

Coalition for Epidemic Preparedness Innovations Investment and Treasury Policy

Objective

The purpose of this policy is to establish guidelines for the Coalition for Epidemic Preparedness Innovations (CEPI) Finance and Operations department in carrying out three major responsibilities:

- Deploying liquid funds in a profitable manner considering both safety of capital and earnings potential.
- Arranging funds on time in the required currency of disbursement for any new projects approved and committed.
- Managing short-term assets and liabilities to ensure sufficient liquidity is available to meet CEPI's operating expenses.

Policy statement

For CEPI, treasury management plays a critical role in the administering of funds and coordinating their timely sourcing and disbursement to partners. Investment of surplus funds, maintenance of safety of capital, management of market risks and optimum yield generation are critical treasury functions.

It is important that the treasury activities are guided by clear policy guidelines to harmonize essential treasury functions of borrowing, investment and liquidity management of CEPI.

CEPI's Finance and Operations department will need to manage a large pool of funds, in different currencies, received over a defined period with annual capital commitments. While a major portion of this resource base is expected to be disbursed in a defined schedule based on agreements with partners, the nature of epidemics and operational prudence suggests that a certain minimum ratio of liquid funds are to be maintained to prevent any short-term operational stress in the event of changing global circumstances.

General principles

- CEPI will protect its capital from the vagaries of market risks and sub-standard counterparties to ensure the long-term sustainability.
- CEPI's aim is to protect capital, not maximise returns.
- CEPI will only deal with financial institutions whose qualities are acceptable,¹ measured in terms of their credit rating assessed both internally and externally by accredited rating agencies.
- CEPI will minimize currency conversion risk. Where incoming funds are not in the currency of investing, conversion of currencies will be approved by the CEPI Chief Financial Officer (CFO). However, currency risk may be taken for a short term, only for the purpose of investing in liquid assets when the market offers opportunities to improve yield/earnings by switching assets into another currency.
- It is not possible or desirable to avoid market risks entirely; however, CEPI seeks to manage these risks through a combination of hedging, prudence and best practice.

¹ In line with CEPI's Hedging Strategy, institutions rated at least A- (or its equivalent) by two of Fitch Rating Agency, Moody's and Standard & Poor's.

Investment activities

As part of its liquidity management approach, CEPI will invest surplus funds in low risk short-term or liquid assets. CEPI may invest funds in securities that are deemed long-term but are easily liquidated in the capital markets. Common investments will include the following:

- Current accounts with banks
- Placements with banks
- Commercial paper
- Treasury bills
- Government bonds
- US Treasury notes
- Investments offered by the World Bank under the Treasury agreement

CEPI will seek to leverage the infrastructure and liquidity management investments of the World Bank, but also benefit from its commercial bank relationships.

Treasury roles & responsibilities

CEPI's Finance and Operations department will be overseen by the CEPI CFO. The Finance and Operations department will seek to invest with judgment and care to maintain the safety of the principal, maintain sufficient operational liquidity and provide investment returns for CEPI, while prioritizing capital preservation.

- a) **Prudence:** Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. CEPI recognizes that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided diversification has been implemented.
- b) **Delegation of Authority:** Authority to manage CEPI's treasury investments program is granted to the CEPI CFO. The Finance and Operations department will be responsible for structuring, analysing, monitoring and evaluating all investment processes.
- c) **Internal Controls:** The CEPI management team is responsible for establishing and maintaining an internal control structure. The internal control structure shall be designed to ensure that CEPI assets are protected from loss, theft or misuse, and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

The CEPI CFO is responsible for oversight and implementation of this policy.

Current version	1.0
Approved by CEPI Board	January 2018
Owner	Chief Financial Officer
Flow through	N/A
Linked documents	Hedging Policy
Past versions	N/A