

CEPI Interim Board Teleconference

21 September 2017

SUMMARY OF BOARD PROCEEDINGS (CEPI/TC3)

On 21 September 2017 the Interim Board of Directors of the Coalition for Epidemic Preparedness Innovations (CEPI) held a meeting via video/teleconference. K. VijayRaghavan chaired the meeting.

Participants:

CEPI Interim Board members

- Arnaud Bernaert, *World Economic Forum*
- Daisuke Koga (Delegate), *Ministry of Health Labor and Welfare, Japan*
- Detlef Böcking (Delegate), *Federal Ministry of Education and Research, Germany*
- Jane Halton, *Independent*
- Jeffrey Mphahlele, *South African Medical Research Council*
- Jeremy Farrar, *Wellcome Trust (until end of agenda item 2)*
- Julie Gerberding, *Merck*
- K. VijayRaghavan (Chair), *Government of India*
- Laura Efros (Delegate), *PaxVax, Inc.*
- Line Matthiessen, *European Commission*
- Luc Debruyne, *GSK*
- Lydia Ogden (Delegate), *Merck*
- Marco Krieger, *Fiocruz*
- Nima Farzan, *PaxVax, Inc.*
- Peter Piot (Vice Chair), *London School of Hygiene and Tropical Medicine*
- Sue Middleton (Delegate), *GSK*
- Tooru Kajiwara, *Ministry of Health Labor and Welfare, Japan*
- Tore Godal, *Ministry of Foreign Affairs, Norway*
- Trevor Mundel, *Bill and Melinda Gates Foundation*

Observers to the Board

- Richard Hatchett (CEO), *CEPI*
- Mark Feinberg (Chair SAC), *IAVI*
- Peter Salama, *WHO*
- Martin Friede (Delegate), *WHO*
- Margaret Hamburg (Chair JCG), *National Academy of Sciences*

Secretariat

- Daniel Brasseur
- Daniel Nelki
- Emma Wheatley
- Frederik Kristensen
- Gunnstein Norheim
- Joseph Simmonds-Issler
- Karianne Johansen
- Ole Kristian Aars
- Per Etholm
- Sabrina Kriegner

Guests (for agenda item 5 fundholder arrangements)

- Alexandru Valeriu Cebotari, *World Bank*
- Maria Lourdes Pardo, *World Bank*
- Priya Basu, *World Bank*

Apologies

- Adar Poonawalla, *Serum Institute of India*
- Christopher Whitty, *Department of Health, UK*
- Joanne Liu, *MSF*
- Victor Dzau, *National Academy of Sciences*
- Yifru Berhan, *Ministry of Health, Ethiopia*
- Yah Zolia, *Ministry of Health and Social Welfare, Liberia*

A majority of the Interim Board members participated. All Interim Board members elect were given the opportunity to participate in the Board proceedings. The participating members thus constituted a quorum. None of the Interim Board members raised objections to the manner of proceedings, the notice, or the agenda.

The following matters were on the agenda:

1. Opening of teleconference

1.1. Membership updates

The CEPI Interim Board:

- endorsed Naoko Yamamoto replacing Yusuke Fukuda, as the representative from Japan's Ministry of Health, Labour and Welfare
- noted that George Korch has withdrawn the CEPI interim Board

1.2. Conflict of interests

No new conflict of interests were stated

2. Nomination process update

Jeremy Farrar, the chair of the Nominations and Compensation Subcommittee, provided an update on the work to identify CEPI's future board members, highlighting the following key points:

- Phone calls have been held with each available Interim Board member, asking for their recommendations on potential future Board members, and advice on key considerations in identifying the composition of the future Board
- An advertisement for applications and nominations for Board members was placed publically and shared on social media
- Interim Board members have been very generous with their time and insights
- The subcommittee will shortlist approximately 12-20 individuals for the eight independent Board member seats. Potential candidates will then be contacted to assess their interest and availability to commit
- The subcommittee will deliver on its deadline and bring its recommendations back to the Interim Board in November

3. Call for Proposals (CFP) 1: MERS, Lassa and Nipah – decision on entering into negotiations

3.1. Open discussion of CEPI's strategy and approach to program design

Richard Hatchett informed the Board that the meeting was being recorded. No objections were raised.

This agenda item was divided into two sections. The first was an open discussion of CEPI's strategy and approach to program design and risk management, the second a closed discussion focused on the decisions to be made with regards to which applicants to enter into negotiations with and excluded Interim Board members who were deemed to have conflicts.

Background

Richard Hatchett gave an overview of the vaccine candidates against Lassa, MERS, and Nipah which were shortlisted as part of CEPI's Call for Proposals 1 (CfP1).

CfP1 addresses CEPI's strategic objectives on preparedness and response speed, and focused on MERS, Lassa and Nipah. These diseases were prioritised by CEPI's Scientific Advisory Committee (SAC), and derived from the WHO Blueprint for Research and Development for vaccines against emerging infectious diseases.

CfP1 was a two-step process. CEPI received 33 full proposals, and 18 shortlisted proposals were discussed by CEPI's SAC on 23 August. The SAC provided recommendations on which projects should be supported (ranked green), which should not (red), and which should be deliberated on by the CEPI Secretariat (ranked yellow).

Secretariat proposal

The Secretariat reviewed the SAC's recommendations and developed a proposal for the Board. This was outlined, stressing the detailed analysis the Secretariat had conducted, and the desire to develop an overall CfP1 funding/partnership proposition which was based upon a developed understanding of the science, of risk, and of financial and strategic factors. Key facets of this approach were highlighted as:

- Including multiple candidates and platforms against each pathogen
- Analysing the likely rate of attrition alongside the costs of supporting applications through different stages of the vaccine development process
- Ensuring that in entering negotiations CEPI conducts a robust due diligence and builds risk management into portfolio and project management through e.g. ensuring partners have detailed, and stage gated 'go/no-go' decisions

Points raised in discussion

- As part of its due diligence work the Secretariat should review the attrition and success rates of the institutions and companies it is negotiating with
- It may be the case that companies will need to conduct some due diligence work on CEPI
- The Secretariat could offer the companies it enters into negotiations with a 30, 60 or 90 day look back period to reimburse pre-award expenditures after agreements are signed. Applicants would have to take the risks, but it was highlighted that this is an approach that others have used successfully to accelerate progress.

3.2. Closed discussion on decision to enter into negotiations

Richard Hatchett presented the specific candidates which it was recommended CEPI enters into negotiations with. These names will remain confidential until negotiations are completed.

Decisions

The Board approved the Secretariat proceeding with its due diligence, entering negotiations, and finalising of partnership agreements with the proposed candidates.

Discussed under this item

- The budgets presented to the Board were un-negotiated and therefore are likely to change. Cost-sharing options should be considered.
- There may be benefits in linking the announcement of successful contract negotiations to other international events and meetings such as Davos.

- It is crucial that successful applicants are contacted promptly to commence negotiations, and that unsuccessful applicants are informed promptly and receive clear feedback.
- CEPI has to be transparent with companies who it plans to initially fund only through the preclinical phase.
- CEPI should reflect on how to engage groups that did not submit proposals for this call, particularly in developing countries. Working closely with WHO offers one route for doing this.
- The anticipated timelines for negotiations was set out by CEPI's CEO – with a suggestion that it would be first/second quarter of 2018 before all negotiations were completed. These timelines were noted and accepted by the Board.
- With the smaller companies, it will be important for the Secretariat to ensure that there are sufficient safeguards in place to mitigate the risk assumed if the success of a project is critically dependent upon one or a small number of individuals.

Agenda item “Fundholder arrangements” and “Impact of currency fluctuations on 5 year plan” were presented before “Governance updates”.

4. Fundholder arrangements

Per Etholm, acting CFO, updated the Board on CEPI fundholder and funding arrangements. Following the CEPI Board meeting in July, conversations with the World Bank and commercial banks have progressed well. The World Bank and the commercial banks complement each other well in coverage of CEPI's banking needs.

World Bank

The World Bank is a counterpart of choice for the Sovereign investors, and comes with high international standing and an AAA rating, as well as with recommendations from CEPI partners and stakeholders. The World Bank can provide secure and flexible investment instruments at competitive rates and importantly with full liquidity. The World Bank is less suited for coverage of CEPI's operational banking needs and for hedging and credit facilities.

Under the proposed FIF (Financial Intermediary Fund) arrangements, the World Bank proposes to enter into a Trustee Agreement with CEPI which will set out the terms and conditions for the administration of the FIF. The World Bank as Trustee will enter into Contribution Agreements with Investors for the purpose of receiving contributions into the FIF. The relationship between the Investors and CEPI will be regulated by separate Investor Agreements. The World Bank will not be party to the Investor Agreements, or have any influence of the use of funds coming from the Investors.

Priya Basu from the World Bank was invited to join the meeting at this point and announced that the World Bank Board on 20 September 2017 approved the proposal to support CEPI by becoming a Trustee and by establishing a FiF to support CEPI's activities. She explained the services that will be provided by the World Bank. Following this approval, the Bank is ready to negotiate the relevant legal agreements and banking arrangements with CEPI.

Investor agreements

Investor agreements are necessary for effectuating financial transactions from investors to CEPI. These are independent from legal arrangements with the World Bank and separate from the Contribution agreements required by the Bank.

The CEPI Secretariat is in close contact with the different investors to ensure that requirements stipulated in the investor agreements with CEPI are met in a timely and harmonized manner. The CEPI Secretariat will work with the investors to develop additional policies and specific reporting frameworks to address the requirements of its investors. These will be presented to the CEPI Board in November.

Commercial bank

Two main avenues for operational banking have been pursued. Both have indicated a strong interest in providing banking services to CEPI. Both banks come with strong domestic and international reputations and are rated A+ stable. Both are well experienced in handling humanitarian organisations and foundations, including the health sector.

Outside of operational banking, CEPI has flagged the necessity of putting in place a frontloading mechanism in order to access the investor contribution coming from the years 2022-2025. One bank has indicated that they will be able to provide such a mechanism. The second bank has also shown interest, in principle, in providing a similar funding facility. The commercial banks' decision on the feasibility and the financial costs of frontloading funds will however depend on the perceived firmness of the investor's commitment. Decisions

- The CEPI Board welcomed the World Bank's approval to establish a Financial Intermediary Fund (FIF) for the purposes of acting as Trustee to CEPI. To formalize the arrangement, the CEPI Board approves that CEPI enters into a Trustee agreement with the World Bank.
- The Board approved entering into operational bank agreements as per the CEPI Secretariat's proposal.

Next steps

- Core secretariat operational accounts are already in place with DNB
- CEPI will establish operational banking and disbursement accounts by mid-October. Credit facilities, including frontloading, will be negotiated based on satisfactory evidence of investors commitment with a target to present to the board in November
- A hedging policy and strategy will be developed for November 's board meeting
- Investor agreements will be finalised by late November
- Contribution agreements will be signed by early December, subject to negotiations
- Receipt of investor funds is subject to satisfactory plan for use of funds for first half of 2018

Discussed under this item

- Evolving partnership over time, the World Bank would also be able to raise funds by ensuring bonds guaranteed by the pledges of donating nations and foundations at the international capital market.
- The plan is to use two commercial banks: initially CEPI will go with one bank, and then potentially another bank to supplement with hedging and funding if possible, but not for operational banking.

5. Impact of currency fluctuations on 5 year plan

In July 2017 the Interim Board noted and approved the 2017 budget as part of CEPI's 5 year financial plan. Per Etholm presented this as a reminder to the Board and noted two updates to ensure consistency in reporting. The first adjustment was the inclusion of an additional MUS\$ 30 of Ebola

investment 2018-2021, in line with the investment strategy, and the second and a minor correction to operating cost of MUSD 0.2. It was reaffirmed that the total Secretariat cost for 2017 and onwards includes MUSD 2.5 of contingency cost for additional employees and consultants.

The 2018 budget and an updated 5 year plan will be presented to the next Board meeting in November.

During presentation, the following points were noted: CEPI is subject to currency fluctuations. To manage this, a hedging policy and strategy will be presented to the Board in November for approval. The hedging strategy will need to be cognizant of challenges around the predictability of size and timing of grants and investments, also within the calendar year, and the long tenors involved. The shape of the cash flow patterns will change in line with the ongoing contract negotiations with both Investors and Partners/Awardees.

CEPI will be USD based for accounting purposes, and will award all grants in USD to minimize the currency complications.

The USD/NOK fluctuation risk is partially naturally hedged with both significant revenues and expenses in NOK.

The current market consensus is that the NOK is likely to continue to strengthen vs. USD from the dollar's peak of 8.50. This is overall in CEPI's favour as it increases the value of the Norwegian contribution.

Decisions

The CEPI Board noted the updates to the budget, the fact that there are currency fluctuations in the presented 5 year plan, and that the Board will receive an update and a proposal for hedging strategy and policy at the next Board meeting in November.

6. Update on CEPI governance

Richard Hatchett provided an update on the work and approach the Secretariat has taken in relation to developing CEPI's permanent governance arrangements since that last board meeting in July'. The presentation focused on three areas: the rights and responsibilities of investors in decision making, the revision of the articles of association, and the development of a board charter.

Investors

At the July Board meeting investors flagged a clear need to be involved in decisions where decisions about the use major public funds. Subsequently, CEPI's CEO has held conversations with each investor donating over \$100m to discuss how to address these needs. A proposed approach is to establish a threshold whereby the Investors Council has a right of review before board meetings on significant investments. It was suggested this could be \$100m or over 25% of CEPI's total portfolio

Additionally, the contracts between investors and CEPI will be structured to ensure that all fiduciary obligations are met.

Articles of association and membership

CEPI's Articles of Association are being further developed to ensure the Board to take account of the views of all relevant stakeholders such as governments, foundations, industry, academia, and civil society groups.

The updated articles will propose that the membership of the association is constituted by the Board members and investors council members. The members of the association will have a separate annual meeting, in conjunction with one of the Board meetings.

It was additionally noted that in November a proposal would come to the Board to appoint an auditor. The selected auditor will be expected to present its findings to the first meeting of the new Board in March 2018.

Board charter

In July there was a decision to develop a Board charter to ensure that the future Board understands the history and ethos of the Coalition. This is being drafted to include an explicit focus on the history of CEPI, and the principles Board members are expected to operate in accordance with. It will come to the Board for decision in November in connection with the other governance documents.

Establishment of a US office

Richard Hatchett gave a short update on the status of establishing CEPI's US presence and office space. As part of deciding where to reside, two options were presented:

- being hosted by an existing institution (four offers were noted as being received)
- leasing independent office space (one lead site was noted as being identified)

The Secretariat's emerging preference was highlighted as leasing independent office space, whilst separately seeking to develop relationships with each of the institutions who had offered to host CEPI.

It was noted that CEPI US will be set up as a 501(c) (4) social welfare organization with tax free status, but to whom any contributions would not qualify as tax-free. Incorporating the CEPI US office in this manner will avoid liability for CEPI Norway as a parent organization, and allows more flexibility to speaking to US government and congress members about potential funding.

Decisions

The Board noted the updates on the CEPI Investors Council, revision of articles of association and membership and Board charter.

The Board agreed to delegate the decision on location and establishment of the CEPI US office to the Secretariat, and asked to be updated on progress.

It was noted that if the Secretariat wishes to formally affiliate with any institutions, this decision would be brought to a future Board meeting for formal ratification.

Discussed under this item

- The secretariat needs to ensure clarity in the relationship between the Articles of Association, Membership, and Investors Council
- The terms of reference for the Investors Council should ensure that the involvement of investors in decision making is balanced and proportionate and does not create a veto
- Detlef Böcking from Germany expressed his gratitude that the Secretariat had taken the concerns raised by investors seriously, and praised the proposed amendments
- A question was asked on how the Secretariat decided that four of the board seats should be allocated to investors, in the context of the Investors Council also existing. In response it was highlighted that this decision was made to balance legitimately expressed concerns from investors that as stewards of provided funds they need to be involved in the decision making process

7. AOB and closing statements

The Chair thanked Board members for participating in the Board meeting and congratulated Richard and the Secretariat for the progress made.

The next CEPI Board meeting will be held in Tokyo, Japan on 20 November 2017.