

GOVERNANCE REPORT SEPTEMBER 2018

The Smithsonian Institution (“Smithsonian”) was founded in 1846, whereupon Congress vested responsibility in a Board of Regents (“Board”) and entrusted the Board with the governance of the Smithsonian and advancement of its mission for the “increase and diffusion of knowledge.” In 2007, following congressional inquiries and public interest surrounding effective governance, accountability, and internal controls, the Board conducted a comprehensive review of the policies and practices of the Smithsonian and the Board’s oversight of the Institution. In response to these criticisms, the Board created a standing Regents’ Governance Committee and implemented a formal governance reform effort to address the reforms recommended by the United States Government Accountability Office (“GAO”). In 2011, the Board concluded—and GAO agreed—that the Board had effectively established governance structures and policies to allow it to exercise its oversight functions and to ensure that it can be an effective steward for the Institution.¹

The Smithsonian, a trust instrumentality of the United States, requires the full support of the American people and Congress. The Board remains committed to effective leadership and governance of the Institution, maintaining its commitment to the public and Congress, and upholding the mission of the Smithsonian. A prior governance report was provided by the Board in June 2015, highlighting the major governance developments in 2011 -2014. The following report highlights the actions of the Board in 2015-2017 that have continued to strengthen the management, governance, and transparency of the Institution.

LEADERSHIP

SECRETARY OF THE SMITHSONIAN | The Board elected Dr. David J. Skorton as the 13th Secretary of the Smithsonian, in July 2015, and has built a strong constructive partnership with the Secretary and his staff. At the Secretary’s recommendation, and with endorsement from the Board, the House and Senate Interior Appropriations Subcommittees approved structural changes to the Institution, to optimize coherence, efficiency, collaboration, and alignment with Institutional priorities. These organizational and title changes included the creation of the position of Provost and Under Secretary for Museums, Education, and Research, and the addition of the title of Chief Operating Officer to the position of Under Secretary for Finance and Administration, a position that already included the responsibilities of the Chief Financial Officer. These changes facilitate multidisciplinary initiatives and collaboration and integration across programmatic units.

The Board placed a priority on the hiring and integration of new directors to ensure continuity of leadership throughout the Smithsonian. With the support of the Board, the Secretary filled several vacant senior leadership positions and named directors to several units including: the Arts and Industries Building, Smithsonian’s Asian Pacific American Center, the Smithsonian American Art Museum, the National Museum of African Art, and the National Postal Museum.

¹ U.S. Government Accountability Office, GAO-12-4SP, GAO Performance and Accountability Report 2011 (2011).

Under Secretary Skorton’s leadership a five-year pan-Institutional Strategic Plan was also developed and launched in 2017 with a focus on steering the Institution towards a sustainable future and convening critical conversations on issues of vital public interest. The Board looks forward to collaborating with the Secretary to achieve greater reach, relevance, and impact.

REGENT MEMBERS | Along with the Secretary, responsibility for the administration of the Smithsonian is vested in a 17-member Board of Regents. With the change in administration, the Board welcomed Vice President Michael R. Pence as an *ex officio* member in January 2017. The President pro tempore of the United States Senate appointed two Congressional Regents in May 2015, Senator John Boozman and Senator David Perdue. The Speaker of the U.S. House of Representatives appointed Representative Doris Matsui to the Board in January 2017. In May 2017, following the Board’s nomination, pursuant to a joint resolution of the Congress signed by the President, two citizen Regents, Roger W. Ferguson, Jr. of Washington, D.C. and Michael Govan of California were appointed, to succeed Dr. Shirley Ann Jackson and Robert P. Kogod, respectively at the expiration of their terms. In addition, the Board re-nominated and Congress reappointed three Citizen Regents for a second term: Ambassador Barbara M. Barrett of Arizona in April 2018, Steve M. Case of Virginia in January 2017, and David. M. Rubenstein of Maryland in October 2015.

GOVERNANCE AND MISSION

The governance reforms implemented over the past ten years have reinforced the Smithsonian’s strong foundation and strengthened the underlying governance structure. The Board has set Institutional priorities that are expanding the reach and impact of the Smithsonian’s scholarly, research, collections, exhibitions, and education programs as it approaches the 175th anniversary of its founding.

NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE | On September 24, 2016, the Board celebrated the culmination of decades of efforts to commemorate African American life, history, and culture with the official opening of the National Museum of African American History and Culture (“NMAAHC”). The role of the Board was central to the final construction and planning for the 19th and newest museum of the Smithsonian Institution. The Board oversaw the management and planning for the museum’s operations, collections, exhibits, and programs. During the creation of the museum, NMAAHC added more than 36,000 historical artifacts, documents, photography and media to its collection. The opening celebration included participation from President Barack Obama, First Lady Michelle Obama, Oprah Winfrey, John Lewis, Founding Director Lonnie Bunch, Actor Will Smith, Board Vice Chair Shirley Ann Jackson, Smithsonian Chancellor and Chief Justice John G. Roberts Jr., and former President of the United States George W. Bush, who signed the 2003 bill that authorized the museum. The museum welcomed more than 730,000 visitors within the first three months of its opening and over 2.4 million people walked through the doors of NMAAHC in 2017 alone. The historic significance of the museum and its importance to all Americans has marked an inaugural moment in the Institution’s history.

NATIONAL AIR AND SPACE MUSEUM | The Board monitors the Smithsonian's resources in the context of priorities for major construction projects, securing the funding necessary to address maintenance and revitalization of facilities, opening new exhibitions and updating others that will have vital public impact, improving visitor services, and strengthening stewardship of the national collections. Planning and overseeing the extensive revitalization of the National Air and Space Museum ("NASM"), one of the most visited museums in the world, has required the Board's guidance in each of those areas. In providing leadership and oversight for the revitalization and maintenance of the 40 year-old museum, the Board provided feedback on the detailed design of the renovation, which will include the replacement of NASM's exterior envelope, major mechanical systems, and structure. With the Board's endorsement, Smithsonian staff worked closely with the Office of Management and Budget and Congress to address facilities capital needs and to secure the resources necessary as a prerequisite to begin the revitalization, including the construction of the storage module. The Board encouraged a phased construction plan to allow a portion of the museum to remain open during the entire revitalization project, limiting visitor impact. Transformation of NASM will introduce a new era for the museum. The Board is looking forward to overseeing the innovative update to America's aviation history, adding the lens of modern technology.

LONDON OPPORTUNITY | In June 2016, the Smithsonian and the Victoria and Albert Museum ("V&A") announced plans to pursue an international collaboration as part of the redevelopment of the Queen Elizabeth Olympic Park in London. The Board reviewed the agreement with V&A, which outlined the programmatic strategies, business model, and proposed terms for a formal agreement developed by Smithsonian senior staff. This collaboration laid a foundation for the Smithsonian's global strategic framework and demonstrated the Smithsonian's capabilities to participate in a variety of global collaborations and projects.

ARTS AND INDUSTRIES BUILDING | Over the last three years, the Board has taken an interdisciplinary outlook to addressing critical facilities efforts. Following the completion of the Arts and Industries Building ("AIB") shell revitalization in March 2016, an interim use plan was developed for the space, which facilitated partial use of AIB, a National Historic Landmark, which had been closed to the public since 2004. In August 2016, Secretary Skorton appointed Rachel Goslins, former executive director of the President's Committee on the Arts and Humanities, as Director for the Arts and Industries Building. Ms. Goslins developed and implemented plans for the building, including programming, exhibitions, and infrastructure. In December 2017, the Board participated in the first large-scale, public program produced by AIB. The kickoff event, called The Long Conversation, also included the official announcement of the Smithsonian Strategic Plan and shared the Board's bold vision for growing the Institution's reach, relevance, and impact over the next five years leading up to the Smithsonian's 175th anniversary.

CAMPUS MASTER PLAN | The Board has collaborated with Smithsonian staff who consulted outside agencies related to the South Mall Campus Master Plan, the first-ever Smithsonian master plan, which will guide future short-term and long-term renovation and development of the 17-acre campus. The Board has overseen this comprehensive approach to the revitalization and enhancement of the oldest and most uninterrupted developed space on the National Mall campus

over the next 10-to-20-year period, seeking to better align facilities with the strategic plan, increase public access, and benefit from the efficiencies of an integrated plan.

SMITHSONIAN CAMPAIGN | Federal appropriations remain at the core of the Smithsonian’s funding, but private philanthropy bridges the gap between the Federal resources the Smithsonian receives and what it needs to carry out innovative research, expand its national collections, build new facilities, open truly 21st-century exhibitions, and expand educational outreach. The Smithsonian Campaign was the first major Campaign to encompass the entire Smithsonian Institution. The public kickoff took place in October 2014 and the campaign concluded on December 31, 2017. Campaign leadership was centered in an all-volunteer Campaign Steering Committee, co-chaired by Regents Barbara Barrett and David Rubenstein, as well as Regent Committee members Sakurako Fisher and Alan Spoon. The four Campaign Co-chairs oversaw the campaign’s fundraising, programming, and stewardship; guided the Steering Committee’s work with the Smithsonian’s advisory boards and advancement staff; and regularly reported Campaign progress to the Board of Regents. By the close of fiscal year 2017, the Smithsonian had surpassed the \$1.5 billion goal, raising \$1.79 billion for the Smithsonian Campaign. It is the largest amount ever raised in a fundraising campaign by a cultural organization. The Board recognizes that private philanthropy is essential to the Smithsonian’s ability to realize its vision, achieve the goals of the strategic plan, and transform the Institution in this generation.

STRATEGIC PLAN | The Institution’s history extends nearly two hundred years, and guiding the next stage of the Smithsonian has been a priority for the Board of Regents. Guided by the Strategic Plan Committee, co-chaired by a member of the Board, the launch of its second strategic plan will help redefine the Smithsonian. In developing the five-year strategic plan for 2017-2022, the Board provided clear and steadfast feedback at all levels throughout the organization, and assisted the Committee with the allocation of resources based on Institutional priorities, cost effectiveness, and demonstrated value. Smithsonian 2022 identifies seven goals to be implemented over the next five years. As part of this effort, the Board will continue to receive reports on core metrics of performance results and organizational accountability across the major programs and functions of the Institution. Recognizing that the Smithsonian belongs to the people of the United States, the Board is able to look confidently toward the future in guiding the Institution’s goals, mission, and future strategic direction.

GOVERNANCE AND STRUCTURE

TERM LIMITS | As part of a continued effort to intentionally structure the Board to fulfill essential governance duties, the Board recommended that each Regent committee revise its charter to reflect changes to committee term limits. In January 2015, the Board approved proposed amendments to committee charters to conform to the changes previously adopted with regard to term limits for the Advancement; Audit and Review; Compensation and Human Resources; Facilities; Finance; Governance and Nominating; Investment; and Strategy, Innovation, and Technology committees. Regent committee term limits were extended to 12 years, non-Regent committee terms were kept at six years, and Regent Emeritus committee terms were kept at three years. Term limits took effect in 2016, with an exception being made for members of the Advancement Committee, who were permitted to serve through 2017 to coincide with the end of the Smithsonian Campaign and members of the Investment Committee, who may serve up to eight

years. The Board recognizes that enforceable term limits provide the Regents with a mechanism to ensure it is rotating members who will bring new perspectives to the Board and the committees.

ETHICS STATEMENT | The breadth of oversight demanded of the Board of Regents requires that clear and enhanced mandates are adopted by the Smithsonian advisory boards. In June 2016, at the recommendation of the General Counsel, the Board unanimously approved an Advisory Board Ethics Statement (“Statement”) to be signed by all advisory board members on an annual basis. The Statement, which was modeled on the Regents’ Ethical Guidelines, is intended to foster transparency, identify potential actual and apparent conflicts of interest, and provide a framework for avoiding or managing conflicts. The guidelines encourage consultation for advisory board members facing questions about the applicability of the Statement and potential conflicts.

EMERITUS AND ALUMNI GUIDANCE | The Board is vested with governance authority of the Smithsonian, and pursuant to that authority, oversight of the advisory boards established to support units throughout the Institution. In accordance with Smithsonian Directive (SD) 123, “Guidelines for Smithsonian Advisory Boards” and the Smithsonian’s Charter provisions (20 U.S.C. §§ 41-70), the Board developed a baseline policy to define and evaluate all honorary advisory board designations in an effort to facilitate interest, engagement, and support beyond an advisory board member’s formal tenure. At its meeting in October 2015, the Board of Regents approved a new policy limiting advisory board post-membership categories to emeritus and alumni status with respective criteria applicable to all unit advisory boards. It continues to be in the Board and the Institution’s best interest to establish and maintain well structured, led, and resourced advisory boards.

BOARD MEETINGS | The Regents have found considerable value in periodically assessing the structure of meetings to enhance Board performance and continuously improve future meetings. Regent input has resulted in several improvements to the content and format of Board meeting structure and materials to ensure adequate time for operational, administrative, and strategic topics of utmost importance. At its meeting on June 15, 2015, the Board approved five formal changes to meetings of the Board of Regents. (i) To allocate time for more critical issues and previously undiscussed matters, the Board adopts a consent agenda, which includes perfunctory non-controversial action items that can be approved in a single motion. (ii) Each committee submits a written committee report for inclusion in the board book, allowing the committee’s agenda time to be reserved for topics requiring Regent attention and discussion. (iii) One meeting per year (typically in April) is dedicated as a strategic meeting of the Board, where Regents discuss important strategic issues and emerging challenges that deserve the Board’s attention. The Board conducted its first strategic meeting in April 2016 and the second in April 2017. (iv) Programming at regular meetings of the Board is developed based on purposeful education and aims to provide the Regents with the information they need to make sense of the trends affecting the Institution. One example of this practice is the luncheon program that was instituted to increase interaction among Regents and Smithsonian senior leadership and highlights the rich and varied work conducted at the Smithsonian. (v) To avoid inhibiting discussion, staff attendance at meetings has been reduced, when possible, to include senior leadership and staff with expertise or knowledge relevant to the discussion. The Board has reported increased productivity and board effectiveness as a result of the procedural meeting modifications in effect since October 2015.

INTEGRATED RISK MANAGEMENT | The Board is committed to supporting the Smithsonian’s mission, image, and operations while ensuring a risk-informed culture and encouraging decisions based on a full consideration of potential risks. Under the purview of the Audit and Review Committee, the Smithsonian initiated an Integrated Risk Management and Mitigation Program. The program is designed to provide a framework that will assist the Regents and Smithsonian leadership in identifying, evaluating, managing, and mitigating a broad set of risks. In October 2015, the Board reviewed and assessed the top 25 identified risks to the Smithsonian, as they relate to Board oversight and committee responsibilities, and began development of specific plans for each significant risk. The Board and Smithsonian leadership will review and assess risks and monitor mitigation strategies on an ongoing basis.

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Over the course of its 172 year history, the Board of Regents has guided the Smithsonian from a single building and an emerging national collection to the world’s largest museum, education, and research complex with an estimated 154 million artifacts. Today, the Smithsonian Institution continues its journey as an establishment of scientific discovery, cultural exploration, and collaborative learning under the direction of the Board of Regents and the 13th Secretary of the Smithsonian. Maintaining the broad and comprehensive scope of the Institution in the next century demands resilience and ingenuity. The Board of Regents remains energized and focused on preserving the past, shaping the future, and growing the Institution’s reach, relevance, and impact on a national and global scale.