional cost savings and mitigations could be made were discussed. Management considered the adjustment of staff resources according to the level of revenue generation to be reasonable, however, they were mindful of the impact on colleagues and could often manage reductions through normal attrition. It was confirmed that there was a strong culture within the society, with many colleagues in senior roles remaining in the organisation for a long time. Turnover tended to be concentrated within less senior roles consistent with the wider market.

Alternative areas where cost savings could be made were also noted. A saving in FY25 could potentially be made by postponing the finance system project. It was noted that the finance committee had considered savings in marketing and outreach, however the savings were less significant and could also impact potential revenue generation. It was confirmed that costs in general were already tightly controlled.

The introduction of a rolling three-year forecast and business plan was suggested - longer-term planning could improve the board's ability to make strategic rather than reactive decisions.

The depreciation rate included in the assumptions for the IT software and hardware additions was queried. It was confirmed that all depreciation and amortisation had been accounted for according to the policy. For FY25, a depreciation assumption of £10k had been included for all potential new projects. The capex assumptions and impacts on reserves were reviewed. It was noted that potential capex projects had been included for the purposes of the forecast, however they remained subject to board approval. Over the four years to the end of FY28, reserves were expected to increase.

Being the largest revenue variable, the assumptions for the ESG revenue were also raised as a concern, in particular solely relying on the forecasts produced by CFA Institute. It was confirmed that the finance committee had robustly discussed the ESG revenue assumptions. It had concluded that, historically, revenue forecasts provided by the Institute had been accurate and on the side of caution and therefore were considered to be reasonable. CFA UK had used CFA Institute's ESG forecast as the basis for the ESG revenue share in the base CFA UK FY25 forecast, however CFA UK had also modelled a more adverse scenario, across the 2-year period to 30 June 2026, which included a reduction in the revenue share, which could be adjusted once more information was obtained from CFA Institute. It was also noted that, due to the lower level of future revenue shares which would reduce to 10% for September 2025, this revenue would become less significant to the forecast outturn. Nevertheless, it was suggested that attempts be made, through the chair, to obtain additional ESG revenue forecast information so that internal modelling on ESG revenue could be enhanced.

It was noted that volumes for the ESG registrations connected to the Hong Kong society were likely to be more accurately projected in late December 2024/early January 2025 once the registrations were clearer. It was possible that a government subsidy arrangement would end, in which case registration levels would likely drop. It was confirmed that the ESG panel was monitoring registration levels from Hong Kong, but more data was required over the next two quarters to be able to establish the outlook.

It was confirmed that the outlook for all certificates had also been reviewed and, in particular, the future of the IMC, which was distinct from the sustainability focus of the other certificates. Some more work would be done to model revenues further to enhance assumptions for FY26 and beyond. It was also agreed that assumptions should be aligned to strategic decisions and plans as they developed under the new CEO.

After due and careful consideration, and having both noted concerns with the approach to ESG revenues forecasting, as raised early in the meeting, and that the directors absent from the meeting had not raised any objections to the forecast via email, the FY25 forecast was approved.

The following next steps and actions were agreed:

- the chair would contact the CEO of CFA Institute to request more detail in relation to ESG revenues,
- the strategy meeting would be brought forward to January so that the outputs would be available earlier in the year to feed into annual objective planning. It was noted that the new CEO would be consulted for his/her input,
- the society's philosophy for profitability should be considered at the strategy meeting.

1601 Going concern

The going concern assessment for the two-year period covering FY25 and FY26 was reviewed and noted.

After due and careful consideration, and having noted that the directors not attending the meeting had not raised any objections, it was agreed that the going concern assessment for FY25 and FY26 was appropriate.

1602 Any other business

There was no other business.

1603 Date of next meetings

It was noted that the next board call would be held on Tuesday 24th September 2024 at 8.30am via Teams to review the annual report and accounts. The board call to review the Ofqual annual compliance statement would be cancelled and the statement would instead be approved at the November Board

meeting. The next full board meeting would be held on Tuesday 8th October 2024 at the later time of 5.30pm at CFA UK offices and via Teams.

There being no other business, the meeting was closed at 8.50 am.

3rd Floor, Boston House
63-64 New Broad Street
London EC2M 1JJ

Signed: _____

Dated: _____