

CFA Society Italy Corporate Governance Best Practices

1. Society Planning

1.1 Board and staff understand both the society's purpose and mission.

CFA Society Italy (CFASI) shall embrace the CFA Institute's mission to lead the investment profession globally by setting the highest standards of ethics, education, and professional excellence.

As such, CFASI is the Italian organization for investment professionals who are dedicated to meeting the highest standards for ethical behavior, education, ongoing professional development, and excellence of practice in the profession.

CFASI shall contribute to the development of the Italian investment community through the following Strategic Objectives:

- Enhancing investment knowledge and encouraging a high level of ethics and professionalism;
- Promoting the CFA designation and supporting CFA candidates in Italy;
- Promoting the CIPM designation and supporting CIPM candidates in Italy;
- Encouraging contact and communication among investment professionals;
- Establishing an ongoing series of continuing education events for investment practitioners; and,
- Promoting CFASI to the business community.

1.2 A strategic plan is written, approved, and implemented to assist with achieving organizational mission. The Board monitors the plan and reports progress towards achieving the society's mission to its members and partners.

The Strategic Plan shall be reviewed at the Board's discretion, at least every 4 (four) years or when the strategic objectives are achieved. The Strategic Plan shall be reviewed after the new Board of Directors (BoD) is appointed.

The goals specified within the Strategic Plan shall be carried out through annual operating plans created by society leaders at the beginning of each society's fiscal year.

The BoD shall adopt a performance measurement system, based on quantitative and qualitative targets for each area of activity, to evaluate the actions of staff and the BoD and to monitor the achievement of goals identified by the Strategic and Operating Plan.

The BoD shall adopt a reporting system to communicate achievements to the CFA Institute and its members, based on the Society Member Service Standards (SMSS), as defined by CFA Institute.

1.3 The Board approves an annual operating plan which includes a detailed budget and regularly reports progress towards achieving the plan to its members and partners.

Activities shall be planned and budget funds allocated according to the objectives of the Strategic Plan and in consultation with the Committee Chair. The annual plan and the budget must be approved by the BoD at the beginning of each fiscal year. Objectives, project managers, budget allocations, and timelines shall be defined for each activity in the annual strategic plan. A buffer of ten per cent (10%) shall be applied to the budget. Project managers must submit all expenses in excess of the buffer amount for approval to the BoD.

The budget shall be reviewed and revised every three months at the BoD meeting.

Financial statements shall be produced according to the accounting principles for legal and tax purposes (if needed).

2. Board Organization and Duties

2.1 Board members understand the basic fundamentals of good governance, the role of the board, and the role and responsibilities of officers, directors, committee chairs, and administrative staff.

2.2 The board structure reflects the requirements specified in the articles of incorporation and bylaws.

Society members may vote to determine whether non-charterholders can serve on the BoD. No more than two members of the BoD can be non-charterholders.

2.3 The board approves and enforces a policy regarding the length of service and term limits for officer and director positions.

Officers (President, two Vice-Presidents, Treasurer, and Secretary) shall serve, in the same capacity, for no more than three (3) terms of two (2) years each.

2.4 An appropriate board structure enables the society to effectively plan for and carry out its activities, monitor progress, and report results to members and partners.

The Board structure shall be determined by the articles of incorporation and bylaws and enables the society to effectively plan for and carry out its activities, monitor progress, and report results to its members and partners.

2.5 The Board of Directors, at every renewal and when it is deemed necessary, defines clear decision making authority including duties and authority of Officers and Directors, the voting protocol, and defines how meeting agendas are determined.

The roles and responsibilities of Officers, Directors, Committee Chairs, and Administrative Staff shall be defined in writing and made available to Board members and Committee Chairs.

2.5-a Officers

Society Officers are: the President, two Vice-Presidents, one Treasurer and one Secretary. No Officer may hold more than one position. They are elected by Society members in accordance with CFASI bylaws and Corporate Governance Best Practices. Society Officers must have paid the annual dues.

2.5-b President and Vice-Presidents

The President heads and represents the Society, for purposes and affairs including third party and legal matters. He/she shall convene and preside over the Society Members General Meeting, Board meetings, and has general responsibility for the management and good progress of Society activities, supervising the implementation of General Meetings, and Board meeting decisions.

The President shall sign all acts committing the Society in front of its Members and third parties.

The President can delegate, for a limited period of time, some of his/her duties to one or more Directors.

Vice-Presidents shall assume all the above-mentioned duties when the President is absent or is temporarily unable to carry out his/her activity.

In case of serious impairment or resignation, upon approval of the BoD, the President's duties will be carried out by the Vice-President.

2.5-c Treasurer

The Treasurer manages the Society's funds and keeps the cash and account books, respecting instructions and implementing BoD decisions. The account books may be subject

to inspection by other Board members and/or by the Auditors' Committee ("Collegio dei Probiviri").

The Treasurer may rely on qualified professionals designated by the BoD, if needed.

During Board meetings, the Treasurer shall report on the updated financial performance of the Society.

2.5-d Secretary

The Secretary shall:

- i. participate in the Society Members General Meeting, BoD meetings, and draws up their minutes;
- ii. invite members to General Meetings and Board meetings by mail or email;
- iii. keep a comprehensive and updated list of Society Members, as required by Society's bylaws, periodically revising it independently or in collaboration with CFA Institute;
- iv. submit at general meetings, the list of members who are potentially subject to exclusion from the Society, as consequence of what prescribed by CFASI bylaws;
- v. keep Society books which fall outside the competence of the Treasurer.

2.6 All committees have a well-defined purpose, a process for selecting committee members, an appropriate structure for conducting activities, and a mechanism for regularly reporting to the Board.

The BoD, at every renewal and when it is deemed necessary, shall determine the purpose of each Committee. Committee members shall be approved by the BoD and selected among Society members proposed by each Committee Chair. Each Committee shall be composed of the Chair and at least another member or volunteer. Each Chair of each Committee must report its activity to the BoD.

An outgoing Chair must provide a detailed handover brief to his/her successor so as to assure continuity.

2.7 Board members further the interests of the society and its members by connecting with interested parties in their local investment community.

In the interest of the Society and its members, each Board member shares his/her professional backgrounds, skills and networking among the local investment community.

The President is the official spokesperson for the Society. Each Board member may interact with media. All documents earmarked for publication regarding the Society, CFA Institute, education programs or designations awarded by CFA Institute, as well as any other matters concerning the activities of the Society or CFA Institute, must be reviewed with the President or Vice-Presidents.

2.8 Board members must adhere to the highest levels of ethical standards.

As representatives of the CFASI, and as people at the highest levels of responsibility and trust, members of the BoD have a fiduciary responsibility to act in an ethical manner, demonstrate proper behavior, and exemplify the CFA Institute ethics and principles to the investment community and public at large.

A society member is not eligible to become a member of CFASI's BoD if:

- i. in the past twelve months, the member has been the subject of, a defendant in, or respondent in any investigation, civil litigation, arbitration, or other action or proceeding in which his/her professional conduct, in either a direct or supervisory capacity, was at issue;
- ii. the member has been permanently or temporarily prevented from: (a) acting as a person required to be registered under any law or regulation (i.e., investment adviser, broker, dealer, etc.); (b) acting as an affiliated person or employee of any entity required to be registered under any law or regulation (i.e., investment company, bank, etc.); or (c) trading on any securities or contract market;

- iii. the member has been found to have aided, abetted, counseled, commanded, induced, or procured the violation by any person or entity of any securities or commodities-related law or regulation or any rule promulgated there under;
- iv. the member has been convicted of (a) any felony or other crime punishable by more than one year in prison, or (b) a misdemeanor involving moral turpitude (lying, cheating, stealing, or other dishonest conduct) or any substantially equivalent crime in any court of law.

If during his/her tenure a member of the BoD loses the highest requirements mentioned above and a legal proceeding is brought against him/her, which affects his/her Professional Conduct Statement (PCS), that Board member is automatically suspended for up to three months from the date of the commencement of the proceeding. If at the end of the aforementioned period, the legal matter has not yet settled or concluded, the Board member must resign.

Any violation of the PCS by a Board member must be disclosed to the BoD immediately, for the purpose of evaluating a member's potential exclusion from the BoD.

All reports of potential violations of the PCS are submitted to the Arbitration Board ("Collegio dei Probiviri") to decide upon. The Committee shall also inform the BoD of their decision. Reasons for decision must be well explained but cannot be appealed.

Before a Board member's appointment, the Nominating Committee shall be responsible for verifying any potential conflict of interest. During the mandate period, Board members have the obligation to communicate when a conflict of interest arises due to his/her position with the BoD.

Potential conflict of interest from volunteers must be disclosed to the BoD.

Board members and volunteers shall be informed regarding CFASI's Conflict of Interest Policy and must sign the Conflict Disclosure Form at least once a year.

Board members must adhere to the CFASI's Code of Conduct. Every Board member must sign the Code of Conduct Acknowledgement Form every year before October 31st or whenever he/she begins his/her duty on the BoD.

3. Financial Stewardship

3.1 The Board ensures that adequate financial resources are available to support the society's annual operating plan and strategic plan.

At the beginning of each fiscal year, the Treasurer, together with the Chair/project manager of each activity shall prepare a budget for the new fiscal year and a plan for the next 2 years. The budget shall be submitted to the Board for approval at the first meeting available of the new fiscal year.

The BoD shall ensure that adequate financial resources are available to carry out society activities. If the reserve base is deemed inadequate to support an unforeseen drop in revenue, the Board shall implement a strategy for bolstering its reserves and/or revenue sources.

Annual financial expenditures must be in line with the society's mission and strategic goals. Expenditures for other activities shall be separately approved by the Board.

3.2 The Board approves an investment policy when there are assets to invest beyond money market instruments. A reserve policy is established when reserves become greater than the financial needs of an operating cycle.

The investment policy must be reviewed and approved annually by the Board and shall clearly state its objectives (e.g. investment objectives, types of appropriate investments, asset allocation, short and long term liquidity needs and reserve goals). The Investment

Committee must submit the updated Society Investment Policy to the BoD at the beginning of each fiscal year for approval. The Investment Committee may make recommendations to the Board on investment strategies and implementation . The Board shall make all final decisions.

If needed, the Treasurer shall promptly submit an emergency plan to the Board to identify the actual situation and suggest potential resolutions.

3.3 The Board approves and enforces a policy that incorporates appropriate internal controls for all financial transactions and ensures compliance with tax, financial, and regulatory reporting.

Transactions over EUR 2,500 must have the authorization of at least two Officers.

Every transaction shall be promptly communicated by the Treasurer to the professional accountant hired by the Society.

During the first week of every month, the Treasurer must communicate a summary of all financial transactions of the previous month to the President and the professional accountant.

Transactions related to the Investment Portfolio, as recommended by the Investment Committee and approved by the BoD, shall be promptly communicated to the President, the Investment Committee members, and the professional accountant. Compliance with tax, financial and regulatory reporting shall be performed under the supervision of the professional accountant.

Auditors' Committee ("Collegio dei Revisori") may, at any time, inspect upon their own decision or following the request of a member of the BoD, accounting, fiscal, personnel books and request explanation for transactions.

The Treasurer's Guide must contain all details regarding bank accounts, investment accounts, and information concerning the professional accountant and shall be updated regularly by the Treasurer.

3.4 The Board regularly reviews and approves financial reports.

The Treasurer shall prepare quarterly financial statements and an update of the budget to the BoD at the first available Board meeting after the end of each quarter.

Annual Financial Statements shall be presented by the Treasurer for the approval of the BoD and submitted at the Society members' Ordinary Meeting for approval.

3.5 Upon reaching a critical threshold, the Board requests an independent review or audit of financial statements by either a committee working independently from the board or an external firm.

CFASI must be supported by a professional accountant.

At least annually, Financial Statements shall be submitted to the Auditors' Committee ("Collegio dei Revisori") for their approval as required by Italian regulation.

3.6 The Board understands the society's exposure to risk, determines the organization's tolerance for risk, and appropriately manages the risks.

The Board shall discuss the Society's exposure to risk at least once a year and approve a plan to manage the risk appropriately. Risk must be also discussed during Strategic Planning sessions.

Risk associated with every event/activity shall be assessed by the Board and subsequent insurance coverage shall be decided accordingly.

The Society underwrites a Directors & Officers insurance policy.

The Society Investment Policy shall take into account the Society's aversion to investment risk. The Investment Committee proposal must adhere to the risk-return objectives indicated by the Investment Policy and the BoD.

4. Volunteer and Staff Stewardship

4.1 The Board approves and enforces a policy for creating a Nominating Committee and selecting its members. The role of the Nominating Committee is to 1) identify the desired talents, skills, and qualities of new board members and 2) identify, assess, and recruit prospective board members.

The Nominating Committee shall be responsible for selecting new members of the BoD, new members of the Arbitration Board ("Comitato dei Probiviri") and new members of the Auditors' Committee ("Collegio dei Revisori").

The Nominating Committee shall be comprised of five members: two members belonging to the current CFASI Board, one past Board Member or past President (of the two latest mandates), and two Society members.

The Nominating Committee shall retain office for one year prior to the renewal of the Board.

The Nominating Committee shall collect candidacies for the BoD, the Arbitration Board and Auditors' Committee by nomination (from inside or from outside the BoD).

4.2 The Board approves a process for selecting and approving committee members.

The Nominating Committee shall be appointed by the Board and must meet one year before its renewal, in order to evaluate possible future Board candidates. Six months before the Board renewal, the Nominating Committee shall begin the proposal process for potential Board Members.

The Nominating Committee shall collect BoD candidates' curriculum vitae, which may be accessed by existing Board members during the selection process.

The Committee shall propose potential candidates to the BoD, taking into consideration CFASI's mission, strategic plan objectives, and various skills of the candidate, e.g. technical and relational skills.

Arbitrators and Auditors must be selected following a consideration of their level of independence and seniority.

The President may invite volunteers to participate at Board meetings as observers. Volunteers attending the meetings must be made aware of the confidential nature of Board meetings of discussions and decisions. The minutes of the meeting shall disclose whether any non-Board member volunteers have attended the meeting.

Prospective volunteers and prospective Board members shall be informed regarding the CFASI's Conflict of Interest Policy and must sign the Conflict Disclosure Form at the beginning of their collaboration with the BoD and every year thereafter.

4.3 All new board members engage in an orientation process which includes the sharing of important organizational documents and dialogue with current and/or former officers, directors, and staff (if applicable).

The Board shall approve an induction procedure (i.e. the orientation process) which includes becoming familiar with the Society's documents and resources available from the Society and the CFA Institute.

Volunteering, in a consistent manner, for the Society shall be required prior to becoming eligible for election as a new member.

Every new Board member must adhere to the CFASI's Code of Conduct and sign the Code of Conduct Acknowledgement Form.

4.4 All new committee members and/or limited-term, non-board volunteers engage in an orientation process which includes the sharing of all pertinent information for performing their role or function.

An Information pack for non-board volunteers shall be sent via email to all volunteers and made available on the "Board-only area" part of the CFASI website. The Information pack must include a presentation of CFASI's activities and a brief description of the tasks and objectives of non-board volunteers.

Before the end of his/her mandate, each Chair must prepare a document ("Chair's Information Package") outlining the main objectives and tasks related to his/her position, including files, database and documents used. This document, which must be archived, shall be shared and presented to the new Chair. Pending activities shall also be transferred.

4.5 The Board establishes and approves a policy to appropriately recognize volunteers for their contributions.

Volunteers shall be publicly recognized at least annually, during the CFA Award Dinner.

Each Chair shall be responsible for the individual recognition of non-board volunteers (both informally during the year, and more formally at least once a year) and shall also provide feedback to the President and to the Nominating Committee regarding volunteers.

On an individual basis, (if a volunteer is interested in sharing the information with his/her employer) a letter to a volunteer's employer upon request of a volunteer to may be prepared to outline his/her contribution to CFASI.

4.6 The Board approves volunteer and staff (if applicable) policies appropriate for the society to ensure ethical behavior, govern conduct, and manage conflicts of interest.

CFASI adopts a Board Members' Code of Conduct and a Conflict of Interest Policy. Both Board Members and volunteers must adhere to the Society's Conflict of Interest Policy and sign the Conflict of Interest Disclosure Form.

The Arbitration Board ("Comitato dei Proviviri") ensures ethical behavior, govern the conduct of Board members and manage conflicts of interest.

Decisions made by the Arbitration Board must be well explained but cannot be appealed against.

4.7 The Board clearly defines the roles, responsibilities, and reporting relationship for all staff and independent contractors.

The Board shall define, in writing, the roles, responsibilities, and reporting relationships for all staff and independent contractors. The BoD may seek the advice of legal counsel to fully understand rights, obligations and implications of hiring staff or external contractors.

4.8 Board members participate at international events organized by CFA Institute.

Board Members' participation to CFA Institute events shall be subject to rotation, except when vacant places are available. Exceptions may be made for the President if his/her presence is required. The purpose of participation is to allow all Board Members to network with volunteering Board Members from other societies, regionally and globally, and to be more acquainted with the functioning of the CFA Insitute.

4.9 CFA Society Italy introduces the "Advisory Board"

The BoD may nominate an Advisory Board, composed by past BoD members and senior practitioners who have distinguished themselves for their achievements in the financial profession.

The role of the Advisory Board shall be to assist and provide recommendations, upon BoD request, on the organization of the Society's activities. Such recommendations may be presented to the BoD for evaluation and potential adoption, but shall remain not binding.

All Members of the Advisory Board are informed regarding the CFASI's Conflict of Interest Policy and must sign the Conflict Disclosure Form, at the beginning of their collaboration with the BoD and during each year thereafter.

5. Performance Monitoring and Accountability

5.1 The Board and/or staff comply with current laws and regulations and routinely update corporate documents.

The Board and/or staff shall comply with current laws and regulations and routinely update corporate documents.

The Secretary of the Board shall be in charge for due diligence activities and may seek the assistance of professional accountant/legal advisors, if needed.

Due diligence searches of contracts may be performed annually or, at least at every change of the BoD Presidency. Renewals of contracts with suppliers may be reviewed in conjunction with the definition of the annual budget.

The Board shall have a mechanism in place for monitoring changes to local or national laws and regulations that may affect the Society.

The Board shall be diligent about updating corporate documents to reflect organizational changes.

5.2 The Board meets as frequently as deemed necessary to a) approve strategy, operating plans, and related funding, b) provide adequate oversight by reviewing results and asking relevant questions, c) provide committees and/or staff with direction and guidance, and d) set policy for the benefit of the society and its members.

The Board shall meet monthly (with the exception of August) to:

- a) approve and monitor strategy, operating plans, and related funding;
- b) provide adequate oversight by reviewing results and asking relevant questions;
- c) provide committees and/or staff with direction and guidance;
- d) set policy for the benefit of the society and its members.

The Board meetings agenda shall be updated monthly to reflect the needs of Board members and advise of the dates of the two following meetings.

5.3 Board meetings are preceded by a Notice of Meeting (as required by law) and a detailed agenda. Appropriate minutes are recorded with the non-confidential elements regularly shared with members.

Board meeting dates shall be scheduled at least two months in advance.

Board meetings shall be preceded by a Notice of Meeting provided with the documents for discussion and a detailed agenda.

The Meeting agenda may distinguish between informational items and matters where a decision must be voted on by Board members.

At the beginning of each BoD meeting, Board Members shall select the acting president and secretary who will be responsible, respectively, for directing and taking minutes of the meeting.

Minutes must be recorded and archived in the Society's BoD Meeting Minutes' Register month-by-month. The Society's Secretary shall be responsible for the correct administration of the Register.

5.4 Board meetings follow a specific protocol (e.g. rules of order) to ensure the gathering is both orderly and productive.

Board meetings must follow a specific protocol (e.g. rules of order) to ensure the gathering is both orderly and productive. The Agenda for the discussion shall be defined by the President, with suggestions from Board members.

At the beginning of each Board meeting the President, Vice-President or Secretary shall perform a roll-call to check for the minimum quorum of at least half of Board members plus one.

Items in the Meeting agenda that require a vote must be discussed first, followed by informational items.

Upon the President's invitation, volunteers may participate in board meetings to discuss specific interests which are within the scope of the volunteers' activity.

5.5 Board members are expected to attend board meetings as specified in the society's bylaws. The society may consider technologic solutions to better enable attendance.

Board members shall attend at least six board meetings every year (as specified in the Society's bylaws). Board meetings may be also accessed via conference call, with connection details provided in the Notice of Meeting.

The Secretary shall keep record of member participation in the BoD during the year. Members' non-attendance shall be notified to the Nominating Committee, which may consider the information for recommendation at BoD renewals.

5.6 The Board conducts an annual self-assessment to evaluate society accomplishments, identify areas for improvement, and ascertain the effectiveness of officers and directors.

The Board shall conduct an annual self-assessment to evaluate the Society's accomplishments, identify areas for improvement, and ascertain the effectiveness of officers and directors. Each Committee Chair shall conduct an annual self-assessment, the results of which shall be reported to the Board.

A summary report must be submitted to the Advisory Board for evaluation.