



GAVI, THE VACCINE ALLIANCE 2019 ANNUAL FINANCIAL REPORT

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DISCUSSION AND ANALYSIS



STRUCTURE AND GOVERNANCE

STRUCTURE

Gavi, the Vaccine Alliance (the "Alliance") is a global health partnership representing stakeholders in immunisation from both private and public sectors: donor and implementing country governments, private sector philanthropists such as the Bill & Melinda Gates Foundation (the "Gates Foundation"), the financial community, donor and implementing country vaccine manufacturers, research and technical institutes, civil society organisations and multilateral organisations such as the World Health Organization (the "WHO"), the United Nations Children's Fund ("UNICEF") and the International Bank for Reconstruction and Development (the "World Bank"). The Alliance was launched in January 2000 with the aim to save children's lives and protect people's health by increasing access to immunisation in implementing countries.

Working together, the Alliance members achieve objectives that no single agency or group could achieve. These objectives include accelerating access to new and underused vaccines, strengthening health and immunisation systems in countries and shaping the global vaccine market to the benefit of implementing countries. This has prevented millions of deaths worldwide. The Alliance conducts its operations as an international organisation, registered in Switzerland as the Gavi Alliance ("Gavi"), with privileges and immunities similar to those accorded to other international intergovernmental organisations in Switzerland.

In June 2006, the Alliance incorporated the International Finance Facility for Immunisation ("IFFIm"), a private company in the United Kingdom and a registered charity in England and Wales. IFFIm is set up to rapidly accelerate the availability, and enhance the predictability of funds for Gavi's immunisation programmes. Gavi enters into legally binding pledge agreements with sovereign government donors and then irrevocably assigns to IFFIm the right to receive cash payments under those agreements. IFFIm uses these long-term pledges from sovereign government donors as collateral to sell Vaccine Bonds in the global capital markets, making large amounts of funds immediately available for Gavi's programmes, including new and underused vaccine support, health systems strengthening support, and vaccine research and development activities. Gavi is the sole member of IFFIm.

In November 2014, August 2015 and March 2019, the IFFIm Sukuk Company Limited ("IFFImSC"), the IFFIm Sukuk Company Limited II ("IFFImSC II") and the IFFIm Sukuk Company Limited III ("IFFImSC III"), all Cayman Islands companies with limited liability, were established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations. Gavi's use of IFFIm as an innovative finance mechanism is discussed further in the *Innovative Finance Mechanisms* section on page 13 of this report. IFFImSC and IFFImSC II made the final payment to the holders of its certificates in December 2017 and September 2018, respectively, and, dissolved in April 2018 and July 2019, respectively.

Gavi prepared consolidated financial statements, which include the financial information of IFFIm. For the purposes of this report, Gavi and IFFIm are jointly referred to as the "Gavi Group". IFFIm includes the financial information of IFFImSC and IFFImSC II, up to their dissolution dates, and IFFImSC III. These Gavi Group financial statements commence on page 25 of this Annual Financial Report. The Statutory Financial Statements of Gavi and the Annual Trustees' Report of IFFIm may be found at <https://www.gavi.org/news-resources/document-library/financial-reports> and <https://iffim.org/investor-centre/trustee-reports-financial-statements>, respectively.

The following table summarises the assets and liabilities of Gavi and IFFIm, on standalone and consolidated bases, as of 31 December 2019.

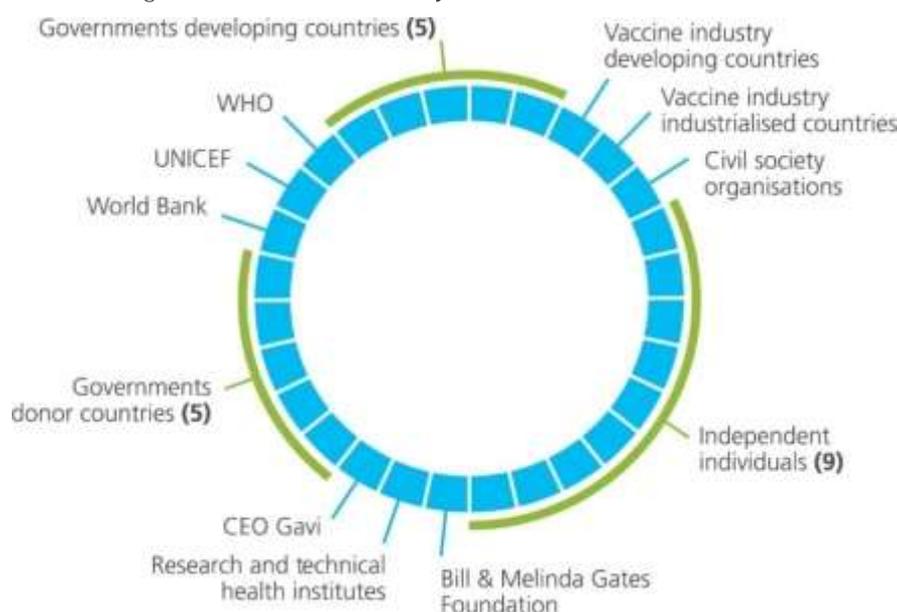
| In Millions of US\$ | Gavi | IFFIm | Eliminations | Consolidated |
|---|--------------|--------------|--------------|--------------|
| Assets | | | | |
| Cash and investments | 2,009 | 428 | - | 2,437 |
| Restricted cash | 626 | - | - | 626 |
| Contributions receivable | 1,475 | 2,074 | (357) | 3,192 |
| Net derivatives and other assets | 131 | - | - | 131 |
| Total assets | 4,241 | 2,502 | (357) | 6,386 |
| Liabilities | | | | |
| Programme grants payable | 247 | 357 | (357) | 247 |
| Procurement accounts payable | 626 | - | - | 626 |
| Bonds and other borrowings | - | 510 | - | 510 |
| Net derivatives and other liabilities | 198 | 521 | - | 719 |
| Total liabilities | 1,071 | 1,388 | (357) | 2,102 |
| Total net assets | 3,170 | 1,114 | - | 4,284 |
| Total liabilities and net assets | 4,241 | 2,502 | (357) | 6,386 |

The following table summarises the income and expenses of Gavi and IFFIm, on standalone and consolidated bases, for the year ended 31 December 2019.

| In Millions of US\$ | Gavi | IFFIm | Eliminations | Consolidated |
|---------------------------------------|--------------|------------|--------------|--------------|
| Revenue | | | | |
| Contributions from donors | 777 | 59 | (216) | 620 |
| Investment and other income | 138 | 23 | - | 161 |
| Fair value gains | 49 | 84 | - | 133 |
| Other revenue | 1 | 1 | (1) | 1 |
| Total revenue | 965 | 167 | (217) | 915 |
| Expenses | | | | |
| Programme | 1,009 | 216 | (214) | 1,011 |
| Financing costs | - | 32 | - | 32 |
| Administrative, fundraising and other | 45 | 4 | (3) | 46 |
| Total expenses | 1,054 | 252 | (217) | 1,089 |
| Decrease in net assets | (89) | (85) | - | (174) |

GOVERNANCE

Gavi's Board of Directors (the "Board") establishes Gavi's policies, oversees the operations of Gavi and monitors programme implementation. The Board brings together experts from both the public and private sectors. Representative Board members from multilateral development agencies, donors, implementing country governments, civil society, the pharmaceutical industry, and research and technical health communities help to shape Gavi's strategic vision and policies. Independent Board members, including those with experience in the private sector, bring an innovative perspective to Board discussions and decisions, and assist the Board in fulfilling its role as Gavi's fiduciary.



The Board is supported by a secretariat with offices in Geneva, Switzerland and Washington, DC (the "Secretariat"). The Secretariat is responsible and accountable for the day-to-day operations of Gavi, including mobilising resources to fund programmes, coordinating programme approvals and disbursements, developing policy and implementing strategic initiatives, monitoring and evaluation, legal and financial management, and administration for the Board and its Committees.

In November 2009, Gavi established an independent internal audit function to evaluate and strengthen risk management, internal control and governance processes in the organisation. The work of the internal audit function extends not only to the Secretariat but also to the programmes and activities of Gavi's grant recipients and partners. Gavi's internal audit function is led by a managing director who reports to the Board, which is effected through routine reporting to the Audit and Finance Committee and the Chief Executive Officer.

The IFFIm board, working with the World Bank, oversees bond issuances and develops funding, liquidity and other strategies to safeguard and maximise the value of IFFIm bond proceeds. The IFFIm board is comprised of experts in finance and investments, and is independent of the Board.

MISSION AND STRATEGIC GOALS

Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries. Pursuant to this mission, in June 2014, the Board approved the strategy for 2016 to 2020. This strategy defines Gavi's mission, operating principles, strategic goals, objectives and progress indicators.

The Gavi Engagement Framework for 2016 to 2020 describes the actions to be undertaken to achieve the 2016-2020 strategy and lays out the context and challenges for the coming years. The COVID-19 pandemic will have a significant impact in the final year of the strategic period and is expected to impact progress and pose risks to the health, economic, social and political landscapes in implementing countries. However, the full implications will not become clearer for some time. Despite the COVID-19 pandemic, Gavi should reach its goal of immunising 300 million additional children in the strategic period.

Gavi's mission is supported by four strategic goals:

- **Strategic Goal 1 – the Vaccine Goal: Accelerate the uptake and coverage of vaccines:** Accelerating the uptake of new and underused vaccines is Gavi's core business and represents the majority of its expenditure. The Vaccine Goal is achieved through three strategic objectives: (1) increasing coverage and equity of immunisation, (2) supporting countries in introducing and scaling up new vaccines, and (3) responding flexibly to the special needs of children in fragile countries.

The first ten years of Gavi's work focused mainly on catalysing adoption of vaccines against yellow fever, hepatitis B and Haemophilus influenzae type b. In the next five years, Gavi maintained momentum on these antigens but also targeted new vaccines, which held potential to achieve progress on the Millennium Development Goals ("MDG"), in particular MDG 4: Reduce Child Mortality. Gavi aims to continue to accelerate the introduction of routine meningitis, pneumococcal and rotavirus vaccines and support campaigns against yellow fever and meningitis.

Under the 2016-2020 strategy, Gavi will continue to support implementing countries to introduce and increase access to vaccines so that they are able to protect every child with a full package of WHO-recommended life-saving vaccines. This will include introducing new vaccines into the routine schedules of national immunisation programmes and working to protect every child, including those who are hardest to reach, such as children in poor urban areas and remote rural locations. Gavi will also support global stockpiles and immunisation campaigns, so the world's lowest income countries can be assured of ready access to quality vaccines to protect against disease outbreaks. Gavi will work to ensure that wealth, geography and gender are not obstacles to immunisation and that children, even in the most fragile settings, benefit from the protection that a complete schedule of vaccines provides.

- **Strategic Goal 2 – the Systems Goal: Increase effectiveness and efficiency of immunisation delivery as an integrated part of strengthened health systems:** While countries are responsible for their health systems, Gavi's role is to help ensure that their health systems are effective in delivering vaccines and ensuring that these systems reach every child. The Systems Goal is achieved through three strategic objectives: (1) contributing to improving integrated and comprehensive immunisation programmes, including fixed, outreach and supplementary components, (2) supporting improvements in supply chains, health information systems, demand generation and gender sensitive approaches, and (3) strengthening the engagement of civil society, the private sector and other partners in immunisation.

Without the people and equipment to deliver vaccines, no immunisation programme will be sustainable over the long-term. Gavi has boosted the capacity of health and immunisation services through health system strengthening support, funding to support civil society involvement in immunisation planning and delivery, and immunisation services support, which has used reward payments to encourage implementing countries to increase the number of children immunised with three doses of the diphtheria, tetanus and pertussis vaccine. Technical assistance from a wide range of partners through the partners' engagement framework is another. Gavi also support countries through the cold chain equipment optimisation platform, helping to extend the reach of immunisation.

Under the 2016-2020 strategy, effective and efficient immunisation delivery systems, drawing on modern technologies and approaches, will be critical to ensure that Gavi sustainably reaches more children, and in more places. Recognising the importance of integration, Gavi will support implementing countries to build comprehensive immunisation programmes and to do this in a way that strengthens their broader health systems. While Gavi will develop and propose solutions in critical areas of immunisation delivery such as vaccine supply chains and data quality, the support that is delivered will be driven by national and local situations and priorities.

- Strategic Goal 3 – the Sustainability Goal: Improve sustainability of national immunisation programmes: One of the cornerstones of Gavi’s development model is that support is time-limited and catalytic, and that Gavi support for countries diminishes and ultimately ends as their economies grow. The Sustainability Goal recognises that widening Gavi’s donor base to secure long-term, predictable funding is critical to meeting increased demand for new vaccines. The Sustainability Goal is achieved through three strategic objectives: (1) enhancing national and sub-national political commitments to immunisation, (2) ensuring appropriate allocation and management of national human and financial resources to immunisation through legislative and budgetary means, and (3) preparing for sustained performance in immunisation after graduation.

Under the 2016-2020 strategy, Gavi will work with implementing countries to ensure that they **successfully transition, or “graduate”,** from Gavi financial support and can sustain and continue to improve the performance of their immunisation programmes. In doing so, Gavi will focus on sustainability from the outset of each country grant to support and sustain gains in immunisation. Gavi’s approach to sustainability will be mindful of the simultaneous transitions that countries undergo from other development funding instruments.

- Strategic Goal 4 – the Market Shaping Goal: Shape markets for vaccines and other immunisation products: Gavi’s success depends upon the vaccine markets providing appropriate and affordable vaccines. With plans to introduce a larger portfolio of vaccines in the world’s poorest countries, it is imperative that Gavi continues to innovate and shape a larger number of markets. The Market Shaping Goal is achieved through four strategic objectives: (1) ensuring adequate and secure supply of quality vaccines, (2) reducing prices of vaccines and other immunisation products to an appropriate and sustainable level, (3) continuing to build a healthy vaccine market, including by working to increase the number of suppliers, and (4) incentivising the development of suitable and quality vaccines and other immunisation products.

Gavi has already dramatically improved markets to ensure that lower income countries can access vaccines at affordable prices. Under the 2016-2020 strategy, Gavi will continue to play an active role in promoting innovation, affordability and supply continuity in the global market for vaccines and immunisation-related products. Gavi aims to address the needs of lower income countries for appropriate products at affordable prices. Gavi will also work to ensure that governments have access to appropriate vaccine prices after Gavi support ends.

In June 2019, the Board approved a new strategy (“Gavi 5.0”) to guide Gavi’s work over the 2021–2025 period, prioritising reaching communities with immunisation that are currently missed, such as those in urban slums, remote areas and conflict settings. While Gavi 5.0 was approved before the COVID-19 pandemic, the Board remains grounded in the Gavi 5.0 strategy set out below with equity as the organising principle. The strategy’s vision of leaving no one behind with immunisations is more relevant than ever in light of the pandemic. However, the pandemic and Gavi’s response does require reassessment and reprioritisation of some elements of Gavi 5.0 which is ongoing at the time of this report. Gavi 5.0 aims to accelerate the journey towards universal immunisation. Immunisation already reaches more households than any other health intervention. Every child ought to receive a full package of vaccines, and there is a real possibility that immunisation could be truly universal by 2030 – but achieving this requires an urgent acceleration of this journey. This would provide a strong platform for primary health care as a pathway to universal health coverage and the sustainable development goal of “leaving no one behind”. To do this, it will target four goals to save lives and protect people’s health by increasing the equitable and sustainable use of vaccines.

- Gavi 5.0 Strategic Goal 1: Introduce and scale up vaccines: Since 2000, Gavi has supported countries to conduct more than 400 introductions of new and under-used vaccines. In Gavi’s first phase, it began by supporting vaccines that protect against six infectious diseases. By 2025, this will have increased to at least 18, including the inactivated polio vaccine (IPV) and new vaccines like rabies, hepatitis B birth dose and multivalent meningococcal. Gavi will also support vaccines, like those for Ebola, cholera and typhoid, that tackle outbreaks, fight antimicrobial resistance and boost global health security. Given the increasing number of Gavi-supported vaccines, Gavi will help countries to prioritise vaccines based on local epidemiology, national capacity and sustainability considerations. Once available and if approved by the Board, securing the resources and procurement to enable delivery at scale of COVID-19 vaccines will become an additional priority for Gavi.

- Gavi 5.0 Strategic Goal 2: Strengthen health systems to increase equity in immunisation: Gavi-supported countries reached a record 64 million children with a full course of basic vaccines in 2017, up from 41 million in 2000. Yet still as many as 1 in 10 children in Gavi-supported countries receive no routine vaccines and COVID-19 pandemic is likely to result in millions of children missing out on vaccines, particularly impacting the most marginalised communities. To reach these missing millions, Gavi will bring a much stronger focus on reaching those most marginalised, by strengthening primary health care systems, building and sustaining community demand, and using innovation to ensure that immunisation services are maintained and restored to reach these children. It will also bring a greater focus and enhanced approach to tackle gender-related barriers that stand in the way of reaching every child.
- Gavi 5.0 Strategic Goal 3: Improve sustainability of immunisation programmes: Gavi actively works with supported countries so that they co-finance and gradually take over the financing of their vaccines as they get wealthier. In this regard, countries transition out of Gavi support over time as Gavi provides them with necessary support to ensure that their immunisation programmes remain strong. From 2011 to 2018, countries have increased the amount they themselves spend on Gavi-supported vaccines from US\$ 36 million to US\$ 475 million. Gavi will continue its work building political support and increasing domestic public resources for immunisation and primary health care, as well as supporting countries as they move away from Gavi funding to self-finance their vaccine programmes. In light of the economic impact of COVID-19 pandemic, co-financing levels and flexibilities may need to be reconsidered to mitigate the acute impact of the pandemic while ensuring incentives remain in place for countries to make successful, sustainable transitions out of Gavi support.
- Gavi 5.0 Strategic Goal 4: Ensure healthy markets for vaccines and related products: Since Gavi was founded in 2000, its market shaping work has helped increase the number of vaccine manufacturers supplying Gavi-eligible countries which has expanded from 5 to 17, and prices have reduced dramatically. In recent years Gavi has widened the focus of its market shaping work towards building healthy markets for each of its vaccines, as well as related products like cold chain equipment. Gavi will continue to work on balancing all the elements necessary to ensure healthy market dynamics for vaccines and immunisation-related products, focusing on reliable, consistent and affordable supply as an overarching objective. It will also bring a more purposeful approach to driving innovation for immunisation-related products and services. On 4 June 2020, Gavi launched the Gavi Advance Market Commitment for COVID-19 ("Gavi COVAX AMC") to ensure equitable access and delivery of COVID-19 vaccines after they have been developed.

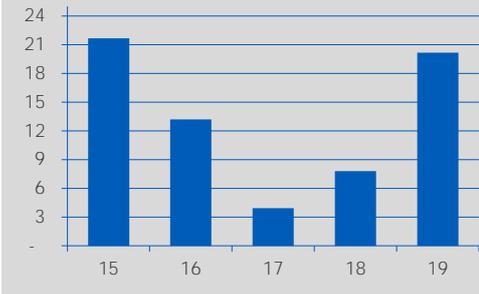
Further information on these strategic goals, Gavi's **future plans**, performance indicators related to these goals and any impact of the COVID-19 pandemic may be found in Gavi's **2019 Annual Progress Report** and online at <https://www.gavi.org/programmes-impact/our-impact/progress-reports>.

KEY FINANCIAL PERFORMANCE INDICATORS

This section lays out the key performance indicators that are used by the Secretariat to review, assess and **manage the Gavi Group's overall financial position, activities, results and cash flows**. In addition to these Key Financial Performance Indicators, the Secretariat has developed several indicators focused on specifically measuring performance against Gavi's **four Strategic Goals**. These **additional performance indicators are defined and described in Gavi's 2016 to 2020 Strategy Indicator Definitions**, and progress against these indicators is described in the 2019 Annual Progress Report.

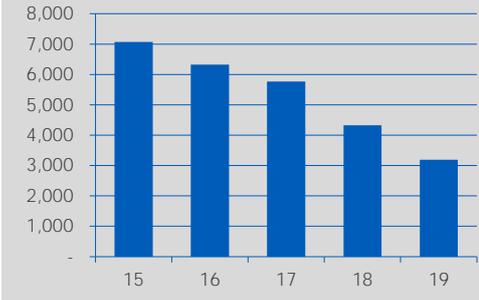
| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|--|---|------|------------------------------|------|-------|------|-------|------|-------|------|-------|------|-------|
| Cash proceeds from donors and IFFIm investors 2019: US\$ 2.0 billion 2018: US\$ 1.6 billion 2017: US\$ 1.5 billion 2016: US\$ 1.7 billion 2015: US\$ 1.4 billion | Cash receipts from Gavi's direct donors plus cash receipts through IFFIm. Direct cash receipts include cash received pursuant to the Advance Market Commitment ("AMC") innovative finance mechanism. | <table border="1"> <caption>Five-Year History of Cash Receipts (US\$ billion)</caption> <thead> <tr> <th>Year</th> <th>Cash Receipts (US\$ billion)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1,400</td> </tr> <tr> <td>2016</td> <td>1,700</td> </tr> <tr> <td>2017</td> <td>1,500</td> </tr> <tr> <td>2018</td> <td>1,600</td> </tr> <tr> <td>2019</td> <td>2,000</td> </tr> </tbody> </table> | Year | Cash Receipts (US\$ billion) | 2015 | 1,400 | 2016 | 1,700 | 2017 | 1,500 | 2018 | 1,600 | 2019 | 2,000 |
| Year | Cash Receipts (US\$ billion) | | | | | | | | | | | | | |
| 2015 | 1,400 | | | | | | | | | | | | | |
| 2016 | 1,700 | | | | | | | | | | | | | |
| 2017 | 1,500 | | | | | | | | | | | | | |
| 2018 | 1,600 | | | | | | | | | | | | | |
| 2019 | 2,000 | | | | | | | | | | | | | |

Continued support from donors and IFFIm investors is fundamental to the achievement of all Gavi's **strategic goals**. Cash receipts from these donors and IFFIm investors indicate that Gavi has received a strong and consistent level of support. Cash receipts increased from US\$ 1.4 billion in 2015 to US\$ 2.0 billion in 2019. Fluctuations in the level of cash receipts was primarily due to the timing of IFFIm **drawdowns based on Gavi's funding needs**.

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|--|--|------|------------|----|----|----|----|----|---|----|---|----|----|
| Percentage of funds received from innovative finance mechanisms 2019: 20 percent 2018: 8 percent 2017: 4 percent 2016: 13 percent 2015: 22 percent | Total cash receipts through IFFIm, the AMC and the Gavi Matching Fund as a percentage of total cash receipts in each year from all of Gavi's donors and investors. |  <table border="1"> <caption>Five-Year History Data</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>15</td> <td>22</td> </tr> <tr> <td>16</td> <td>13</td> </tr> <tr> <td>17</td> <td>4</td> </tr> <tr> <td>18</td> <td>8</td> </tr> <tr> <td>19</td> <td>20</td> </tr> </tbody> </table> | Year | Percentage | 15 | 22 | 16 | 13 | 17 | 4 | 18 | 8 | 19 | 20 |
| Year | Percentage | | | | | | | | | | | | | |
| 15 | 22 | | | | | | | | | | | | | |
| 16 | 13 | | | | | | | | | | | | | |
| 17 | 4 | | | | | | | | | | | | | |
| 18 | 8 | | | | | | | | | | | | | |
| 19 | 20 | | | | | | | | | | | | | |

As described in the *Innovative Finance Mechanisms* section on page 13 of this report, Gavi's innovative finance mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Over the past five years, innovative finance mechanisms have generated 14% of Gavi's cash receipts. This reflects Gavi's strong commitment to developing and maintaining mechanisms that tap new sources of capital and bring specific characteristics that advance Gavi and its mission.

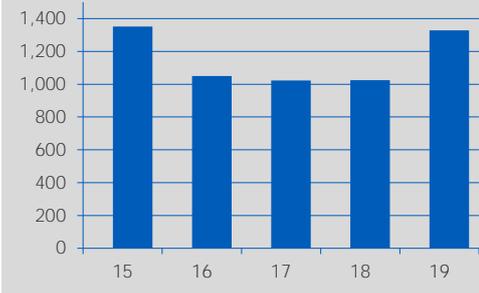
The percentage of funds received from innovative finance mechanisms decreased from a high of 22% in 2015 to 8% in 2018 primarily due to a decrease in AMC cash proceeds and the deferral of a portion of IFFIm drawdowns based on Gavi's funding needs. The increase from 8% in 2018 to 20% in 2019 was due to an increase in IFFIm proceeds comprised of previously deferred IFFIm drawdowns and new funding received for vaccine research and development activities by the Coalition for Epidemic Preparedness Innovations ("CEPI").

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|---|---|--|------|----------------------|----|-------|----|-------|----|-------|----|-------|----|-------|
| Total multi-year pledges 2019: US\$ 3.2 billion 2018: US\$ 4.3 billion 2017: US\$ 5.8 billion 2016: US\$ 6.3 billion 2015: US\$ 7.1 billion | Year-end fair value of multi-year pledges as presented on the Gavi Group's Consolidated Statements of Financial Position. |  <table border="1"> <caption>Five-Year History Data</caption> <thead> <tr> <th>Year</th> <th>Value (US\$ billion)</th> </tr> </thead> <tbody> <tr> <td>15</td> <td>7,100</td> </tr> <tr> <td>16</td> <td>6,300</td> </tr> <tr> <td>17</td> <td>5,800</td> </tr> <tr> <td>18</td> <td>4,300</td> </tr> <tr> <td>19</td> <td>3,200</td> </tr> </tbody> </table> | Year | Value (US\$ billion) | 15 | 7,100 | 16 | 6,300 | 17 | 5,800 | 18 | 4,300 | 19 | 3,200 |
| Year | Value (US\$ billion) | | | | | | | | | | | | | |
| 15 | 7,100 | | | | | | | | | | | | | |
| 16 | 6,300 | | | | | | | | | | | | | |
| 17 | 5,800 | | | | | | | | | | | | | |
| 18 | 4,300 | | | | | | | | | | | | | |
| 19 | 3,200 | | | | | | | | | | | | | |

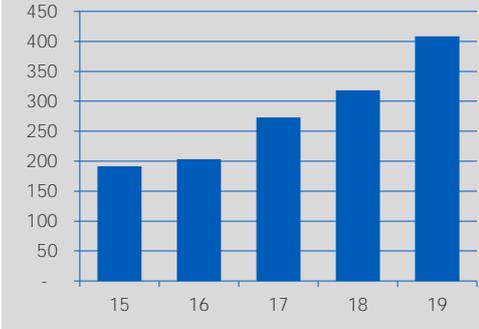
In order to achieve its Sustainability Goal, Gavi requires sufficient long-term multi-year pledges to provide implementing countries with a predictable and stable funding environment.

The total value of multi-year commitments decreased during the period from 2015 to 2019 as direct donors paid down their multi-year commitments made during Gavi's second pledging conference in January 2015. These new multi-year commitments were made to help fund Gavi's programmatic activities until 2020.

At the second pledging conference in January 2015, new multi-year commitments made by direct donors totalled US\$ 7.5 billion for the period 2016 to 2020. As of 31 December 2019, 99% of these multi-year commitments had been converted into grant agreements signed by donors. See the *Gavi Foreign Currency and Hedging Activity* section on page 19 of this report for further information on the valuation of the multi-year commitments made by direct donors at the second pledging conference.

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|---|---|------|------------------------------|------|-------|------|-------|------|-------|------|-------|------|-------|
| <p>New and underused vaccines programme disbursements</p> <p>2019: US\$ 1.3 billion</p> <p>2018: US\$ 1.0 billion</p> <p>2017: US\$ 1.0 billion</p> <p>2016: US\$ 1.1 billion</p> <p>2015: US\$ 1.3 billion</p> | <p>Cash disbursed, on a calendar year basis, for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines. Includes vaccine introduction grants and operational costs.</p> |  <table border="1"> <caption>Five-Year History Data</caption> <thead> <tr> <th>Year</th> <th>Disbursements (US\$ million)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1,300</td> </tr> <tr> <td>2016</td> <td>1,050</td> </tr> <tr> <td>2017</td> <td>1,000</td> </tr> <tr> <td>2018</td> <td>1,000</td> </tr> <tr> <td>2019</td> <td>1,300</td> </tr> </tbody> </table> | Year | Disbursements (US\$ million) | 2015 | 1,300 | 2016 | 1,050 | 2017 | 1,000 | 2018 | 1,000 | 2019 | 1,300 |
| Year | Disbursements (US\$ million) | | | | | | | | | | | | | |
| 2015 | 1,300 | | | | | | | | | | | | | |
| 2016 | 1,050 | | | | | | | | | | | | | |
| 2017 | 1,000 | | | | | | | | | | | | | |
| 2018 | 1,000 | | | | | | | | | | | | | |
| 2019 | 1,300 | | | | | | | | | | | | | |

Under its Vaccine Goal, Gavi aims to accelerate the uptake and use of underused and new vaccines (“NVS”). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of Gavi’s progress toward achieving its goal. NVS programme disbursements have remained stable from 2015 to 2019. The decrease in NVS programme disbursements during the period of 2016 to 2018 was primarily due to a decrease in support to a number of implementing countries as they transition from receiving Gavi funding, a reduction in the funding of the pneumococcal conjugate vaccine under the AMC innovative finance mechanism, and a decrease in disbursements for the inactivated polio vaccine due to supply shortages of the vaccine.

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|--|--|------|------------------------------|------|-----|------|-----|------|-----|------|-----|------|-----|
| <p>Health systems strengthening programme disbursements</p> <p>2019: US\$ 409 million</p> <p>2018: US\$ 318 million</p> <p>2017: US\$ 273 million</p> <p>2016: US\$ 203 million</p> <p>2015: US\$ 191 million</p> | <p>Cash disbursed, on a calendar year basis, to implementing countries for the purpose of strengthening their health systems. Includes disbursements for immunisation services support and Cold Chain Equipment Optimisation Platform (“CCEOP”).</p> |  <table border="1"> <caption>Five-Year History Data</caption> <thead> <tr> <th>Year</th> <th>Disbursements (US\$ million)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>191</td> </tr> <tr> <td>2016</td> <td>203</td> </tr> <tr> <td>2017</td> <td>273</td> </tr> <tr> <td>2018</td> <td>318</td> </tr> <tr> <td>2019</td> <td>409</td> </tr> </tbody> </table> | Year | Disbursements (US\$ million) | 2015 | 191 | 2016 | 203 | 2017 | 273 | 2018 | 318 | 2019 | 409 |
| Year | Disbursements (US\$ million) | | | | | | | | | | | | | |
| 2015 | 191 | | | | | | | | | | | | | |
| 2016 | 203 | | | | | | | | | | | | | |
| 2017 | 273 | | | | | | | | | | | | | |
| 2018 | 318 | | | | | | | | | | | | | |
| 2019 | 409 | | | | | | | | | | | | | |

Under its Systems Goal, Gavi aims to help strengthen the capacity of implementing countries’ integrated health systems. From 2015 to 2019, Gavi disbursed US\$ 1.4 billion to implementing countries to help bolster their health systems. Health systems strengthening (“HSS”) support addresses health system bottlenecks, primarily in five areas: (1) supply chain; (2) data availability, quality, and use; (3) demand promotion and community engagement; (4) in-country leadership, management, and coordination; and (5) health workforce. Governments are encouraged to engage civil society organisations for the implementation of HSS activities. HSS programme disbursements continued to increase from 2015 to 2019 as Gavi scaled up the HSS programme in the 2016-2020 strategic period to deliver on the coverage and equity agenda, and strengthened the disbursement process.

In June 2016, the Board agreed that an amount of at least US\$ 1.3 billion is available for HSS disbursements, including performance payments and excluding disbursements to CCEOP, for grant programme years in the 2016-2020 strategic period, with additional funding being subject to future Board decisions. In June 2018, the Board approved certain flexibilities to allow countries to fully benefit from the Board-approved HSS disbursements. Flexibilities will allow all countries facing fragility challenges to request additional HSS support of up to 50% beyond the current country ceiling and allow Gavi to increase individual non-fragile country ceilings for HSS through 2020 by up to 25%, including countries that currently have a maximum ceiling of US\$ 100 million. In June 2020, the Board approved the removal of cap of US\$ 100 million over five years currently applied to total country HSS ceilings.

In June 2015, the Board approved the establishment of the CCEOP to strengthen country cold chain systems with an initial amount of US\$ 50 million to launch its implementation and fund the first applications. The CCEOP was launched in 2016. In December 2016, the Board approved additional funding for an aggregate amount not exceeding US\$ 250 million.

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|---|--|------|------------|------|------|------|------|------|------|------|------|-------|------|
| Percentage overhead expenses 2019: 4.35 percent* 2018: 2.53 percent 2017: 2.71 percent 2016: 2.52 percent 2015: 2.72 percent | Overhead expenses as a percentage of total expenses. * The 2019 increase was primarily a result of a change in accounting policy as further described below. | <table border="1"> <caption>Percentage overhead expenses (2015-2019)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2.72</td> </tr> <tr> <td>2016</td> <td>2.52</td> </tr> <tr> <td>2017</td> <td>2.71</td> </tr> <tr> <td>2018</td> <td>2.53</td> </tr> <tr> <td>2019*</td> <td>4.35</td> </tr> </tbody> </table> | Year | Percentage | 2015 | 2.72 | 2016 | 2.52 | 2017 | 2.71 | 2018 | 2.53 | 2019* | 4.35 |
| Year | Percentage | | | | | | | | | | | | | |
| 2015 | 2.72 | | | | | | | | | | | | | |
| 2016 | 2.52 | | | | | | | | | | | | | |
| 2017 | 2.71 | | | | | | | | | | | | | |
| 2018 | 2.53 | | | | | | | | | | | | | |
| 2019* | 4.35 | | | | | | | | | | | | | |

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|--|--|--|------|------------|------|------|------|------|------|------|------|------|-------|-------|
| Percentage operating expenses 2019: 10.68 percent* 2018: 6.11 percent 2017: 7.29 percent 2016: 6.67 percent 2015: 6.48 percent | Operating expenses as a percentage of total expenses. * The 2019 increase was primarily a result of a change in accounting policy as further described below. | <table border="1"> <caption>Percentage operating expenses (2015-2019)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>6.48</td> </tr> <tr> <td>2016</td> <td>6.67</td> </tr> <tr> <td>2017</td> <td>7.29</td> </tr> <tr> <td>2018</td> <td>6.11</td> </tr> <tr> <td>2019*</td> <td>10.68</td> </tr> </tbody> </table> | Year | Percentage | 2015 | 6.48 | 2016 | 6.67 | 2017 | 7.29 | 2018 | 6.11 | 2019* | 10.68 |
| Year | Percentage | | | | | | | | | | | | | |
| 2015 | 6.48 | | | | | | | | | | | | | |
| 2016 | 6.67 | | | | | | | | | | | | | |
| 2017 | 7.29 | | | | | | | | | | | | | |
| 2018 | 6.11 | | | | | | | | | | | | | |
| 2019* | 10.68 | | | | | | | | | | | | | |

In order to maximise the amount of funds available for programmatic activities, the Gavi Group's administrative overhead must be kept as low as possible. The Gavi Group's percentage overhead expenses have been below 5% since 2015 and increased from 2.53% in 2018 to 4.35% in 2019. The Gavi Group's percentage operating expenses increased from 6.11% in 2018 to 10.68% in 2019. These increases were driven primarily by a one-off reduction in total programme expenses, from US\$ 1.9 billion in 2018 to US\$ 1.1 billion in 2019, due to a change in accounting policy as a result of the prospective adoption of Accounting Standards Update ("ASU") No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, a new accounting standard which was issued by the Financial Accounting Standards Board ("FASB") effective 1 January 2019 as discussed further in the *Significant Accounting Policies: Adoption of New Accounting Pronouncements* section on page 30 of the consolidated financial statements. Actual overhead and operating expenses were US\$ 46 million and US\$ 113 million, respectively, in 2019 and were both lower than the corresponding 2018 actual expenses of US\$ 48 million and US\$ 116 million, respectively.

For the purposes of calculating the Gavi Group's percentage overhead and operating expenses amounts above, overhead expenses are the aggregate of the Gavi Group's fundraising, management and general expenses, and operating expenses are the aggregate of the Gavi Group's overhead expenses, secretariat programme implementation expenses, and partners' programme implementation expenses in relation to evaluations and assessments. Overhead expenses exclude indirect programme expenses such as those expenses related to programme implementation and performance monitoring.

The components of the Gavi Group's percentage overhead and operating expenses were:

| Indicator | 2019 | 2018 |
|--|-------|-------|
| Management and general expenses percentage | 2.36% | 1.33% |
| Fundraising expenses percentage | 1.99% | 1.20% |
| Total overhead expenses percentage | 4.35% | 2.53% |

| Indicator | 2019 | 2018 |
|--|--------|-------|
| Total overhead expenses percentage | 4.35% | 2.53% |
| Secretariat programme implementation expenses percentage | 5.29% | 3.05% |
| Partners' programme implementation expenses percentage | 1.04% | 0.53% |
| Total operating expenses percentage | 10.68% | 6.11% |

The Gavi Group's fundraising, management and general expenses were as follows:

| In Millions of US\$ | 2019 | 2018 |
|---------------------------------|------|------|
| Management and general expenses | 25 | 25 |
| Fundraising expenses | 21 | 23 |
| Total overhead expenses | 46 | 48 |

The Gavi Group's operating expenses were as follows:

| In Millions of US\$ | 2019 | 2018 |
|--|------|------|
| Total overhead expenses | 46 | 48 |
| Secretariat programme implementation expenses | 56 | 58 |
| Partners' programme implementation expenses ¹ | 11 | 10 |
| Total operating expenses | 113 | 116 |

¹ This total only includes the portion of partners' programme implementation expenses that are related to evaluations and assessments.

Certain departments within the Secretariat conduct activities that have programmatic and fundraising, as well as management and general components. The cost of conducting these activities ("Joint Costs") were allocated as follows:

| In Millions of US\$ | 2019 | 2018 |
|---|------|------|
| Joint costs allocated to programmes | 17 | 18 |
| Joint costs allocated to fundraising | 5 | 6 |
| Joint costs allocated to management and general | 6 | 7 |
| Total joint costs | 28 | 31 |

For the purposes of calculating the Gavi Group's percentage overhead and operating expenses amounts above, total expenses are the aggregate of the Gavi Group's direct and indirect programme expenses, and overhead costs. Total expenses exclude financing costs, provision for doubtful accounts, and all fair value gains and losses. Total expenses were determined as follows:

| In Millions of US\$ | 2019 | 2018 |
|--|-------|-------|
| Direct country programme expenses | 795 | 1,602 |
| Secretariat programme implementation expenses | 56 | 58 |
| Partners' programme implementation expenses | 161 | 194 |
| Total programme expenses | 1,012 | 1,854 |
| Total overhead expenses | 46 | 48 |
| Total non-programme expenses | 46 | 48 |
| Total expenses, excluding financing costs, provision for doubtful accounts and fair value gains and losses | 1,058 | 1,902 |

| Indicator | Definition | Five-Year History | | | | | | | | | | | | |
|---|--|--|------|--------------------------------|----|-------|----|-------|----|-------|----|-------|----|-------|
| Percentage net financing costs 2019: 2.64 percent 2018: 2.42 percent 2017: 1.53 percent 2016: 0.93 percent 2015: 0.46 percent | IFFIm's net interest expense as a percentage of its average bonds and other borrowings balance for the year. Net interest expense is after the effect of hedging transactions. Average bonds and other borrowings for the year is the average of the nominal monthly balances. | <table border="1"> <caption>Five-Year History Data</caption> <thead> <tr> <th>Year</th> <th>Percentage net financing costs</th> </tr> </thead> <tbody> <tr> <td>15</td> <td>0.46%</td> </tr> <tr> <td>16</td> <td>0.93%</td> </tr> <tr> <td>17</td> <td>1.53%</td> </tr> <tr> <td>18</td> <td>2.42%</td> </tr> <tr> <td>19</td> <td>2.64%</td> </tr> </tbody> </table> | Year | Percentage net financing costs | 15 | 0.46% | 16 | 0.93% | 17 | 1.53% | 18 | 2.42% | 19 | 2.64% |
| Year | Percentage net financing costs | | | | | | | | | | | | | |
| 15 | 0.46% | | | | | | | | | | | | | |
| 16 | 0.93% | | | | | | | | | | | | | |
| 17 | 1.53% | | | | | | | | | | | | | |
| 18 | 2.42% | | | | | | | | | | | | | |
| 19 | 2.64% | | | | | | | | | | | | | |

The Gavi Group's net interest expense and average bonds and other borrowings balances were as follows:

| In Millions of US\$, except Percentages | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------|-------|-------|-------|-------|
| Net interest expense on bonds and other borrowings after impact of swaps | 24 | 27 | 22 | 13 | 9 |
| Average nominal value of bonds and other borrowings for the year | 908 | 1,114 | 1,436 | 1,395 | 1,962 |
| Percentage net financing costs | 2.64% | 2.42% | 1.53% | 0.93% | 0.46% |

The Gavi Group incurs financing costs on Vaccine Bonds issued by IFFIm. In order to minimise these financing costs, IFFIm has done the following:

- Put in place a liquidity policy that allows it to maintain a high credit rating. As a result of this high credit rating, IFFIm's bonds and other borrowings rates to date have historically been better than if IFFIm's donors had raised their share of IFFIm's funding individually in their own markets. See the *Cash Reserve and Liquidity Policies* section on page 19 for further details.
- Entered into currency and interest rate swaps to hedge against IFFIm's exposure to currency and interest rate fluctuations impacting its Vaccine Bonds.

Percentage net financing costs were higher in 2019 compared to 2018 primarily due to higher interest rates in 2019. The Gavi Group's low percentage net financing costs over the last five years indicates that IFFIm's liquidity and hedging policies have been appropriately designed and effectively executed. Since its inception in 2006, IFFIm has accessed the capital markets at a weighted average cost of borrowing that is in total lower than that of its donors. IFFIm's weighted average cost of all its bonds issued since its inception is 2 basis points over USD LIBOR. This is 8 basis points lower than the weighted average cost of borrowing of its donors, which is 10 basis points over USD LIBOR calculated over the same period.

INNOVATIVE FINANCE MECHANISMS

BENEFITS OF INNOVATIVE FINANCE MECHANISMS

Innovative finance mechanisms help Gavi to:

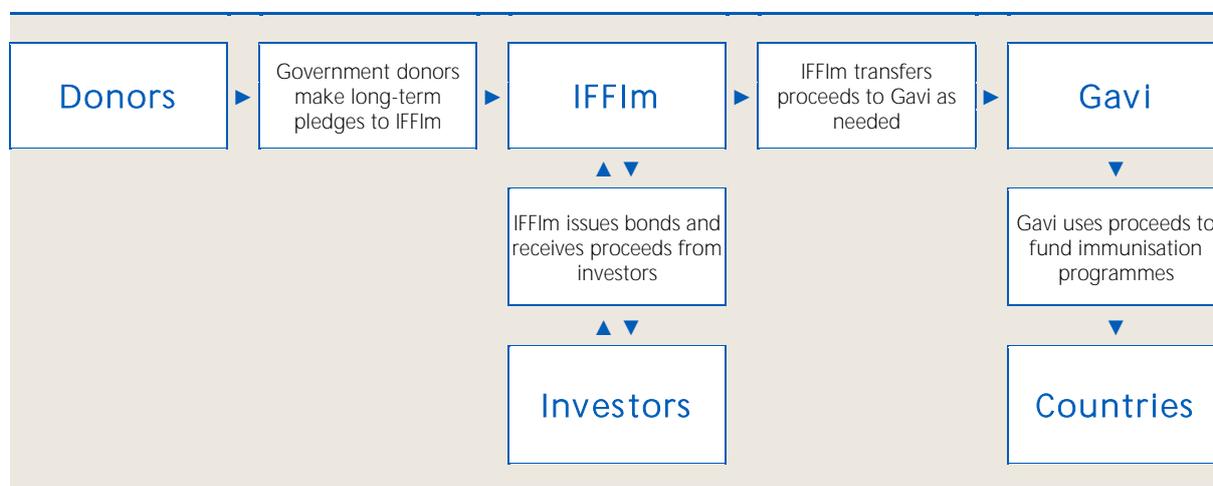
- Diversify its funding portfolio: Innovative finance mechanisms attract capital from a variety of public and private sources. They aim to attract funds that are committed for longer periods of time.
- Adapt to the needs of implementing countries, donors and investors: Innovative finance mechanisms help match the capacity and preferences of donors and investors with the needs of implementing countries to rapidly scale up vaccine coverage, lower disease prevalence and accelerate introduction of new and underused vaccines.
- Provide predictable and flexible resources: Funding predictability has enabled countries to implement multi-year programmes that fundamentally improve the quality of and access to health care services. Flexible resources allow Gavi to access alternate funding resources as funding constraints emerge, avoiding programme disruption.
- Respond to the United Nations Sustainable Development Goals: Gavi and immunisation are critical to achieving child health goals set by the United Nations ("UN"). Gavi aided the UN in achieving the MDG for child health, which aimed to reduce by two-thirds the deaths of children under five by 2015. As the MDG period came to an end, Gavi is in full support of the UN post-2015 Sustainable Development Goals including child health: accelerate the progress made to date in reducing newborn and child mortality by ending all such preventable deaths before 2030. Additional resources provided from innovative finance mechanisms help Gavi accelerate funding for the introduction of vaccines and strengthen health systems.

- Shape markets: Gavi's use of innovative finance helps meet country demand, grow markets, attract manufacturers and reduce prices. This makes donor resources go further and increases the ability of countries to fund vaccines in the long-term.

THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

IFFIm is an innovative finance mechanism created in 2006 that provides long-term, predictable and flexible funding to Gavi. IFFIm historically has converted long-term government commitments into immediately available cash resources by issuing bonds in the capital markets. IFFIm contributes to accelerating the availability and predictability of funds for Gavi's **immunisation programmes**, including new and underused vaccine support, health systems strengthening support, and vaccine research and development activities. Between 2006 and 2019, IFFIm accounted for over 20% of Gavi's funding. IFFIm is a core component of Gavi's long-term funding strategy.

IFFIm is backed by legally binding funding commitments from the Governments of the Commonwealth of Australia, the Federative Republic of Brazil, the Republic of France, the Republic of Italy, the State of the Netherlands, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden, and the United Kingdom of Great Britain and Northern Ireland ("**the United Kingdom**"), which together have pledged to contribute approximately US\$ 6.5 billion to IFFIm over 23 years¹. These long-term government pledges are used as collateral to raise funds on the global capital markets by issuing Vaccine Bonds. Cash receipts from the donor governments are then used to repay IFFIm bonds.



The ability of IFFIm to convert long-term commitments into immediate cash provides Gavi with the flexibility to use funds when they are needed most. This means that Gavi can choose either to frontload IFFIm resources over a short period of time or to have smaller and more consistent drawdowns over a longer-term, depending on Gavi's **funding needs** and without incurring significant costs on either situation. Having these immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

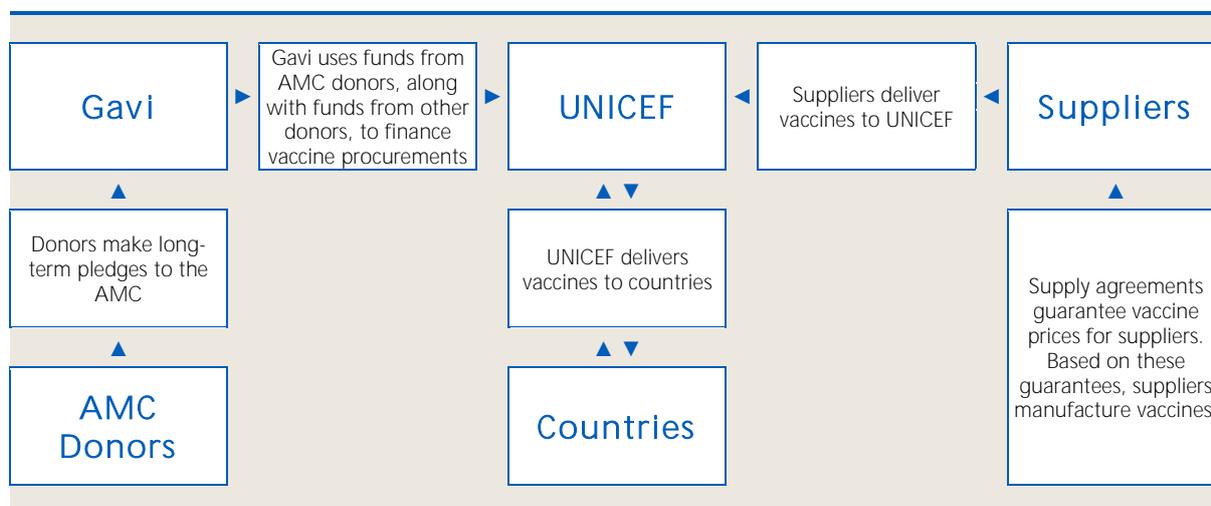
IFFIm Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about Gavi and its mission. IFFIm Bonds have proved popular with both institutional and individual investors, raising over US\$ 6.1 billion since IFFIm's inception in 2006 to 31 December 2019.

THE ADVANCE MARKET COMMITMENT FOR PNEUMOCOCCAL VACCINE

The Advance Market **Commitment for Pneumococcal Vaccine (the "PCV AMC")** aims to encourage the development and production of affordable vaccines tailored to the needs of implementing countries. Following the announcement of the governments of Italy, the United Kingdom, Canada, the Russian Federation, Norway and the Gates Foundation, who collectively pledged a total of US\$ 1.5 billion to fund the programme, the PCV AMC was designed to stimulate the late stage development and manufacture of affordable pneumococcal vaccines for the poorest countries. The terms that most significantly impact the AMC commitment are described in the *Significant Accounting Policies: Contributions Receivable from AMC Donors* section on page 35 of the consolidated financial statements.

¹ Further information on donor pledges to IFFIm is on page 56 of this report.

Under the PCV AMC arrangement, donors commit funds to guarantee the price of vaccines once they have been developed. These financial commitments provide vaccine manufacturers with an incentive to invest in late stage vaccine development, and expand manufacturing capacity. In exchange, the vaccine manufacturers sign legally binding commitments to provide the vaccines at a pre-agreed long-term price to implementing countries.



The overarching goal of the PCV AMC is to reduce morbidity and mortality from pneumococcal diseases, preventing an estimated 7 million childhood deaths by 2030. Specifically, the objectives of the PCV AMC are:

- To accelerate the development of pneumococcal vaccines to meet implementing country needs.
- To bring forward the availability of effective pneumococcal vaccines for implementing countries by guaranteeing the initial purchase price, for a limited quantity of the new vaccines, that represents value for money and incentivises manufacturers to invest in scaling-up production capacity to meet implementing country vaccine demand.
- To accelerate vaccine uptake by ensuring predictable vaccine pricing for countries and manufacturers, for example through binding commitments by participating companies to supply vaccines at low, long-term and sustainable prices.
- To test the effectiveness of the PCV AMC mechanism as an incentive for supplying much needed vaccines and to learn lessons for developing possible similar initiatives in the future.

At the Global Vaccine Summit (“GVS”), Gavi’s third pledging conference that was hosted by the Government of the United Kingdom on 4 June 2020, PCV AMC donors the Republic of Italy, the United Kingdom, Canada, the Kingdom of Norway, and the Bill & Melinda Gates Foundation publicly announced their commitment of US\$ 177.5 million in unused funding remaining at the close of the PCV AMC to the newly launched Gavi COVAX AMC. Furthermore, Russia also announced at the GVS for its pro-rata share of the unused PCV AMC funds of US\$ 10 million to be available for use in the 2021-2025 strategic period as part of Gavi’s core funding.

THE GAVI MATCHING FUND

The Gavi Matching Fund is a public-private funding mechanism designed to incentivise private sector investments in immunisation.

At Gavi’s pledging conference in June 2011, the United Kingdom Department for International Development (“DFID”) and the Gates Foundation pledged £ 50 million and US\$ 50 million, respectively, to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners until 2015.

At Gavi’s second pledging conference in January 2015, the Gates Foundation and the State of the Netherlands pledged US\$ 75 million and € 10 million, respectively, to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners until 2020.

The Gavi Matching Fund will allow Gavi to deliver more life-saving vaccines to the lowest income countries. Healthy children lead to healthy communities and healthy societies. The Gavi Matching Fund also attracts advocates for the cause of immunisation and those who provide core business skills to help address technological and logistical challenges to immunisation.

The Gavi Matching Fund process comprises three key steps:

- (1) Gavi works with the partner to find ways to engage customers, employees, business partners or others to contribute through the Gavi Matching Fund.
- (2) A private sector partner makes a cash or in-kind contribution to Gavi.
- (3) Until 2015, every contribution to Gavi through the Gavi Matching Fund by the private sector partner, its customers, employees and business partners was matched either by DFID or by the Gates Foundation. From 2016 to 2020, private sector contributions to Gavi through the Gavi Matching Fund are matched by the Gates Foundation and the State of the Netherlands.

The Gavi Matching Fund raised US\$ 19 million in 2019. Since its inception in 2011 to 31 December 2019, the Gavi Matching Fund has raised a total of US\$ 345 million. This amount is the total of pledges from the private sector partners and matching pledges from DFID, the Gates Foundation, and the State of Netherlands.

FINANCIAL OVERVIEW

OVERVIEW OF ASSETS AND LIABILITIES

The following table summarises Gavi Group's consolidated assets and liabilities as of 31 December 2019, 2018 and 2017:

| In Millions of US\$, except Percentages | 2019 | 2018 | 2017 | Change, 2018 to 2019 | Change, 2017 to 2018 |
|---|--------------|--------------|--------------|----------------------|----------------------|
| Assets | | | | | |
| Cash and investments | 3,063 | 3,489 | 3,636 | (12)% | (4)% |
| Contributions receivable | 3,192 | 4,329 | 5,762 | (26)% | (25)% |
| Net derivatives and other assets | 131 | 123 | 59 | 6 % | 108 % |
| Total assets | 6,386 | 7,941 | 9,457 | (20)% | (16)% |
| Liabilities | | | | | |
| Programme grants and procurement accounts payable | 873 | 1,974 | 1,826 | (56)% | 8 % |
| Bonds and other borrowings | 510 | 886 | 1,181 | (42)% | (25)% |
| Net derivatives and other liabilities | 719 | 623 | 854 | 15 % | (27)% |
| Total liabilities | 2,102 | 3,483 | 3,861 | (40)% | (10)% |
| Total net assets | 4,284 | 4,458 | 5,596 | (4)% | (20)% |
| Total liabilities and net assets | 6,386 | 7,941 | 9,457 | (20)% | (16)% |

The Gavi Group's total assets decreased by 20% during 2019. The decrease in total assets was primarily due to programme disbursements of US\$ 2.1 billion, bond redemptions of US\$ 500 million, interest paid on bonds of US\$ 23 million, and administrative and other disbursements of US\$ 25 million, which were partially offset by new multi-year donor pledges and annual contributions totalling US\$ 620 million, bond issuance proceeds of US\$ 115 million, fair value gains on contributions receivable of US\$ 136 million, and net investment income of US\$ 161 million.

The Gavi Group's total liabilities decreased by 40% during 2019, primarily due to decreases in programme grants and procurement accounts payable, bonds and other borrowings, and IFFIm's net derivative liability. Each of these is discussed below:

- **Decrease in programme grants and procurement accounts payable:** The decrease in programme grants and procurement accounts payable was primarily due to payments of outstanding programme liabilities totalling US\$ 2.1 billion, which were partially offset by the recognition of new programme liabilities totalling US\$ 1.0 billion. New programme liabilities were relatively lower in 2019 compared to prior years due to the adoption of a new accounting standard on the recognition of liabilities, which requires the substantial fulfillment of certain conditions before liabilities can be recognised.
- **Decrease in bonds and other borrowings:** The decrease in bonds and other borrowings resulted from the redemption of a bond of US\$ 500 million. The decrease was partially offset by proceeds from two new bond issuances totalling US\$ 115 million and fair value losses of US\$ 11 million.
- **Increase in net derivatives and other liabilities:** The increase in net derivatives and other liabilities was due to accounts payable balances, which were US\$ 77 million higher in 2019 compared to 2018, and the recognition of operating lease obligations of US\$ 26 million due to the adoption of a new accounting standard on leases. The increase was partially offset by an US\$ 8 million decrease in net derivative

liabilities. The Gavi Group's net derivative liability balance is primarily comprised of IFFIm's net liability position on its interest rate and currency swap contracts. This liability on swap contracts decreased from US\$ 527 million, as of 31 December 2018, to US\$ 519 million, as of 31 December 2019, primarily due to interest rate and foreign currency rate fluctuations during 2019. All else being equal, IFFIm's derivative liability will reverse over time as the swap positions related to those payments are unwound in the normal course of business. These swap positions will be unwound as payments are received from IFFIm donors and bonds are redeemed. See the *IFFIm Hedging Activity* section on page 21 of this report for further information on IFFIm's currency and interest swap arrangements.

OVERVIEW OF INCOME AND EXPENSES

The following table summarises Gavi Group's consolidated income and expenses for the years ended 31 December 2019, 2018 and 2017:

| In Millions of US\$, except Percentages | 2019 | 2018 | 2017 | Change, 2018 to 2019 | Change, 2017 to 2018 |
|--|--------------|----------------|--------------|----------------------|----------------------|
| Revenue | | | | | |
| Contributions from government and private donors | 620 | 589 | 748 | 5 % | (21)% |
| Investment and other income | 161 | 19 | 126 | 747 % | (85)% |
| Other revenue | 1 | 6 | 4 | (83)% | 50 % |
| Total revenue¹ | 782 | 614 | 878 | 27 % | (30)% |
| Expenses | | | | | |
| Programme | 1,011 | 1,854 | 1,594 | (45)% | 16 % |
| Net interest expense on bonds and other borrowings after impact of swaps | 24 | 27 | 22 | (11)% | 23 % |
| Other fair value gains ² | (125) | (183) | (263) | (32)% | (30)% |
| Administrative, fundraising and other | 46 | 54 | 44 | (15)% | 23 % |
| Total expenses | 956 | 1,752 | 1,397 | (45)% | 25 % |
| Decrease in net assets | (174) | (1,138) | (519) | (85)% | 119 % |

¹ This total includes donor-restricted contributions from government and private and does not include the release of net assets and net fair value gains on derivatives, which are included in the total revenue reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements.

² Other fair value (gains) losses include net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable, which are reported as total revenue and changes in net assets with donor restrictions, respectively, in the Consolidated Statements of Activities on page 27 of the consolidated financial statements.

The Gavi Group's recorded contribution revenue is the aggregate of new multi-year pledges and annual contributions. The Gavi Group's revenue for 2017, 2018 and 2019 was driven primarily by the following:

- **2017 contribution revenue:** Contribution revenue of US\$ 748 million was recorded in 2017. Recorded revenue included new multi-year pledges received during the year of US\$ 132 million, US\$ 67 million, and US\$ 7 million from the Republic of France, the State of the Netherlands, and various other donors, respectively. Recorded revenue also included annual contributions of US\$ 275 million from USAID and US\$ 267 million from various other donors.
- **2018 contribution revenue:** Contribution revenue of US\$ 589 million was recorded in 2018. Recorded revenue included new multi-year pledges received during the year of US\$ 19 million, US\$ 11 million, US\$ 8 million, and US\$ 0.8 million from the Kingdom of Denmark, the Federative Republic of Brazil, the Republic of India, and various other donors, respectively. Recorded revenue also included annual contributions of US\$ 290 million from the United States Agency for International Development ("USAID") and US\$ 260 million from various other donors. See *Schedule 1.5: Annual Contributions from Donors* on page 57 for a complete list of annual contributions received by the Gavi Group during 2018.
- **2019 contribution revenue:** Contribution revenue of US\$ 620 million was recorded in 2019. Recorded revenue included new multi-year pledges received during the year of US\$ 59 million, US\$ 20 million, and US\$ 13 million from the Kingdom of Norway, the United States of America, and various other donors, respectively. Recorded revenue also included annual contributions of US\$ 290 million from USAID, US\$ 147 million from the Federal Republic of Germany and US\$ 91 million from various other donors. See *Schedule 1.5: Annual Contributions from Donors* on page 57 for a complete list of annual contributions received by the Gavi Group during 2019. The decrease in contribution revenue, compared to 2017, is an expected trend given that Gavi is in the fourth year of its current strategic period and winding down on its multi-year pledges, the majority of which were recognised at the beginning of the strategic period.

The Gavi Group's investment and other income was US\$ 161 million in 2019, an increase from an income of US\$ 19 million in 2018 primarily as a result of strong market performance on all asset classes.

The Gavi Group's programme expenses decreased by 45% in 2019 as a result of the adoption of a new accounting standard on the recognition of expenses, which requires the substantial fulfillment of certain conditions before expenses can be recognised.

Net interest expense was lower in 2019 compared to 2018 primarily due to lower average borrowings in 2019. In 2019, net interest expense on bonds and other borrowings after impact of swaps of US\$ 24 million was comprised of interest expense of US\$ 21 million and interest expense on bond swaps of US\$ 3 million. In 2018, net interest expense on bonds and other borrowings after impact of swaps of US\$ 27 million was comprised of interest expense of US\$ 24 million and interest expense on bond swaps of US\$ 3 million.

Gavi Group incurred other fair value gains of US\$ 125 million, US\$ 183 million, and US\$ 263 million in 2019, 2018 and 2017, respectively. The composition and drivers of each of these gains is described below:

- **2017 other fair value gains:** Other fair value gains of US\$ 263 million were comprised of foreign currency transaction gains on contributions receivable of US\$ 479 million, net fair value gains on contributions receivable of US\$ 66 million and other foreign exchange gains of US\$ 6 million. These gains were partially offset by the fair value losses on derivatives of US\$ 258 million and net fair value losses on bonds and other borrowings of US\$ 30 million. The US\$ 479 million foreign currency transaction gains on contributions receivable were primarily the result of a weaker United States dollar in 2017, which significantly increased the fair values of foreign currency denominated contributions receivable. The US\$ 66 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2017. The US\$ 258 million fair value losses on derivatives were primarily the result of a weaker United States dollar in 2017, which resulted in higher fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds. The US\$ 30 million fair value losses on bonds and other borrowings were primarily the result of lower interest rates in 2017 and a stronger South African rand in 2017, which significantly increased the fair values on bonds that were denominated in South African rand.
- **2018 other fair value gains:** Other fair value gains of US\$ 183 million were comprised of net fair value gains on contributions receivable of US\$ 105 million, fair value gains on derivatives of US\$ 262 million, and net fair value gains on bonds and other borrowings of US\$ 6 million. These gains were partially offset by the foreign currency transaction losses on contributions receivable of US\$ 165 million and other foreign exchange losses of US\$ 25 million. The US\$ 105 million net fair value gains on contributions receivable were primarily the result of lower interest rates in 2018. The US\$ 262 million fair value gains on derivatives were primarily the result of a stronger United States dollar in 2018, which resulted in lower fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds. The US\$ 6 million fair value gains on bonds and other borrowings were primarily the result of higher interest rates in 2018. The US\$ 165 million foreign currency transaction losses on contributions receivable were primarily the result of a stronger United States dollar in 2018, which significantly decreased the fair values of foreign currency denominated contributions receivable.
- **2019 other fair value gains:** Other fair value gains of US\$ 125 million were comprised of net fair value gains on contributions receivable of US\$ 86 million, foreign currency transaction gains on contributions receivable of US\$ 50 million, and fair value gains on derivatives of US\$ 9 million. These gains were partially offset by net fair value losses on bonds and other borrowings of US\$ 11 million and other foreign exchange losses of US\$ 10 million. The US\$ 86 million net fair value gains on contributions receivable were primarily the result of lower interest rates in 2019. Due to lower interest rates in 2019, lower discount factors were applied to the pledges. The US\$ 50 million foreign currency transaction gains on contributions receivable were primarily the result of the strengthening of the British pound against the United States dollar in 2019, which was of greater magnitude than the impact due to the strengthening of the United States dollar against the euro and the other currencies. This significantly increased the fair values of foreign currency denominated contributions receivable. The US\$ 9 million fair value gains on derivatives were primarily the result of lower interest rates in 2019. Due to lower interest rates in 2019, lower discount factors were applied to bond swaps in 2019. The US\$ 11 million fair value losses on bonds and other borrowings were primarily the result of lower interest rates in 2019.

Net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable are reported as total revenue and changes in net assets with donor restrictions, respectively, in the Consolidated Statements of Activities on page 27 of the consolidated financial statements. Net fair value gains or losses on bonds and other borrowings are reported as net financing income or expenses in the Consolidated Statements of Activities on page 27 of the consolidated financial statements and as other borrowing income or expenses in the Consolidated Statements of Functional Expenses on page 29 of the consolidated financial statements. See the *Gavi Foreign Currency and Hedging Activity* and *IFFIm Hedging Activity* sections on pages 19 and 21, respectively, of this report for further information on Gavi Group's use of derivatives to hedge against market risks.

OVERVIEW OF CASH FLOWS

The following table summarises Gavi Group's consolidated cash flows for the years ended 31 December 2019, 2018 and 2017:

| In Millions of US\$, except Percentages | 2019 | 2018 | 2017 | Change, 2018 to 2019 | Change, 2017 to 2018 |
|---|-------|-------|-------|----------------------|----------------------|
| Net cash (used in) from operating activities ¹ | (158) | 215 | 371 | (173)% | (42)% |
| Net cash from investing activities | 638 | 98 | 158 | 551 % | (38)% |
| Net cash used in financing activities | (378) | (332) | (230) | 14 % | 44 % |
| Net change in cash | 102 | (19) | 299 | (637)% | (106)% |
| Cash and restricted cash as of the beginning of the year | 771 | 790 | 491 | (2)% | 61 % |
| Cash and restricted cash as of the end of the year | 873 | 771 | 790 | 13 % | (2)% |

¹ This total includes the effect of exchange rate changes on cash, which is excluded from net cash provided by operating activities reported in the Consolidated Statements of Cash Flows on page 28 of the consolidated financial statements.

Net cash (used in) from operating activities is driven mainly by cash receipts from donors and cash payments to implementing countries, procurement agents, partners and vendors for programmatic and administrative purposes.

Net cash from investing activities mainly relates to the investment of proceeds from donors and bond issuances before those proceeds are used to fund Gavi programmes or redeem bonds.

Net cash used in financing activities reflects the cash inflows from Vaccine Bond issuances and cash outflows from Vaccine Bond redemptions.

The Gavi Group's cash receipts from donors and IFFIm investors were as follows:

| In Millions of US\$, except Percentages | 2019 | 2018 | 2017 | Change, 2018 to 2019 | Change, 2017 to 2018 |
|---|-------|-------|-------|----------------------|----------------------|
| Sovereign governments and the European Community | 1,280 | 1,138 | 1,126 | 12 % | 1 % |
| Gates Foundation and other private donors | 331 | 350 | 345 | (6)% | 1 % |
| IFFIm and other innovative finance mechanisms | 385 | 107 | 35 | 260 % | 207 % |
| Total cash receipts from donors and IFFIm investors | 1,996 | 1,595 | 1,506 | 25 % | 6 % |

CASH RESERVE AND LIQUIDITY POLICIES

Gavi and IFFIm have put in place certain policies in order to ensure that they maintain sufficient liquidity to meet their obligations to implementing countries, IFFIm investors and all other creditors. These policies are summarised below:

- **Gavi cash reserve policy:** At all times, Gavi maintains a minimum unrestricted cash and investment reserve equivalent to eight months of Gavi's expected annual expenditures.
- **Gavi programme funding policy:** As a prerequisite to Board approval or endorsement of any new programmes, Gavi designates an amount of Qualifying Resources sufficient to fully cover all its commitments for the period from the start of the current year through the next two calendar years. Qualified Resources are defined as the aggregate of Gavi cash and investments on hand and expected future cash inflows for the next two years. Expected future cash flows are comprised of: (1) expected cash receipts from AMC donors and other direct Gavi donors, (2) expected funding from IFFIm, (3) project investment income.
- **IFFIm liquidity policy:** IFFIm maintains an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum balance of pooled investments equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum balance is recalculated and reset on a quarterly basis.

GAVI FOREIGN CURRENCY AND HEDGING ACTIVITY

Gavi expenditures are primarily incurred in United States dollars. Therefore, Gavi is exposed to foreign currency exchange rate fluctuations on contributions receivable in currencies other than the United States dollar. In November 2011, the Board approved a currency hedging policy that specified parameters for currency hedging through which Gavi can manage this exposure. Under its hedging policy, Gavi actively hedges its foreign currency exchange risk on a portion of contributions receivable by entering into currency

forward contracts. In addition, a small portion of Gavi's currency exchange risk is naturally hedged by expenses that Gavi incurs in currencies other than the United States dollar.

At its pledging conference in Berlin in January 2015, Gavi valued pledges for direct contributions from donors using Bloomberg forecast foreign currency exchange rates. Using these rates, the valuation of direct contributions pledged for the period 2016 to 2020 totalled US\$ 7.9 billion². The United States dollar has strengthened significantly since then, thereby reducing the United States dollar valuation³ of the direct contributions pledged in other currencies. The Secretariat estimated that, as of May 2020, the United States dollar value of the pledges for direct contributions had reduced by US\$ 0.5 billion to a value of US\$ 7.4 billion, for the period 2016 to 2020. The amount of US\$ 7.4 billion, as indicated in the table below, is comprised of:

- US\$ 2.8 billion (38%) for amounts received or to be received in United States dollars;
- US\$ 4.4 billion (59%) for amounts in other currencies already received and exchanged for United States dollars, and amounts to be received that are hedged into United States dollars; and
- US\$ 0.2 billion (3%) for non-US\$ amounts to be received that are not yet hedged and are valued using Bloomberg forecast rates. Gavi is exposed to exchange rate fluctuations on this amount.

As of May 2020, Gavi had hedged 75% of the non-US\$ direct contributions that it expects to receive in 2020. The following table summarises Gavi's expected cash inflows for the period 2016 to 2020, in United States dollars and other currencies.

| In Millions of US\$, except Percentages | Cash inflows in United States dollars | Cash inflows in currencies other than the United States dollar, already received or hedged | Cash inflows in currencies other than the United States dollar, not yet received nor hedged | Total |
|---|---------------------------------------|--|---|---------------|
| Direct contributions | 2,857 38% | 4,396 59% | 195 3% | 7,448 100% |
| Other cash inflows: | | | | |
| Proceeds from IFFIm bond issuances | 666 | - | - | 666 |
| Proceeds from AMC contributions | 530 | - | - | 530 |
| Investment income | 367 | - | - | 367 |
| Anticipated release of funds from cash and investment reserve | 303 | - | - | 303 |
| Total Assured Resources ¹ | 4,723 51% | 4,396 47% | 195 2% | 9,314 100% |

¹ See the *Future Plans* section on page 23 of this report for further discussion.

The following table analyses the above expected future cash inflows from donors in currencies other than the United States dollar, by year:

| In Millions of US\$, except Percentages | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|--|-------------|-------------|-------------|-------------|------------|-------|
| Expected cash inflows in currencies other than the United States dollar, already received or hedged | 955 100% | 857 100% | 851 100% | 984 100% | 749 75% | 4,396 |
| Expected cash inflows in currencies other than the United States dollar, not yet received nor hedged | - | - | - | - | 195 25% | 195 |
| Total expected cash inflows in currencies other than the United States dollar | 955 | 857 | 851 | 984 | 944 | 4,591 |

² Includes pledges for direct contributions that were made at the Berlin conference and subsequently, including contributions for Inactivated Polio Vaccine.

³ The updated valuation of non-US\$ contributions uses Bloomberg forecast foreign currency rates as of May 2020.

Gavi remains exposed to foreign currency fluctuations on a portion of its contributions receivable. The sensitivity analysis in the following table shows the impact that a 5% change in value of the United States dollar would have on the fair value of Gavi's contributions receivable as of 31 December 2019 and 2018:

| In Millions of US\$ | Illustrative Increase or Decrease in US\$ Value of Contributions Receivable for each 5% movement of exchange rate against US\$ | |
|---------------------|--|------|
| | 2019 | 2018 |
| Australian dollar | 2 | 5 |
| British pound | 13 | 25 |
| Canadian dollar | 3 | 7 |
| Danish krone | 1 | 1 |
| Euro | 3 | 7 |
| Norwegian krone | 8 | 16 |

IFFIm HEDGING ACTIVITY

The majority of IFFIm's contributions receivable and some of its bonds and other borrowings are denominated in currencies other than the United States dollar. Therefore, IFFIm is exposed to the risk of financial loss or unpredictable cash flows resulting from fluctuations in foreign exchange rates. Since almost all Gavi's programme expenses are incurred in United States dollars and predictability of funding is essential to Gavi's mission, IFFIm has entered into currency swap contracts with the World Bank to mitigate the aforementioned risks. Under these contracts, IFFIm has economically swapped foreign currency receipts from its donors and payments to its investors with United States dollar receipts from, and payments to, the World Bank.

In addition to the abovementioned foreign exchange risks, IFFIm is also exposed to potential adverse changes in the value of its contributions receivable and bonds and other borrowings resulting from fluctuations in interest rates. In order to mitigate this risk, IFFIm has entered into interest rate swap contracts with the World Bank. Under these contracts, IFFIm has economically swapped its contributions receivable into dollar floating rate receivables from the World Bank and its bonds and other borrowings into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments and interest expense, for the year ended 31 December 2019, before and after the impact of IFFIm's currency and interest rate swaps:

| In Millions of US\$ | Pledges | Bonds |
|---|---------|-------|
| <u>Interest and fair value adjustments before impact of swaps</u> | | |
| Interest expense | - | (21) |
| Interest rate fair value gains (losses) | 19 | (10) |
| Foreign currency fair value gains (losses) | 34 | (1) |
| Other fair value gains | 42 | - |
| Total interest and fair value adjustments before impact of swaps | 95 | (32) |
| <u>Impact of currency and interest rate swaps</u> | | |
| Interest expense | - | (3) |
| Interest rate fair value (losses) gains | (5) | 10 |
| Foreign currency fair value (losses) gains | (15) | 2 |
| Other fair value losses | (1) | - |
| Total impact of currency and interest rate swaps | (21) | 9 |
| Net interest and fair value adjustments after impact of swaps | 74 | (23) |

RECENT EVENTS

IMPLEMENTATION OF SAP S/4 HANA

In October 2019, Gavi implemented a new accounting system, SAP S/4HANA, to provide integrated financial platform to Gavi and to enhance the internal financial controls.

IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic continues to have a devastating impact on global health and economic activity, including the economies of Gavi donors and Gavi-supported countries, many of which have been on lockdown to slow the spread of the disease. Gavi is actively supporting **countries'** responses to the pandemic through reprogramming existing Gavi support and helping countries mitigate the effects on their immunisation systems.

As a result of the disruption caused by the pandemic, Gavi is exposed to increased financial risk and disruptions to its business operations which could impact delivery of its strategic goals. Gavi has appropriate measures in place to mitigate the increased financial risk and disruptions to its business operations, and has relied on those measures to ensure continued delivery of its strategic goals. Gavi invoked business continuity procedures, including home-based work to ensure the Secretariat remains operational, and adopted other prudent measures to ensure the health and safety of its employees. The Board and supporting committees have been actively engaged to facilitate key decisions and, on a timely basis, to provide necessary guidance on operational matters and **Gavi's** COVID-19 response. Gavi is committed to securing a global response to COVID-19 pandemic that is effective and fair, using its unique expertise to help identify and rapidly accelerate development, production and delivery of COVID-19 vaccines so that anyone who needs them gets them. On 4 June 2020, Gavi launched the Gavi COVAX AMC to ensure equitable access and delivery of COVID-19 vaccines after they have been developed.

Disruptions to Gavi business operations include delays to routine immunisation programmes and supplementary immunisation activities, including vaccine and cold chain equipment supply constraints, as health workers focus on COVID-19 response. Gavi is allowing countries to apply to reprogramme their health system strengthening grants to provide fast and flexible funding to support their COVID-19 responses. In addition, Gavi made funds available to UNICEF to secure personal protective equipment (PPE), diagnostic tests and other vital supplies on behalf of 58 low- and lower middle-income countries as they respond to the pandemic. The Board and Secretariat have considered the impact of the pandemic on **Gavi's** business activities and, in their assessment, Gavi continues to meet its obligations as scheduled; undertake business activities on an ongoing basis; and deliver on its strategic goals.

IFFIm CREDIT RATING

On 31 March 2020, Fitch Ratings downgraded its credit rating on IFFIm to AA- from AA. The action was the result of its 27 March 2020 downgrade of the sovereign credit rating on the United Kingdom to AA- from AA reflecting the impact of the COVID-19 outbreak on its economy and uncertainty regarding its post-Brexit trade relationship with the European Union.

GLOBAL VACCINE SUMMIT 2020

On 4 June 2020, the Government of the United Kingdom hosted the GVS, **Gavi's** third donor pledging conference, to raise funds to support **Gavi's** programmes for the 2021 to 2025 strategic period. Attended by a number of world leaders and representatives from Gavi donor countries, Gavi-supported countries, the private sector, civil society, and Gavi partners, the summit raised a total of US\$ 8.8 billion (valued at foreign currency spot rates as of 4 June 2020) in new donor pledges, which will enable Gavi to reach a further 300 million children by 2025, saving an additional 7 to 8 million more lives.

NEW SOVEREIGN PLEDGE

On 12 June 2020, IFFIm received a new sovereign pledge from the Kingdom of Norway in the amount of kr 2 billion, which is payable to IFFIm in annual instalments of kr 200 million over ten years, commencing in March 2021 and ending in March 2030. IFFIm used the new sovereign pledge as backing for a new bond issuance, as described below, to provide immediate funding to Gavi for COVID-19 vaccine research and development activities by CEPI.

ISSUANCE OF VACCINE BONDS

On 7 July 2020, IFFIm issued kr 2 billion in zero coupon amortising vaccine bonds to provide immediate funding to Gavi for COVID-19 vaccine research and development activities by CEPI. As described above, the bond issuance was backed by the kr 2 billion sovereign pledge to IFFIm from the Kingdom of Norway. The transaction was jointly managed by Crédit Agricole CIB and Skandinaviska Enskilda Banken AB ("SEB"), attracting investors from Europe and Asia. The issuance, maturing on 5 April 2030, has a re-offer price of 94.92%, which is 22 basis points above the NOK Mid-Swap.

Gavi COVAX AMC

At the GVS on 4 June 2020, Gavi launched the Gavi COVAX AMC, a new financing instrument aimed at incentivising vaccine manufacturers to produce sufficient quantities of eventual COVID-19 vaccines, and to ensure access for implementing countries. PCV AMC donors the Republic of Italy, the United Kingdom, Canada, the Kingdom of Norway, and the Bill & Melinda Gates Foundation agreed to commit US\$ 177.5 million in unused funding remaining at the close of the PCV AMC to the newly launched Gavi COVAX AMC.

On 30 July 2020, the Board approved the establishment of the Gavi COVAX AMC as a financing mechanism to ensure that low income and lower middle-income economies based on 2018 and 2019 World Bank income classifications, as well as 12 other International Development Association ("IDA") eligible economies ("Gavi COVAX AMC Group") have access to COVID-19 vaccines once available.

COVAX FACILITY

On 30 July 2020, the Board approved Gavi as the legal entity to administer the COVAX Facility (the "Facility") with immediate effect. The Facility is a mechanism through which demand and resources are pooled to support availability of, and equitable access to, COVID-19 vaccines for all. All economies are invited to participate. High income economies and upper middle-income economies will be required to fully finance their doses by committing to purchase a certain percentage of doses once available and providing Gavi with a down payment on that commitment. The Gavi COVAX AMC will subsidise vaccine dose purchase for the Gavi COVAX AMC Group. Gavi, as administrator of the Facility, will enter into advance purchase agreements with manufacturers to procure volume of vaccine in advance of licensure so that, once licensed by an appropriate licensing authority, vaccines will be available faster and in larger amounts than they otherwise would have; thereby allowing access to more economies. All participating economies will have access to doses of vaccine procured through the Facility. Gavi will administer the continued implementation of the Facility in accordance with the framework set out by the Board.

FUTURE PLANS

MEETING FUTURE VACCINE DEMAND

The Secretariat regularly forecasts, reviews and manages Gavi's cash flows to ensure that Gavi has sufficient Qualifying Resources and liquidity to meet all its future vaccine demand. See the Cash Reserve and Liquidity Policies section on page 19 of this report for further information on Gavi's Qualifying Resources and liquidity policies.

As of May 2020, the date of the last forecast approved by the Board, Gavi's estimated Qualifying Resources for its 2016-2020 strategic period totalled US\$ 9.6 billion, while its total forecasted cash outflows for the same period were US\$ 9.2 billion. Therefore, Gavi had approximately US\$ 0.4 billion available for additional future mission-related investments. This surplus also provides increased assurance that Gavi will be able to meet future vaccine demand while still responding to significant unexpected future events and has allowed Gavi to provide additional support to countries in response to the COVID-19 pandemic.

At the time of this report, the Secretariat is updating its forecast for consideration by the Board to reflect the impact of COVID-19 pandemic on Gavi's Mission and Strategic Goals and its resultant programmatic commitments through 2020 and into the 2021-2025 strategic period, and the successful outcome of the GVS. Taking into account the available resources, the Secretariat forecasts that Gavi will have sufficient resources to fund all its programmatic commitments, as revised for the impact of COVID-19 pandemic on Gavi's core mission and the response to the pandemic through 2020.

At the successful GVS, Gavi secured the resources to deliver its Strategic Goals for the period 2021-2025 as approved before the onset of the COVID-19 pandemic. Gavi will seek to secure any additional resources required to fund incremental programmatic commitments for the strategic period 2021-2025 as Gavi's Mission and Strategic Goals are revised to reflect Gavi's response to the pandemic and any future role in the delivery of COVID-19 vaccine at scale.

PREPARATION OF THE ANNUAL FINANCIAL REPORT

RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board and the Secretariat are responsible for the preparation of Gavi's consolidated financial statements and related information that is presented in this report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and also comply with Swiss Law and the Gavi Alliance Statutes. Gavi's consolidated financial statements include amounts based on estimates and judgments made by the Secretariat. The Company engaged Deloitte to audit and opine on Gavi's consolidated financial statements.

Gavi designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorised use or disposition, and that the financial records are reliable for preparing consolidated financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organisational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of internal audits.

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat, internal auditor, and Deloitte to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting. Deloitte and the internal auditor each have full and free access to the Audit and Finance Committee.

FORWARD-LOOKING INFORMATION

Certain information contained in this *Discussion and Analysis* constitutes forward-looking information. This forward-looking information relates to the future financial conditions and results of activities of Gavi. The **information represents the Secretariat's current expectations and estimates about the business environments in which Gavi operates and the Secretariat's beliefs and assumptions regarding these environments. This forward-looking information is subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking information contained in this *Discussion and Analysis* may differ materially from actual results or events.**

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| In Thousands of US\$ | Note | As of 31 December 2019 | As of 31 December 2018 |
|--|------|------------------------------|------------------------------|
| <u>Assets</u> | | | |
| Cash | | 246,719 | 217,636 |
| Receivables, prepaid expenses and other assets | | 61,845 | 38,474 |
| Foreign currency forward contracts receivable | 3 | 44,971 | 84,293 |
| Investments | 4 | 1,761,945 | 1,901,072 |
| Pooled investments | 4 | 427,925 | 816,964 |
| Restricted cash | 6 | 626,482 | 553,481 |
| Contributions receivable | 5 | 3,192,105 | 4,329,614 |
| Operating lease right-of-use asset | 12 | 23,977 | - |
| Total assets | | 6,385,969 | 7,941,534 |
| <u>Liabilities and net assets</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts payable and other liabilities | | 172,475 | 94,981 |
| Programme grants payable | 7 | 246,809 | 1,412,645 |
| Procurement accounts payable | 6 | 626,482 | 560,760 |
| Net payable for currency and interest rate swaps | 3 | 519,271 | 526,754 |
| Foreign currency forward contracts payable | 3 | 1,101 | 1,921 |
| Operating lease obligation | 12 | 26,174 | - |
| Bonds and other borrowings | 8 | 509,801 | 886,338 |
| Total liabilities | | 2,102,113 | 3,483,399 |
| <u>Net assets</u> | | | |
| Without donor restrictions | | 1,151,512 | 195,944 |
| With donor restrictions | 9 | 3,132,344 | 4,262,191 |
| Total net assets | | 4,283,856 | 4,458,135 |
| Total liabilities and net assets | | 6,385,969 | 7,941,534 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

| In Thousands of US\$ | Note | Year Ended 31 December 2019 | Year Ended 31 December 2018 |
|---|------|-----------------------------------|-----------------------------------|
| <u>Changes in net assets without donor restrictions</u> | | | |
| <u>Revenue</u> | | | |
| Contributions from government and private donors | | 350,702 | 350,519 |
| Net investment income | 10 | 161,011 | 19,145 |
| Net fair value gains on derivatives | 11 | 8,768 | 262,307 |
| Other revenue | | 1,055 | 6,028 |
| Release of net assets | | 1,534,731 | 1,266,274 |
| Total revenue | | 2,056,267 | 1,904,273 |
| <u>Expenses</u> | | | |
| Programme | | 1,011,214 | 1,854,488 |
| Management and general | | 25,304 | 25,178 |
| Net financing expenses | 14 | 32,306 | 19,452 |
| Fundraising | | 20,905 | 22,794 |
| Foreign currency transaction adjustment | | 10,970 | 25,439 |
| Total expenses | | 1,100,699 | 1,947,351 |
| Change in net assets without donor restrictions | | 955,568 | (43,078) |
| <u>Changes in net assets with donor restrictions</u> | | | |
| Contributions from government and private donors | | 269,284 | 238,445 |
| Net fair value gains on contributions receivable | | 85,974 | 104,588 |
| Foreign currency transaction adjustment on contributions receivable | | 49,691 | (165,533) |
| Provision for doubtful accounts | | (65) | (6,000) |
| Release of net assets | | (1,534,731) | (1,266,274) |
| Change in net assets with donor restrictions | | (1,129,847) | (1,094,774) |
| <u>Net assets as of the beginning of the year</u> | | | |
| Without donor restrictions | | 195,944 | 239,022 |
| With donor restrictions | | 4,262,191 | 5,356,965 |
| Total net assets as of the beginning of the year | | 4,458,135 | 5,595,987 |
| <u>Net assets as of the end of the year</u> | | | |
| Without donor restrictions | | 1,151,512 | 195,944 |
| With donor restrictions | 9 | 3,132,344 | 4,262,191 |
| Net assets as of the end of the year | | 4,283,856 | 4,458,135 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| In Thousands of US\$ | Note | Year Ended 31 December 2019 | Year Ended 31 December 2018 As Adjusted |
|---|------|-----------------------------------|--|
| <u>Net cash flows from operating activities</u> | | | |
| <u>Change in net assets</u> | | (174,279) | (1,137,852) |
| <u>Adjustments to reconcile change in net assets to net cash from operating activities:</u> | | | |
| Realised and unrealised foreign currency transaction adjustment | | (49,388) | 167,068 |
| Increase (decrease) in fair value of bonds and other borrowings | | 8,383 | (5,429) |
| Increase in fair value of contributions receivable | | (85,974) | (104,588) |
| Net (gains) losses from swaps related to bonds and other | | (8,730) | 9,408 |
| Provision for doubtful accounts | | 65 | 6,000 |
| Amortisation of operating lease right-of-use asset | | 2,549 | - |
| Depreciation expense | | 1,294 | 2,036 |
| Loss on disposal of fixed assets | | - | 90 |
| Investment fees | | 2,761 | 1,161 |
| Realised and unrealised (gains) losses on investments and pooled investments | | (112,141) | 26,334 |
| <u>Changes in assets and liabilities:</u> | | | |
| (Increase) decrease in receivables, prepaid expenses and other | | (24,620) | 2,996 |
| Decrease (increase) in foreign currency forward contracts | | 39,322 | (66,988) |
| Decrease in contributions receivable | | 1,273,108 | 1,365,560 |
| Increase in accounts payable and other liabilities | | 79,428 | 54,835 |
| (Decrease) increase in programme grants payable | | (1,165,836) | 280,274 |
| Increase (decrease) in procurement accounts payable | | 65,722 | (133,227) |
| Decrease in operating lease obligation | | (2,554) | - |
| Decrease in currency and interest rate swaps payable related to contributions receivable | | (5,699) | (206,485) |
| Decrease in foreign currency forward contracts payable | | (820) | (45,016) |
| <u>Net cash (used in) provided by operating activities</u> | | (157,409) | 216,177 |
| <u>Cash flows from investing activities</u> | | | |
| Purchase of fixed assets | | (45) | (1,984) |
| Purchase of investments and pooled investments | | (4,152,384) | (2,964,107) |
| Sales of investments and pooled investments | | 4,789,930 | 3,064,562 |
| <u>Net cash provided by investing activities</u> | | 637,501 | 98,471 |
| <u>Cash flows from financing activities</u> | | | |
| Net proceeds (payments) upon settlement of swaps related to bonds and other borrowings | | 6,946 | (43,041) |
| Proceeds from issuance of bonds and other borrowings | | 115,080 | - |
| Redemption of bonds and other borrowings | | (500,000) | (289,374) |
| <u>Net cash used in financing activities</u> | | (377,974) | (332,415) |
| Effect of exchange rate changes on cash | | (34) | (1,580) |
| <u>Net change in cash</u> | | 102,084 | (19,347) |
| Cash and restricted cash as of the beginning of the year | | 771,117 | 790,464 |
| Cash and restricted cash as of the end of the year | 18 | 873,201 | 771,117 |
| <u>Supplemental disclosures</u> | | | |
| Cash paid for interest | | 23,484 | 24,033 |
| Non-cash investing and financing activity: | | | |
| Operating lease right-of-use asset | | 26,526 | - |
| Operating lease obligation | | 28,460 | - |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

| Year Ended 31 December 2019, in Thousands of US\$ | Programme Expenses | Manage- ment and General Expenses | Financing Expenses | Fundraising Expenses | Total Expenses |
|--|-----------------------|--|-----------------------|-------------------------|-------------------|
| Direct programme expenses | 794,869 | - | - | - | 794,869 |
| Programme implementation | 160,756 | - | - | - | 160,756 |
| Total programme expenses | 955,625 | - | - | - | 955,625 |
| Payroll and benefits | 31,780 | 12,104 | - | 9,493 | 53,377 |
| Training and recruitment | - | 1,298 | - | - | 1,298 |
| Professional fees | 11,707 | 6,853 | - | 7,335 | 25,895 |
| Media production and distribution | 213 | 20 | - | 296 | 529 |
| Events and meetings | 1,112 | 1,489 | - | 684 | 3,285 |
| Travel and representation | 3,772 | 646 | - | 1,005 | 5,423 |
| Facility and office costs | 5,070 | 2,116 | - | 1,540 | 8,726 |
| Supplies and minor equipment | 1,935 | 778 | - | 552 | 3,265 |
| Other borrowing income | - | - | 11,362 | - | 11,362 |
| Interest expense | - | - | 20,944 | - | 20,944 |
| Other operating expenses | 55,589 | 25,304 | 32,306 | 20,905 | 134,104 |
| Total functional expenses | 1,011,214 | 25,304 | 32,306 | 20,905 | 1,089,729 |

| Year Ended 31 December 2018, in Thousands of US\$ | Programme Expenses | Manage- ment and General Expenses | Financing Expenses | Fundraising Expenses | Total Expenses |
|--|-----------------------|--|-----------------------|-------------------------|-------------------|
| Direct programme expenses | 1,602,670 | - | - | - | 1,602,670 |
| Programme implementation | 193,887 | - | - | - | 193,887 |
| Total programme expenses | 1,796,557 | - | - | - | 1,796,557 |
| Payroll and benefits | 31,188 | 12,450 | - | 9,818 | 53,456 |
| Training and recruitment | - | 780 | - | - | 780 |
| Professional fees | 12,369 | 6,303 | - | 7,507 | 26,179 |
| Media production and distribution | 350 | 85 | - | 357 | 792 |
| Events and meetings | 816 | 1,196 | - | 1,328 | 3,340 |
| Travel and representation | 4,083 | 601 | - | 929 | 5,613 |
| Facility and office costs | 7,743 | 3,193 | - | 2,448 | 13,384 |
| Supplies and minor equipment | 1,382 | 570 | - | 407 | 2,359 |
| Other borrowing expense | - | - | (4,772) | - | (4,772) |
| Interest expense | - | - | 24,224 | - | 24,224 |
| Other operating expenses | 57,931 | 25,178 | 19,452 | 22,794 | 125,355 |
| Total functional expenses | 1,854,488 | 25,178 | 19,452 | 22,794 | 1,921,912 |

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND AFFILIATIONS

These consolidated financial statements include the accounts of the following entities: (1) the Gavi Alliance (“Gavi”) and (2) the International Finance Facility for Immunisation Company (“IFFIm”). For the purposes of these consolidated financial statements, Gavi and IFFIm are collectively referred to as the Gavi Group. IFFIm’s accounts include the accounts of IFFIm Sukuk Company Limited and IFFIm Sukuk Company II Limited, up to their dates of dissolution as described below, and IFFIm Sukuk Company III Limited, all Cayman Islands companies with limited liability, which were established for the sole purpose of issuing Sukuk certificates in support of IFFIm’s operations. Each of the entities included in these consolidated financial statements is described below:

The Gavi Alliance: Gavi was formerly known as the Global Alliance for Vaccines and Immunisation. It was created in 2000 to respond to and combat declining immunisation rates in implementing countries. Gavi was initially created as a non-juridical association of public and private sector organisations, institutions and governments, including the Bill and Melinda Gates Foundation (the “Gates Foundation”), the United Nations Children’s Fund (“UNICEF”), the International Bank for Reconstruction and Development (the “World Bank”), the World Health Organisation (the “WHO”), implementing country governments, grantor country governments, vaccine manufacturers, civil society organisations and research and technical health institutes. Gavi is registered as an international organisation in Switzerland, with privileges and immunities similar to those accorded to other international intergovernmental organisations.

The International Finance Facility for Immunisation Company: IFFIm was incorporated in June 2006 as a private company limited by guarantee under the United Kingdom Companies Act 1985, with the company registration number 5857343. It is also registered as a charity with the Charity Commission for England and Wales, with the charity registration number 1115413. IFFIm is a multilateral development institution that raises funds by issuing bonds in the international capital markets. It then disburses the funds to Gavi which uses the funds for its vaccine procurement, immunisation, health systems strengthening (“HSS”), and vaccine research and development programmes. Gavi is the sole member of IFFIm. Gavi has control of IFFIm and also has ongoing economic interests in the net assets of IFFIm through contracts and affiliation agreements.

IFFIm Sukuk Company Limited (“IFFImSC”): IFFImSC was a Cayman Islands company with limited liability, incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with the company registration number 293422. IFFIm had control over IFFImSC, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm’s operations. IFFImSC was dissolved on 30 April 2018.

IFFIm Sukuk Company II Limited (“IFFImSC II”): IFFImSC II was a Cayman Islands company with limited liability, incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with the company registration number 303397. IFFIm had control over IFFImSC II, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm’s operations. IFFIm SC II was dissolved on 4 July 2019.

IFFIm Sukuk Company III Limited (“IFFImSC III”): IFFImSC III is a Cayman Islands company with limited liability, which was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with the company registration number 348825. IFFIm has control over IFFImSC III, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm’s operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“US GAAP”).

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Gavi, IFFIm, IFFImSC, IFFImSC II, and IFFIm SC III. All intercompany balances and transactions have been eliminated on consolidation.

Adoption of New Accounting Pronouncements: In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the accounting guidance for contributions received and contributions made. It assists in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 *Not-for-Profit Entities* or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Modified prospective basis is applied in which the update is adopted to all agreements entered into as of 1 January 2019, as well as to the portion of contributions received or contributions made that had not yet been recognised as of 1 January 2019. As a result of the adoption of ASU No. 2018-08:

- The Gavi Group recognised contributions with donor-imposed conditions as a promise to give and a contribution revenue upon substantial fulfilment of the conditions. Previously, Gavi records conditional pledge, where the possibility that the condition will not be met is remote, as unconditional promise to give and a contribution revenue.
- The Gavi Group recognised programme expenses and liabilities upon substantial fulfilment of conditions by the recipient. Previously, Gavi records programme expenses and liabilities for Near-Term Programme Approvals, where the likelihood that future events will confirm the incurrence of programme liabilities is probable. This resulted in a significant decrease in programme expenses and liabilities as shown in the Consolidated Statements of Activities and Note 7 to the consolidated financial statements, respectively.

In November 2016, the FASB issued ASU No. 2016-08 *Statement of Cash Flows (Topic 230)*. ASU No. 2016-08 requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. As a result of the adoption of ASU No. 2016-08:

- In 2018, the Gavi Group included the restricted cash of US\$ 721 thousand as of 31 December 2017 to the cash and restricted cash as of the beginning of the year in the Consolidated Statements of Cash Flows. Previously, the movement on restricted cash was included under changes in assets and liabilities in the Consolidated Statements of Cash Flows.
- The Gavi Group included a note to the consolidated statements of cash flows to reconcile total cash and restricted cash in the Consolidated Statement of Financial Position to the Consolidated Statement of Cash Flows. See Note 18 for details.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognise leases in the statement of financial position and disclose key information about leasing arrangements. Modified retrospective application is required at the application date, as determined by the transition method that the entity elects. The two methods include: [1] retrospectively at the beginning of the earliest comparative period presented; and [2] retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Gavi Group, as a conduit bond obligor, adopted the provisions of ASU No. 2016-02 and opted for the second transition method for the year ended 31 December 2019. As a result of the adoption of ASU No. 2016-02:

- As of 1 January 2019, the Gavi Group recognised the operating lease right-of-use asset and lease obligation of US\$ 26 million and US\$ 28 million, respectively.
- Deferred Rent and Tenant Improvement Allowance, both included in accounts payable and other liabilities in the Consolidated Statements of Financial Position, of US\$ 0.2 million and US\$ 1.7 million, respectively, as of 31 December 2018 were deducted to the cost of the operating lease right-of-use asset at 1 January 2019, the commencement date. See Note 12 for details.
- The operating lease right-of-use asset and lease obligation as of 31 December 2019 were US\$ 24 million and US\$ 26 million, respectively, in the Consolidated Statements of Financial Position.

Cash and Cash Equivalents: The Gavi Group reports all demand deposits as cash. At times, the balances in bank accounts held in Switzerland, the United Kingdom of Great Britain and Northern Ireland (“the United Kingdom”), and the United States may exceed the respective deposit insurance limits. The Gavi Group has, however, not experienced any losses in these accounts and manages the risk in accordance with its cash investment policy. Gavi does not believe it is exposed to any significant credit risk related to the accounts. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. The Gavi Group reports all cash equivalents, which includes time deposits, fiduciary deposits, and money market funds, as investments.

Net Contributions Receivable: The Gavi Group’s net contributions receivable comprise unconditional promises to give from donors. The Gavi Group records each unconditional promise to give at fair value on the date the recognition criteria are met. A conditional promise to give is considered unconditional if the barriers or conditions are met. The techniques applied in determining the fair values of promises to give are described in the *Fair Values of Financial Instruments* section below.

Due to the nature of promises to give, changes in market and credit risk, vaccine demand and the economic environment may significantly impact the inputs used in the model and, consequently, the fair values of the contributions receivable. Although a secondary market may not exist for these transactions, it is reasonably possible that if Gavi were to sell these receivables in a secondary market a buyer may require a discount to the reported fair value, and the discount could be significant.

Changes in the fair values of contributions receivable, excluding fair value changes related to changes in currency exchange rates, are recognised in the Consolidated Statements of Activities in the period of change and included in net fair value gains and losses on contributions receivable in the Consolidated Statements of Activities.

An allowance for doubtful accounts is provided for those receivables which are considered to be uncollectible based on historical experience and management's evaluation of the likelihood of payment. Accounts are written off after all reasonable collection efforts have been exhausted.

Contributions receivable pledged in currencies other than the United States dollar are converted to United States dollars using the spot currency exchange rates as of year-end. Fair value changes related to changes in currency exchange rates are reported in the Consolidated Statements of Activities as foreign currency transaction adjustment.

Investments: Gavi and IFFIm manage and record their investments in different ways as follows:

- Investments held by Gavi: These investments are governed by Gavi's investment policies and managed by external investment managers. The investments are recorded at fair value. Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades on individually held securities. Money market accounts managed by external advisors, with original maturities of three months or less, are reported in the Consolidated Statements of Financial Position as investments.
- Investments held by IFFIm: These investments are managed on a pooled basis by the World Bank, which maintains a single, commingled investment portfolio (the "Pool") for all of the trust funds it administers. The World Bank commingles IFFIm's assets with other trust fund assets it administers. The amounts recorded in the Gavi Group's Consolidated Statements of Financial Position represent the Gavi Group's allocated share of the Pool's fair value at year-end. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying amount of cash included in the Pool approximates its fair value.

The Gavi Group records investments at fair value. The techniques applied in determining the fair values of investments are described in the *Fair Values of Financial Instruments* section below.

Gains and losses on investments as well as interest and dividend income are reported as net investment income in the Consolidated Statements of Activities.

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Gavi Group are stated at cost. Depreciation for furniture and equipment is calculated using the straight-line method over their estimated useful lives of three to five years. Depreciation for leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or the term of the lease. Fixed assets (net of accumulated depreciation of US\$ 7.9 million and US\$ 6.6 million in 2019 and 2018, respectively) of US\$ 2.4 million and US\$ 3.6 million are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position as of 31 December 2019 and 2018, respectively.

Bonds and Other Borrowings: Bonds and other borrowings are recognised at fair value. The techniques applied in determining the fair values of bonds and other borrowings are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of bonds and other borrowings are recognised in net assets without donor restrictions in the period of change and are included in net financing expenses in the Consolidated Statements of Activities. Bonds and other borrowings issuance costs, mark-to-market costs, and discounts are recognised in the period incurred and are also included in net financing expenses in the Consolidated Statements of Activities.

Derivative Financial Instruments: IFFIm uses currency and interest rate swaps and Gavi uses foreign currency forward contracts to manage the foreign exchange risk on its foreign currency assets and liabilities. These derivatives are recognised at fair value in the Consolidated Statements of Financial Position. The currency and interest rate swaps are shown net, as they are the subject of a master netting agreement, while the foreign currency forward contracts are shown gross. The techniques applied in determining the fair values of derivative financial instruments are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of derivatives including fair value changes related to changes in currency exchange rates are recognised in the Consolidated Statements of Activities in the period of change and included in net fair value gains and losses on derivatives in the Consolidated Statements of Activities.

IFFIm and Gavi have elected not to apply hedge accounting. Therefore, fair value changes on derivative financial instruments are not offset against related fair value changes on the contributions receivable, and bonds and other borrowings that are economically hedged by those derivative financial instruments.

IFFIm has both: (1) a master netting agreement with the World Bank that legally provides for net settlement of receivables and payables on IFFIm's currency and interest rate swaps, and (2) the intention to settle such receivables and payables on a net basis. As such, IFFIm offsets derivative assets against derivative liabilities and presents the net amounts in the Consolidated Statements of Financial Position.

Net Programme Grants Payable: Net programme grants payable are recognised at fair value. The techniques applied in determining the fair values of programme grants payable are described in the *Fair Values of Financial Instruments* below.

Payments to programme implementing partners or procurement agents in advance of any service delivery are accounted for as prepayments for procurement and are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position.

Procurement Accounts Payable: Procurement accounts payable are recognised at fair value. The techniques applied in determining the fair values of procurement accounts payable are described in the *Fair Values of Financial Instruments* below.

Leases: Gavi is a lessee in several non-cancelable operating leases, for office space, computers and other office equipment. Gavi determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Gavi recognises a lease liability and a right-of-use asset at the commencement date of the lease. The lease liability is initially and subsequently recognised based on the present value of its future lease payments using risk-free discounted rate at commencement date for all leases. The right-of-use asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortised initial direct costs, plus any prepaid lease payments, less the unamortised balance of lease incentives received, and any impairment recognised. Lease cost for lease payments is recognised on a straight-line basis over the lease term.

Gavi has elected, for all underlying classes of assets, to not recognise the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less at lease commencement, and do not include an option to purchase the underlying asset that Gavi is reasonably certain to exercise. Gavi recognises lease cost associated with short-term leases on a straight-line basis over the lease term.

Gavi made an accounting policy election by class of underlying asset, for computers and other office equipment, to account for each separate lease component of a contract and its associated non-lease components as a single lease component.

Fair Values of Financial Instruments: US GAAP establishes a framework for measuring fair value and prescribes disclosures about fair value measurements. It emphasises that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. **As a basis for considering market participants' assumptions in fair value measurements, US GAAP establishes a fair value hierarchy based upon the observability of the inputs to the valuation of an asset or liability.** These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The Gavi Group has elected to report its contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings at fair value, with changes in fair value reported in the **Consolidated Statements of Activities. With respect to IFFIm's contributions receivable and bonds and other borrowings**, this election was made to better align the carrying values of these contributions receivable and bonds and other borrowings with the carrying values of currency and interest rate swap contracts that economically hedge them. With respect to programme grants payable, procurement accounts payable and non-IFFlm contributions receivable, this election was made to ensure consistent accounting treatment across Gavi and IFFIm. The Gavi Group recognises all new contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings at fair value as these assets and liabilities are acquired or incurred.

US GAAP establishes a three-level fair value hierarchy under which financial assets and financial liabilities are categorised based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, the next-highest priority to observable market-based inputs or inputs that are corroborated by market data and the lowest priority to unobservable inputs that are not corroborated by market data. US GAAP requires that the valuation techniques used to measure fair value maximise the use of observable inputs and minimise the use of unobservable inputs.

The Gavi Group's **financial assets and financial liabilities** recorded at fair value are categorised based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Financial assets and liabilities whose values are based on either: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in non-active markets, or (3) pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the asset or liability.

- **Level 3:** Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest-level input that is significant to the fair value measurement of the asset or liability in its entirety.

Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient are not categorised in the fair value hierarchy and are disclosed separately, as shown in Note 17 to the consolidated financial statements for the years ended 31 December 2019 and 2018.

The techniques applied in determining the fair values of assets and liabilities are summarised below:

- **Cash:** The carrying amount of the Gavi Group's cash approximates its fair value.
- **Investments Managed by Gavi:** The fair values of investments are calculated based on either quoted market prices per share, observable data such as ongoing redemption and subscription activity, or net asset values per share provided by Gavi's investment managers.
- **Pooled Investments Managed by the World Bank:** Pooled Investments managed by the World Bank are included in the Consolidated Statements of Financial Position. The World Bank maintains the Pool for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations were made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank.

IFFIm's share of the Pool is not traded in any market. However, the Pool is a trading portfolio that is reported at fair value. IFFIm's shares in the Pool represent its allocated share of the Pool's fair value at the end of the reporting period. If an active market exists, the market or quoted price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data as of the reporting date, are used instead. The carrying amount of cash included in the Pool approximates its fair value.

Under an investment strategy approved by the IFFIm board, IFFIm is invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding its investment portfolio. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, including the standard discounted cash flow method using market observable inputs, such as yield curves, credit spreads and prepayment speeds. Unless quoted prices are available, money market instruments are reported at face value, which approximates fair value.

- **Contributions Receivable from IFFIm Donors:** The Gavi Group's contributions receivable include pledges to IFFIm from the following ten sovereign government donors: (1) the Commonwealth of Australia, (2) the Republic of France, (3) the Republic of Italy, (4) the Kingdom of Norway, (5) the State of the Netherlands, (6) the Republic of South Africa, (7) the Kingdom of Spain, (8) the Kingdom of Sweden, (9) the United Kingdom, and (10) Federative Republic of Brazil (together the "IFFIm Donors"). These pledges are legally binding payment obligations to IFFIm. The pledges are irrevocable and are payable by the IFFIm Donors in several instalments in accordance with predetermined fixed payment schedules over time.

The total amount paid by the IFFIm Donors is impacted by a grant payment condition ("GPC") that allows the donors to reduce their payment amounts. The GPC allows the IFFIm Donors to reduce their payments in the event that one or more eligible recipient countries, as defined by the transactional documents, enter into protracted arrears on their obligations to the International Monetary Fund ("IMF"). Each recipient country has been ascribed a weight within a reference portfolio, which represents the IMF's estimate of how likely the country will be to enter into protracted arrears. These weights remain static for the life of IFFIm, and are 0.5%, 1%, 3%, or 5%. The amounts are aggregated, and the IFFIm Donors reduce the amounts they pay by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by the IFFIm Donors are increased by the respective weights of those clearing countries. The final determination of each IFFIm Donor payment amount, as measured by the World Bank, is made 25 business days prior to the due date of the payment.

The reference portfolio as of 31 December 2019 and 2018 was as follows:

| Country | Country Weighting | Total Share |
|---|-------------------|-------------|
| South Sudan, Sudan | 0.5% | 1% |
| Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe | 1% | 61% |
| Vietnam | 3% | 3% |
| Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan | 5% | 35% |

The fair values of contributions receivable from the IFFIm Donors are estimated using a discounted cash flow method. Each expected future cash flow is reduced by an estimated reduction amount due to the GPC. The GPC reduction amounts are calculated using a probabilistic model that estimates the likelihood and duration that any recipient member country might fall into arrears with the IMF. The probabilistic model uses inputs that are both unobservable and significant to the overall fair value of the contributions receivable. This model yielded reductions in expected future cash flows of 8.6% and 9.4% as of 31 December 2019 and 2018, respectively.

The reduced expected future cash flows are then discounted to present value using observable donor-specific risk-adjusted interest rates. Each IFFIm Donor's promise to give is discounted using the donor's sovereign government borrowing rate, which considers both market risk and the donor's credit risk.

The fair values of future cash flows from IFFIm Donors were US\$ 2.1 billion and US\$ 2.2 billion as of 31 December 2019 and 2018, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.0% to 6.2% for 2019, and from 0.0% to 8.0% for 2018.

- Contributions Receivable from AMC Donors: Advance Market Commitments (each an "AMC") are designed to stimulate the development and manufacture of vaccines specifically for implementing countries. Under AMC arrangements, donors pledge funds to guarantee the price of vaccines once they have been developed, thus creating the potential for a viable future market.

In June 2009, the following sovereign government donors, government agencies and private donors: (1) the Canadian International Development Agency ("CIDA"), (2) the Republic of Italy, (3) the Kingdom of Norway, (4) the Russian Federation, (5) the United Kingdom, and (6) the Gates Foundation (together the "AMC Donors"), along with the World Bank, UNICEF and the WHO, launched the AMC pilot project against pneumococcal disease. Pursuant to the launch of this AMC, the AMC Donors entered into grant agreements of which Gavi is the beneficiary. The AMC Donor pledges made in these grant agreements are legally binding and guaranteed by the World Bank. They are irrevocable and are payable by the AMC Donors over the expected life of the AMC.

The fair values of contributions receivable from AMC Donors are estimated using a discounted cash flow method. The timing and amounts of payment by AMC Donors are dictated by terms included in the various agreements entered into among Gavi, the World Bank and the AMC Donors that govern the operation of the pneumococcal AMC (the "AMC Governing Documents"). Therefore, these terms are taken into account when estimating future cash flows.

The AMC Governing Documents terms that most significantly impact the timing and amounts of future cash flows are summarised below:

- Gavi and the AMC Donors both contribute to the purchase of each pneumococcal vaccine dose. AMC Donor funds are not available to Gavi if it does not, or cannot, fund its portion of the purchases at the time that the funding is required.
- The aggregate amount funded by AMC Donors is limited to the total vaccine demand over the expected life of the AMC. This vaccine demand is estimated through strategic demand forecasts that are compiled and published semi-annually by Gavi.
- Payments by the Gates Foundation, the Republic of Italy and the Russian Federation are made in accordance with fixed payment schedules included in the AMC Governing Documents. Payments by

CIDA, the Kingdom of Norway and the United Kingdom are made only when Gavi submits funding requests. These funding requests are based on projected future vaccine demand.

Each AMC Donor's promise to give is discounted using rates determined by either adjusting the supranational yield curve to reflect increased risk, if any, or identifying securities with similar risk profiles and using the yield curves for those securities.

The fair values of future cash flows from AMC Donors were US\$ 258 million and US\$ 316 million as of 31 December 2019 and 2018, respectively. This fair value was estimated using observable annual discount rate of 1.9% for 2019, and discount rates ranging from 2.6% to 3.0% for 2018.

- **Other Contributions Receivable:** Contributions receivable other than those from IFFIm Donors or AMC Donors are estimated using a discounted cash flow method. The fair values of future cash flows as of 31 December 2019 and 2018 were US\$ 856 million and US\$ 1.8 billion, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.7% to 5.5% for 2019, and from 0.5% to 6.9% for 2018.
- **Programme Grants Payable:** The fair value of each country programme grant payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.

The fair values of grants payable to programme implementing partners are estimated using a discounted cash flow method. Future cash flows are discounted using inputs from the United States treasury bonds and notes Bloomberg Fair Values ("BFV") yield curve.

- **Procurement Accounts Payable:** The fair value of each procurement accounts payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.
- **Bonds and Other Borrowings:** The fair value of IFFIm's bonds and other borrowings is determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.
- **Derivatives:** The fair values of derivatives are estimated using a discounted cash flow method. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and credit spreads. A credit valuation adjustment and a debit valuation adjustment are included in the valuation of derivatives to account for counterparty credit risk and IFFIm's own credit risk, respectively.

Income Taxes: The Gavi Group is exempt from income taxes in each of the jurisdictions in which it has operations. US GAAP requires that financial statements reflect the expected future tax consequences of uncertain tax positions that an entity has taken or expects to take on a tax return, presuming the tax authorities' full knowledge of the position and all relevant facts. US GAAP also requires that an entity recognise the benefit of tax positions when it is more likely than not that the provision will be sustainable based on the merits of the position. The Gavi Group performed an evaluation of uncertain tax positions for the years ended 31 December 2019 and 2018 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of 31 December 2019, the statutes of limitations for tax years 2016 through 2018 remain open with the United States Federal jurisdiction or the various states and local jurisdictions in which the Gavi Group files tax returns. It is the Gavi Group's policy to recognise interest or penalties related to uncertain tax positions, if any, in income tax expense. As of 31 December 2019 and 2018, the Gavi Group had no accrued interest or penalties.

Contingencies: The Gavi Group's programmes include investment cases. An investment case is a proposal that is prepared jointly by Gavi and one or more partners to fund a special vaccine related programme, such as rapid response to outbreaks through stockpiling vaccines or prevention campaigns. Due to uncertainty around when or where outbreaks will occur and how much Gavi will be required to fund, it is difficult to estimate the costs involved with such programmes. Therefore, such costs are recorded at the time they are incurred, and there will be future costs associated with investment case programmes.

Foreign Currency Transactions: These consolidated financial statements are presented in United States dollars, which is the reporting currency of the Gavi Group. The assets and liabilities held in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2019 and 2018. Foreign currency transactions are translated at the prevailing average interbank exchange rates on the date of the transaction. The resulting foreign exchange gains and losses are recognised in the Consolidated Statements of Activities.

Classification of Net Assets: Net assets are reported as follows:

- Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions: Net assets subject to donor-imposed stipulations that are expected to be met by actions of the Gavi Group, the passage of time, or both.

Revenue Recognition: Contributions are reported as revenue in the year in which payments are received, unconditional promises are made or barriers on conditional promises are met. Gavi reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the contributed assets for specific purposes or use in future years. When a donor restriction expires, that is when the time or purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Revenue from cost-reimbursable contracts and grants is recognised as the related costs are incurred, or as the related activities occur and any conditions stipulated in the grant agreements are met, on the basis of direct costs, plus allowable indirect costs.

Contributed goods and services are included in contributions in the Consolidated Statements of Activities at their estimated fair value at the date of their receipt. Gavi received US\$ 1.2 million and US\$ 0.6 million in contributed services for the years ended 31 December 2019 and 2018, respectively.

Expenses: The Gavi Group records expenses in the periods to which the transactions, events and circumstances relate.

The Gavi Group's major classes of programmes are New and Underused Vaccine Support ("NVS") programmes, HSS programmes and Investment Cases. NVS programmes provide funding to Gavi supported implementing countries for the introduction of vaccines and associated vaccine technology. HSS programme funding is used to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. The Gavi Group records these programme expenses in the periods to which the grants are approved and barriers or conditions are met. Investment Cases are one-time tactical investments in disease prevention and control. These investments are made through Gavi Group partners such as the UNICEF and WHO.

Allocation of Functional Expenses: The Gavi Group's expenses are summarised by their functional classification in the Consolidated Statements of Activities. Certain costs have been allocated among the respective functional classes of expenses, on the basis of time and effort of full-time employees, as shown in the Consolidated Statements of Functional Expenses.

Use of Estimates: The preparation of the consolidated financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DERIVATIVE FINANCIAL INSTRUMENTS

The Gavi Group is exposed to the market risk that its net assets or its ability to meet its objectives may be adversely affected by changes in the level of, or volatility in, market rates or prices. IFFIm's market risk is comprised primarily of foreign exchange rate risk and interest rate risk, while Gavi is exposed to foreign exchange risk only. Each of these is described further below.

Foreign Exchange Rate Risk: During the years ended 31 December 2019 and 2018, IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of donor payments, payment of bonds and other borrowings obligations, disbursements to Gavi and issuance of IFFIm bonds. To mitigate these risks, donor pledges were economically swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds and other borrowings was economically swapped into United States dollar floating rate liabilities.

The Gavi Group hedges its exposure to currency fluctuations by taking out foreign currency forward contracts. This was done primarily to improve predictability of contribution cash flows which are denominated in foreign currencies, and cash balances which are required in Swiss Francs to pay operating expenses for the Secretariat.

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds and other borrowings and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure.

The notional amounts and fair values of currency and interest rate swaps held by IFFIm were:

| In Thousands of US\$ | 2019 | | 2018 | |
|---|-----------------|------------------|-----------------|------------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Currency and interest rate swaps receivable related to contributions receivable | 22,113 | 2,105 | 58,083 | 3,688 |
| Total currency and interest rate swaps receivable | | 2,105 | | 3,688 |
| Currency and interest rate swaps payable related to contributions receivable | 1,935,048 | (440,802) | 2,187,434 | (448,084) |
| Currency and interest rate swaps payable related to bonds and other borrowings | 174,679 | (80,574) | 163,586 | (82,358) |
| Total currency and interest rate swaps payable | | (521,376) | | (530,442) |
| Net fair value of currency and interest rate swaps | | (519,271) | | (526,754) |

The rationale of offsetting derivative assets against derivative liabilities is described in Note 2 to the consolidated financial statements.

IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of **December 2019**, IFFIm's calculated minimum liquidity was US\$ 338 million and the value of IFFIm's cash and pooled investments was US\$ 428 million. As of **December 2018**, IFFIm's calculated minimum liquidity level was US\$ 528 million and the value of IFFIm's cash and pooled investments was US\$ 817 million.

Under the terms of the Credit Support Annex ("CSA") to the International Swaps and Derivatives Association ("ISDA") Agreement between IFFIm and the World Bank, the World Bank as IFFIm's counterparty on all currency and interest rate swap contracts has the right to call for collateral to protect against its exposure under these contracts. The World Bank has not exercised this right and has confirmed that it will not call collateral over at least twelve months from the date of approval of these financial statements. Instead, in order to mitigate the risk that the World Bank may call collateral, an agreement has been reached between the World Bank and IFFIm to apply an additional buffer (the "Risk Management Buffer") to an existing gearing ratio limit that IFFIm uses to manage its liquidity risk. The Risk Management Buffer was applied to manage the World Bank's exposure under the swap contracts and may be adjusted by the World Bank in its sole discretion. In addition, the World Bank as IFFIm's Treasury Manager, shall continue to monitor IFFIm's funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the abovementioned CSA and ISDA Agreement.

The notional amounts and fair values of foreign currency forward contracts held by Gavi were:

| In Thousands of US\$ | 2019 | | 2018 | |
|---|-----------------|------------|-----------------|------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Foreign currency forward contracts receivable | 720,936 | 44,971 | 1,330,561 | 84,293 |
| Foreign currency forward contracts payable | (28,263) | (1,101) | (48,000) | (1,921) |

Gavi uses foreign exchange contracts to reduce the level of foreign exchange risk associated with its contributions receivable. Under its hedging policy, Gavi enters into foreign exchange contracts to economically hedge a portion of the foreign currency exposure on its contributions receivable. These foreign exchange contracts, which include option and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Gavi minimises counterparty credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is not lower than A or A2 as measured by at least two major credit agencies. The maximum exposure with any single bank is limited to 10% of the short-term portfolio or US\$ 100 million (or equivalent in other currencies), whichever is higher. Due to the policy in place and assessment performed, there are no significant concentrations of risk.

4. INVESTMENTS

The fair values of the Gavi Group's investments were:

| In Thousands of US\$ | 2019 | 2018 |
|---|------------------|------------------|
| Money market funds | 625,775 | 738,772 |
| Registered investment companies | 410,594 | 342,860 |
| Limited liability companies and limited partnerships ¹ | 725,576 | 819,440 |
| Pooled investments | 427,925 | 816,964 |
| Total investments | 2,189,870 | 2,718,036 |

¹ The Gavi Group invests a portion of its assets in limited liability companies and limited partnerships. The fair value of these investments is estimated using their calculated net asset value per share ("NAVPS") as a practical expedient, and they are redeemable at their current net asset value upon written notice by the Gavi Group.

The following table summarises the redemption frequencies, redemption notice periods and fair values of the Gavi Group's investments in funds which are valued based on NAVPS as a practical expedient:

| As of 31 December 2019, In Thousands of US\$ | Redemption Frequency | Redemption Notice Period | Fair Value |
|--|----------------------|--------------------------|----------------|
| Limited liability companies and limited partnerships ¹ | Daily | 2 day notice | 66,268 |
| Limited liability companies and limited partnerships ² | Daily | 5 day notice | 113,314 |
| Limited liability companies and limited partnerships ³ | Monthly | 3 day notice | 77,453 |
| Limited liability companies and limited partnerships ⁴ | Monthly | 7 day notice | 1,237 |
| Limited liability companies and limited partnerships ⁵ | Monthly | 30 day notice | 253,106 |
| Limited liability companies and limited partnerships ⁶ | Monthly | 60 day notice | 23,777 |
| Limited liability companies and limited partnerships ⁷ | Quarterly | 45 day notice | 27,834 |
| Limited liability companies and limited partnerships ⁸ | Quarterly | 60 day notice | 43,074 |
| Limited liability companies and limited partnerships ¹⁰ | Quarterly | 90 day notice | 90,487 |
| Limited liability companies and limited partnerships ¹¹ | Semi-Annually | 90 day notice | 5,032 |
| Limited liability companies and limited partnerships ¹² | None | None | 23,994 |
| Total | | | 725,576 |

| As of 31 December 2018, In Thousands of US\$ | Redemption Frequency | Redemption Notice Period | Fair Value |
|--|----------------------|--------------------------|----------------|
| Limited liability companies and limited partnerships ¹ | Daily | 2 day notice | 113,287 |
| Limited liability companies and limited partnerships ² | Daily | 5 day notice | 98,010 |
| Limited liability companies and limited partnerships ³ | Monthly | 3 day notice | 192,386 |
| Limited liability companies and limited partnerships ⁴ | Monthly | 7 day notice | 40,531 |
| Limited liability companies and limited partnerships ⁵ | Monthly | 30 day notice | 215,143 |
| Limited liability companies and limited partnerships ⁸ | Quarterly | 60 day notice | 26,230 |
| Limited liability companies and limited partnerships ⁹ | Quarterly | 65 day notice | 48,276 |
| Limited liability companies and limited partnerships ¹⁰ | Quarterly | 90 day notice | 78,867 |
| Limited liability companies and limited partnerships ¹² | None | None | 6,710 |
| Total | | | 819,440 |

¹ This category is comprised of one underlying fund. This fund seeks to outperform the Barclays Capital 1-3 Year U.S. Treasury index by investing in fixed rate, floating rate or variable interest fixed income securities.

² This category is comprised of two underlying funds. One fund's investment objective is to maximise long-term total return by investing up to 50% of its total net assets in securities rated at or above Baa1 or BBB- at the time of purchase by a rating agency recognised nationally in the United States. The other fund seeks to provide investors with above average absolute returns primarily through investing and trading in equities and equity related instruments. Short-term volatility will be managed through the use of various hedging and risk management techniques.

³ This category is comprised of two underlying funds. One fund's investment objective is to realise long-term appreciation in the value of its assets. This fund seeks exposure to risks that are systematic in nature, i.e., the risks that are intrinsic to the operation of the global markets and economies. The other fund seeks to invest in transferable securities and/or in other liquid financial assets in accordance with the Regulations with the aim of spreading investment risk. In 2018, this category comprised of three underlying funds. The other fund seeks to generate an attractive risk-adjusted return while preserving capital, with a focus on ultra-short duration fixed income securities. This fund seeks to provide additional yield relative to a money market strategy via higher spread premiums and interest rate sensitivity.

- ⁴ This category is comprised of one underlying fund. The fund seeks to maximise its total return on a risk-adjusted basis by investing in relative value opportunities within sectors of the U.S. fixed income market that are considered to be liquid.
- ⁵ This category is comprised of six underlying funds. One fund seeks long-term capital appreciation by investing primarily in common stocks of emerging markets small capitalisation issuers. The other fund seeks to generate absolute return on a period-by-period basis by investing in liquid derivative markets for commodities. Another fund seeks to invest all of its assets in ordinary shares to achieve long-term appreciation in the value of its assets. Another fund seeks to outperform the MSCI World ex USA Micro Cap Index over full market cycles. This fund will principally invest in equity securities issued by micro capitalization non-U.S. corporations. Another fund seeks to achieve long-term capital appreciation that is uncorrelated or negatively correlated with global equity markets. Another fund seeks to generate superior risk adjusted returns relative to the B of A Merrill Lynch 0-5 year US High Yield Constrained Index through a portfolio of short duration investments consisting primarily of high yield and convertible bonds, corporate loans, preferred equities, stressed and distressed securities, and "special situation" investments.
- ⁶ **This category is comprised of one underlying funds. The fund's investment objective is to monetize or benefit from the equity index correlation risk premium through buying single-name equity volatility and selling equity index volatility.** This fund seeks to achieve its investment objective through an active correlation risk premium monetization program that utilizes both single name and index, listed and OTC options, among other strategies.
- ⁷ This category is comprised of one underlying funds. **The fund's investment objective is to provide consistently superior, risk adjusted returns.** This fund seeks to achieve this objective primarily by investing both long and short in equity securities and related instruments of publicly traded issuers, with a focus on issuers in the global technology, media and telecommunication (TMT) sectors.
- ⁸ This category is comprised of one underlying fund. This fund seeks to invest opportunistically mainly in stressed, distressed and special situations debt obligations with varying terms as to collateralisation, relative seniority or subordination, interest requirements and maturity and occasionally in post-reorganisation equity products of corporate issuers incorporated or significantly carrying out business in Europe.
- ⁹ In 2018, this category is comprised of one underlying fund. This fund will seek to achieve its investment objective by investing primarily in U.S. residential mortgage-backed securities to generate returns in excess of any financing costs. It will also seek to exploit structural market inefficiencies and make short-term relative value trades in such markets. It will invest predominantly in all forms of U.S. residential mortgage-backed securities, government securities and related derivative instruments, **including, without limitation, U.S. Treasury debt, government sponsored enterprise ("Agency")** backed securities and fixed or adjustable rate collateralised mortgage obligations and Real Estate Mortgage Investment Conduits. It may also enter into repurchase and reverse repurchase agreements and invest and trade in future contracts, forward contracts, options, swaps, swaptions and other derivative transactions. It will primarily invest in Agency backed mortgage securities which carry the Agency guarantee of timely payment of principal and interest.
- ¹⁰ This category is comprised of two underlying funds. One underlying fund invests primarily in other offshore hedge fund vehicles. The other fund seeks to consistently generate attractive risk-adjusted returns over a market cycle by investing primarily in emerging markets across a range of asset classes, including but not limited to foreign exchange, credit, interest rates, commodities and equities. In 2018, this category is comprised of three underlying funds. The other fund invests in securities and financial instruments and products of any kind that it believes may be appropriate to earn a return comparable to various market indices plus an additional return based on the success of long/short and other relative value strategies executed principally in the fixed income and related markets.
- ¹¹ This category is comprised of one underlying fund. This fund seeks to achieve its target return by investing principally in (or otherwise gaining exposure to) performing, stressed or distressed securities and loans of any type and within any sector across the global fixed income markets. Gavi had outstanding capital commitments of US\$ 35 million as of 31 December 2019. These commitments represent amounts expected to be drawn by the investment fund managers.
- ¹² This category is comprised of one underlying fund. This fund seeks capital preservation and the generation of superior, risk-adjusted absolute returns over a multi-year period. Due to a three-year lock-up period, redemptions of shares in these funds are restricted until the three-year anniversary of the subscription payment. Gavi had outstanding capital commitments of US\$ 6 million and US\$ 23 million as of 31 December 2019 and 2018, respectively. These commitments represent amounts expected to be drawn by the investment fund managers.

5. NET CONTRIBUTIONS RECEIVABLE

The Gavi Group's net contributions receivable consisted of the following unconditional promises to give:

| In Thousands of US\$ | 2019 | 2018 |
|---|-----------|-----------|
| Unconditional promises due in less than one year | 1,459,108 | 1,262,237 |
| Unconditional promises due in two to five years | 1,360,771 | 2,518,400 |
| Unconditional promises due thereafter | 620,748 | 901,878 |
| Contributions receivable before unamortised discount, grant payment condition and allowance for doubtful accounts | 3,440,627 | 4,682,515 |
| Reduction due to grant payment condition and unamortised discount: ¹ | | |
| Due in less than one year | (40,107) | (34,320) |
| Due in more than one year | (202,350) | (312,581) |
| Allowance for doubtful accounts | (6,065) | (6,000) |
| Total net contributions receivable | 3,192,105 | 4,329,614 |

¹ The grant payment condition is described in Note 2 to the consolidated financial statements.

Based on management's evaluation of collectability of contributions receivable, a provision for doubtful accounts of US\$ 65 thousand and US\$ 6 million was recorded for the year ended 31 December 2019 and 2018, respectively.

6. RESTRICTED CASH AND PROCUREMENT ACCOUNTS PAYABLE

The Gavi Group established separate bank accounts into which it transfers cash as needed for the benefit of UNICEF to procure vaccines and other supplies on the Gavi Group's behalf (the "Procurement Accounts"). All cash deposited into the Procurement Accounts is irrevocable and may only be withdrawn by UNICEF, with the exception of investment income, which may be remitted to the Gavi Group. As collateral security for the prompt payment and performance when due of Gavi Group's obligations, the Gavi Group has granted to UNICEF a security interest in all of Gavi Group's rights, titles, interests in, and proceeds from, the Procurement Accounts and all financial assets credited thereto. As of 31 December 2019 and 2018, US\$ 626 million and US\$ 553 million, respectively, were available to UNICEF in the Procurement Accounts.

Amounts committed to UNICEF for the procurement of vaccines were US\$ 626 million and US\$ 561 million as of 31 December 2019 and 2018, respectively. These amounts are presented as procurement accounts payable in the Consolidated Statements of Financial Position.

7. NET PROGRAMME GRANTS PAYABLE

The Gavi Group's committed but unpaid grants were:

| In Thousands of US\$ | 2019 | 2018 |
|--|---------|-----------|
| Grants payable due in less than one year | 246,711 | 1,404,280 |
| Grants payable due in two to five years | 112 | 8,710 |
| Grants payable before unamortised discount | 246,823 | 1,412,990 |
| Unamortised discount | (14) | (345) |
| Total net programme grants payable | 246,809 | 1,412,645 |

8. BONDS AND OTHER BORROWINGS

IFFIm borrows in the worldwide capital markets by offering its bonds to fund the Gavi Group's programmes. IFFIm's outstanding bonds and other borrowings were all bonds except for IFFIm Sukuk certificates with a fair value of US\$ 50 million and US\$ 200 million as of 31 December 2019 and 2018, respectively.

In July 2019, IFFIm issued its first bond in Norwegian krone, raising kr 600 million in immediate funding to Gavi to help finance new vaccine research and development activities by the Coalition for Epidemic Preparedness Innovations ("CEPI"). In addition to the participation of two Norwegian institutions, Kommunalbanken and Norwegian pension fund MP as investors, the transaction saw Japan's Dai-ichi Life as a major purchaser and IFFIm's first institutional investor from Japan. News analytics provider mtn-i recently named this transaction its 2019 Deal of the Year in the Socially Responsible Investing category.

Bonds and other borrowings summarised by year of maturity were:

| Year of Maturity, In Thousands of US\$ | 2019 | | 2018 | |
|--|----------------|------------|----------------|------------|
| | Nominal Amount | Fair Value | Nominal Amount | Fair Value |
| 2019 ¹ | - | - | 500,000 | 505,051 |
| 2020 ¹ | 330,625 | 331,467 | 329,838 | 327,005 |
| 2022 | 50,000 | 49,879 | - | - |
| Thereafter | 162,296 | 128,455 | 91,595 | 54,282 |
| Total bonds and other borrowings | 542,921 | 509,801 | 921,433 | 886,338 |

¹ Fair value includes accrued interest of US\$ 1.0 million and US\$ 1.1 million as of 31 December 2019 and 2018, respectively.

Bonds and other borrowings as of 31 December 2019 and 2018, include both United States dollar and foreign currency denominated fixed and variable rate debt as presented below:

| Currency | Coupon Rate | Fair Value as of 31 December 2019, in Thousands of US\$ | Fair Value as of 31 December 2018, in Thousands of US\$ |
|----------------------------------|-------------|---|---|
| United States Dollars | Variable | 351,606 | 805,008 |
| South African Rand | Fixed | 94,144 | 81,330 |
| Norwegian Krone | Fixed | 64,051 | - |
| Total bonds and other borrowings | | 509,801 | 886,338 |

In order to diversify its investors and raise its profile in the Middle East capital markets, IFFIm issued US\$ 200 million in Sukuk certificates through IFFImSC II on 17 September 2015 and US\$ 50 million in Sukuk certificates through IFFImSC III on 9 April 2019. The Sukuk certificates entitled the holders to pro-rata interests in commodity transactions with IFFIm under which IFFIm purchased and immediately on-sold commodities on a recognised commodities exchange as part of the Sukuk issuance. The purchase and on-sale of the commodity transactions offset each other and were recorded on a net basis. In September 2018, IFFImSC II made the final payment to the holders of its certificate and, on 4 July 2019, IFFImSC II was dissolved.

As of 31 December 2019, the weighted average coupon interest rate for fixed rate bonds was 0.3%, with actual rates ranging from 0.0% to 0.5%, and the coupon rate for variable rate bonds was ranging from 13 to 26 basis points over three-month USD LIBOR.

As of 31 December 2018, the weighted average coupon interest rate for fixed rate bonds was 0.8%, with actual rates ranging from 0.5% to 5.3%, and the coupon rate for variable rate bonds was 13 to 26 basis points over three-month USD LIBOR.

9. NET ASSETS WITH DONOR RESTRICTIONS

The Gavi Group's **net assets** with donor restrictions consisted of the following:

| In Thousands of US\$ | 2019 | 2018 |
|--|-----------|-----------|
| Due to time restriction | 2,780,953 | 3,797,802 |
| Due to programme restriction | 351,391 | 464,389 |
| Total net assets with donor restrictions | 3,132,344 | 4,262,191 |

10. NET INVESTMENT INCOME

Net investment income was as follows:

| In Thousands of US\$ | 2019 | 2018 |
|---|---------|---------|
| Investment income on investments held by Gavi | 143,246 | 2,889 |
| Investment fees on investments held by Gavi | (4,816) | (3,614) |
| Direct internal investment expenses | (790) | (778) |
| Net investment income (expense) on investments held by Gavi | 137,640 | (1,503) |
| Investment income on pooled investments held by IFFIm | 23,371 | 20,648 |
| Total net investment income | 161,011 | 19,145 |

Investment income on investments held by Gavi included realised and unrealised net gains of US\$ 112 million and net losses of US\$ 26 million for the years ended 31 December 2019 and 2018, respectively. US\$ 88 million of net gains and US\$ 97 million of net losses were unrealised as of 31 December 2019 and 2018, respectively.

11. NET FAIR VALUE GAINS (LOSSES) ON DERIVATIVES

Net gains (losses) on the fair values of derivatives, which have been recognised in the Consolidated Statements of Activities, include the following:

| In Thousands of US\$ | 2019 | 2018 |
|---|----------|---------|
| Net (losses) gains from swaps related to contributions receivable | (20,694) | 164,669 |
| Net gains (losses) from swaps related to bonds and other borrowings | 8,730 | (9,408) |
| Net gains from other derivatives | 20,732 | 107,046 |
| Net fair value gains on derivatives | 8,768 | 262,307 |

12. LEASES

Gavi classified the following leases as operating leases. These leases generally contain renewal options that Gavi is not reasonably certain to exercise.

Geneva, Switzerland leases: Gavi had a lease agreement for office space in Geneva, Switzerland, which commenced in January 2012 and ended in July 2018. Gavi also had a lease agreement for additional office space in Geneva, Switzerland, which commenced in July 2014 and ended in July 2018. Gavi entered into a ten-year lease agreement, with a five-year option to renew, for new office space in Geneva, Switzerland commencing in February 2018 and ending in February 2028. Gavi relocated to the new office in July 2018.

Washington, DC leases: In September 2016, Gavi entered into a fifteen-year lease agreement for new office space in Washington, DC, commencing in August 2017 and ending in July 2032, with a five-year option to renew. The lease agreement provided Gavi with a Tenant Improvement Allowance of up to US\$ 2.3 million towards certain costs incurred by Gavi incidental to its occupancy of the new office space. Gavi utilised US\$ 1.9 million of the Tenant Improvement Allowance, which will be recognised as a reduction of rent expense over the term of the lease on a straight-line basis. Tenant Improvement Allowance of US\$ 1.7 million are included in accounts payable and other liabilities in the Consolidated Statements of Financial Position as of 31 December 2018. As a result of the adoption of ASU No. 2016-02, at 1 January 2019, Tenant Improvement Allowance of US\$ 1.7 million as of 31 December 2018 was deducted to the cost of operating lease right-of-use asset.

Equipment leases: Gavi entered into a 63-month lease agreement for the postage machine in Washington, DC office commencing in June 2018 and ending in September 2023. Gavi entered into a three-year lease agreement, with an option to extend the lease upon satisfactory performance, for laptops, docking stations, asset tagging and security locks commencing on 1 April 2019 and ending on 31 March 2022. Gavi entered

into a three-year lease agreement, with an option to extend the lease upon satisfactory performance, for printers commencing on 1 June 2019 and ending on 31 May 2022.

As of 31 December 2019, the right-of-use asset and lease obligations of US\$ 24 million and US\$ 26 million, respectively, are reported in the Consolidated Statements of Financial Position. The right-of-use asset and lease obligations were measured using risk-free annual discount rates ranging from 0.0% to 2.7% for 2019.

Gavi's minimum future lease principal and interest payments are as follows:

| In Thousands of US\$ | Principal | Interest | Total |
|------------------------------|---------------|--------------|---------------|
| Year Ending 31 December 2020 | 2,868 | 33 | 2,901 |
| Year Ending 31 December 2021 | 2,866 | 55 | 2,921 |
| Year Ending 31 December 2022 | 2,735 | 78 | 2,813 |
| Year Ending 31 December 2023 | 2,682 | 102 | 2,784 |
| Year Ending 31 December 2024 | 2,679 | 125 | 2,804 |
| Thereafter | 11,810 | 1,774 | 13,584 |
| Total | 25,640 | 2,167 | 27,807 |

Rent expense for these leases is recognised on a straight-line basis over the term of the leases. Rental expense was US\$ 2.7 million and US\$ 4.1 million for the years ended 31 December 2019 and 2018, respectively, and reported as facility and office costs in the Consolidated Statements of Functional Expenses.

13. RETIREMENT PLANS

The Gavi Group sponsors the following retirement plans:

Employees Based in Geneva, Switzerland: Gavi sponsors a defined contribution term savings plan with Zurich International Life Limited ("the Geneva Plan"). Membership in the Geneva Plan is for all employees with Gavi employment contracts of four or more months. The Geneva Plan is funded by both Gavi and employees' contributions that are based on the employees' gross annual salaries. Gavi makes monthly employer contributions to the Geneva Plan at 16% of the employee gross salary. Each employee has a compulsory 5% contribution. The total amount expensed for Gavi's contributions was US\$ 7.2 million and US\$ 7.3 million for the years ended 31 December 2019 and 2018, respectively.

Employees Based in Washington, DC: Gavi sponsors a 401(k) defined contribution plan (the "Washington Plan"), which is a United States retirement savings plan under the United States Internal Revenue Code, for all eligible employees. Employees become eligible upon being hired and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the Washington Plan, subject to United States Internal Revenue Service limitations. Gavi's annual matching contributions equal 1% of each vested participant's compensation and a 3% contribution due to a safe harbour provision. Participants are fully vested upon employment. In addition, the Board approved discretionary spending equalling 12% of each participant's compensation in order to better align the Washington Plan with the Geneva Plan. The amounts expensed for Gavi's contributions were US\$ 399 thousand and US\$ 429 thousand for the years ended 31 December 2019 and 2018, respectively.

14. NET FINANCING EXPENSES

Financing expenses were as follows:

| In Thousands of US\$ | 2019 | 2018 |
|---|---------------|---------------|
| Interest expense on bonds and other borrowings | 20,943 | 24,224 |
| Net fair value losses (gains) on bonds and other borrowings | 10,924 | (5,620) |
| Other financing charges | 439 | 848 |
| Net financing expenses | 32,306 | 19,452 |

15. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Gavi Group to concentrations of credit risk consist of deposits in banks in excess of deposit insurance limits in Switzerland, the United Kingdom and the United States. Bank deposits in these countries are insured up to limits guaranteed by the Swiss Banks' and Securities Dealers' Depositor Protection Association, the United Kingdom's Financial Services Compensation Scheme ("FSCS") and the United States Federal Deposit Insurance Corporation ("FDIC") respectively. The Gavi Group also invests its excess cash in money market and debt instruments and has established guidelines relative to diversification and maturities aimed at maintaining safety and liquidity.

The deposit insurance limits in Switzerland and the United Kingdom are SFr 100 thousand and £ 85 thousand respectively, per depositor, per insured depository institution. In the US, the standard maximum FDIC deposit insurance amount per depositor, per insured depository institution for each account ownership category is US\$ 250 thousand. While amounts in the Gavi Group's demand deposit accounts at times exceed the amounts guaranteed in the respective jurisdictions and therefore bear some risk, the Gavi Group has not experienced, nor does it anticipate, any credit losses on these financial instruments.

The World Bank manages IFFIm's credit risk related to its derivative contracts by serving as the counterparty for all IFFIm's swaps. No collateral or other security is held in support of IFFIm's financial assets or liabilities. To manage credit risk related to investments, the World Bank invests the pooled assets in liquid instruments such as money market deposits, government and agency obligations. The World Bank is limited to investments with minimum credit ratings at the time of purchase as follows:

- Money market deposits issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- Government and agency obligations issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity require a minimum credit rating of AA-.
- Mortgage-backed securities, asset-backed securities and corporate securities whose minimum rating is AAA.

As of 31 December 2019, the Gavi Group had the following concentrations of credit risk with respect to contributions receivable:

- The Gavi Group's contributions receivable as of 31 December 2019 included US\$ 1.2 billion and US\$ 989 million of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 37% and 31%, respectively, of the Gavi Group's total contributions receivable as of 31 December 2019.
- The Gavi Group's contributions receivable as of 31 December 2019 included US\$ 257 million of pledges from AMC Donors and guaranteed by the World Bank. This represented 8% of the Gavi Group's total contributions receivable as of 31 December 2019.

As of 31 December 2019, Gavi had entered into foreign currency forward contracts with two counterparties with an aggregate fair value (receivable) of US\$ 41 million. This represented 94% of Gavi's foreign currency forward contracts as of 31 December 2019.

16. LIQUIDITY AND AVAILABILITY

The Gavi Group's financial assets available to meet cash needs for general expenditures, such as operating expenses and scheduled redemption of bonds and other borrowings, within one year consisted of the following:

| In Thousands of US\$ | Note | 2019 | 2018 |
|---|------|------------------|------------------|
| Cash | | 246,719 | 217,636 |
| Foreign currency forward contracts receivable | 3 | 44,971 | 84,293 |
| Investments | 4 | 1,761,945 | 1,901,072 |
| Pooled investments | 4 | 427,925 | 816,964 |
| Contributions receivable | 5 | 1,419,001 | 1,227,917 |
| Total financial assets available within one year | | 3,900,561 | 4,247,882 |
| Less those unavailable for general expenditure within one year due to: | | | |
| Lock-up redemption on investments | 4 | (23,994) | (6,710) |
| Redemption of bonds and other borrowings | 8 | (178,334) | (381,287) |
| Donor-imposed programme restrictions on contributions | 9 | (351,391) | (464,389) |
| Financial assets available to meet cash needs for general expenditures within one year | | 3,346,842 | 3,395,496 |

Gavi and IFFIm have put in place certain policies in order to ensure that they maintain sufficient liquidity to meet their obligations to implementing countries, IFFIm investors and all other creditors. These policies are summarised below:

- **Gavi cash reserve policy:** At all times, Gavi maintains a minimum unrestricted cash and investment reserve equivalent to eight months of Gavi's **expected annual cash expenditures**.
- **Gavi programme funding policy:** As a prerequisite to Board approval or endorsement of any new programmes, Gavi designates an amount of Qualifying Resources sufficient to fully cover all its commitments for the period from the start of the current year through the next two calendar years. Qualified Resources are defined as the aggregate of Gavi cash and investments on hand and expected future cash inflows for the next two years. Expected future cash flows are comprised of: (1) expected cash receipts from AMC donors and other direct Gavi donors, (2) expected funding from IFFIm, (3) project investment income.
- **IFFIm liquidity policy:** IFFIm maintains an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum balance of pooled investments equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum balance is recalculated and reset on a quarterly basis.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table summarises the Gavi Group's assets measured at fair value along with their valuation hierarchy:

| As of 31 December 2019, in Thousands of US\$ | Investments measured at Net Asset Value | Level 1 | Level 2 | Level 3 | Total |
|--|---|------------------|------------------|------------------|------------------|
| Pooled investments | - | - | 427,925 | - | 427,925 |
| Other investments: | | | | | |
| Money market funds | - | 625,775 | - | - | 625,775 |
| Registered investment companies | - | 410,594 | - | - | 410,594 |
| Limited partnerships and limited liability companies | 725,576 | - | - | - | 725,576 |
| Net contributions receivable | - | - | 992,031 | 2,200,074 | 3,192,105 |
| Foreign currency forward contracts | - | - | 44,971 | - | 44,971 |
| Total assets at fair value | 725,576 | 1,036,369 | 1,464,927 | 2,200,074 | 5,426,946 |

| As of 31 December 2018, in Thousands of US\$ | Investments measured at Net Asset Value | Level 1 | Level 2 | Level 3 | Total |
|--|---|------------------|------------------|------------------|------------------|
| Pooled investments | - | - | 816,964 | - | 816,964 |
| Other investments: | | | | | |
| Money market funds | - | 738,772 | - | - | 738,772 |
| Registered investment companies | - | 342,860 | - | - | 342,860 |
| Limited partnerships and limited liability companies | 819,440 | - | - | - | 819,440 |
| Net contributions receivable | - | - | 1,924,219 | 2,405,395 | 4,329,614 |
| Foreign currency forward contracts | - | - | 84,293 | - | 84,293 |
| Total assets at fair value | 819,440 | 1,081,632 | 2,825,476 | 2,405,395 | 7,131,943 |

The following table summarises the Gavi Group's liabilities measured at fair value along with their valuation hierarchy:

| As of 31 December 2019, in Thousands of US\$ | Level 1 | Level 2 | Level 3 | Total |
|--|---------|------------------|---------|------------------|
| Programme grants payable | - | 246,809 | - | 246,809 |
| Bonds and other borrowings | - | 509,801 | - | 509,801 |
| Foreign currency forward contracts payable | - | 1,101 | - | 1,101 |
| Net payable for currency and interest rate swaps | - | 519,271 | - | 519,271 |
| Total liabilities at fair value | - | 1,276,982 | - | 1,276,982 |

| As of 31 December 2018, in Thousands of US\$ | Level 1 | Level 2 | Level 3 | Total |
|--|---------|------------------|---------|------------------|
| Programme grants payable | - | 1,412,645 | - | 1,412,645 |
| Bonds and other borrowings | - | 886,338 | - | 886,338 |
| Foreign currency forward contracts payable | - | 1,921 | - | 1,921 |
| Net payable for currency and interest rate swaps | - | 526,754 | - | 526,754 |
| Total liabilities at fair value | - | 2,827,658 | - | 2,827,658 |

The following table provides a summary of changes in the fair value of Level 3 financial assets:

| In Thousands of US\$ | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| Fair value as of beginning of year | 2,405,395 | 2,769,869 |
| Net realised fair value gains | 100,219 | 108,642 |
| Net unrealised fair value losses | 463 | (116,889) |
| New pledges | 59,150 | 10,737 |
| Contributions received/redemptions | (365,153) | (366,964) |
| Fair value as of end of year | 2,200,074 | 2,405,395 |

There were no transfers of assets and liabilities between levels of the fair value hierarchy in 2019 and 2018.

The techniques applied in determining the fair values of financial instruments are described in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements.

18. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table reconciles cash and restricted cash in the Consolidated Statements of Financial Position to the total shown in the Consolidated Statements of Cash Flows:

| In Thousands of US\$ | 2019 | 2018 |
|--|----------------|----------------|
| Cash | 246,719 | 217,636 |
| Restricted cash | 626,482 | 553,481 |
| Total cash and restricted cash in the Consolidated Statements of Cash Flows | 873,201 | 771,117 |

19. RECENTLY ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE

The following are recently issued accounting standards updates with possible financial reporting implications for the Gavi Group. These accounting standards updates are effective in future accounting periods and have not yet been adopted by the Gavi Group.

- In August 2018, the FASB issued ASU No. 2018-13 *Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This update modifies the disclosure requirements on fair value measurements in Topic 820 *Fair Value Measurement*. This update will be effective for Gavi's financial year ending 31 December 2020. Gavi does not anticipate any significant impact to consolidated financial statements for the year ending 31 December 2020 and Gavi's current accounting policies. The Secretariat will continue to monitor if the amendments will impact Gavi in the future and accordingly apply to Gavi's financial reporting.

- In August 2018, the FASB issued ASU No. 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This update aligns the requirements for capitalising implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). **This update will be effective for Gavi's financial year ending 31 December 2021.** The amendments in this update have implications for Gavi with respect to its current hosting arrangements. The Secretariat has considered the option to early adopt considering the significant costs incurred by Gavi in 2018 and 2019 in relation to the implementation of a new accounting system. Gavi has concluded not to early adopt since Gavi is not able to assess whether early adopting this ASU would be of benefit to Gavi to justify the significant effort that would be involved.
- In November 2018, the FASB issued ASU No. 2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*. This update clarifies the interaction between Topic 808 Collaborative Arrangements and Topic 606 Revenue from Contracts with Customers and aims to reduce the diversity in how entities recognise and measure revenue from collaborative arrangements. **The Gavi Group is reviewing this update to determine its impact on the Gavi Group's consolidated financial statements. This update will be effective for Gavi's financial year ending 31 December 2021.**
- In March 2020, the FASB issued ASU No. 2020-04 *Reference Rate Reform (Topic 848)*. This update provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met and applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. **The Gavi Group is reviewing this update to determine its impact on the Gavi Group's consolidated financial statements. This update will be effective for Gavi's financial year ending 31 December 2021.**

20. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Gavi Group evaluated subsequent events through 24 August 2020, which represents the date that the consolidated financial statements were issued. The Gavi Group identified the following significant subsequent events requiring disclosure:

- On 11 March 2020, the WHO characterised COVID-19 a global pandemic. It continues to have a devastating impact on global health and economic activity, including the economies of Gavi donors and Gavi-supported countries, many of which have been on lockdown to slow the spread of the disease. Gavi is actively supporting countries' responses to the pandemic through reprogramming existing Gavi support and helping countries mitigate the effects on their immunisation systems. As a result of the disruption caused by the pandemic, Gavi is exposed to increased financial risk and disruptions to its business operations which could impact delivery of its strategic goals. Gavi has appropriate measures in place to mitigate the increased financial risk and disruptions to its business operations, and has relied on those measures to ensure continued delivery of its strategic goals. Gavi invoked business continuity procedures, including home-based work to ensure the Secretariat remains operational, and adopted other prudent measures to ensure the health and safety of its employees. The Board and supporting committees have been actively engaged to facilitate key decisions and, on a timely basis, to provide necessary guidance on operational matters and Gavi's COVID-19 response. Gavi is committed to securing a global response to COVID-19 pandemic that is effective and fair, using its unique expertise to help identify and rapidly accelerate development, production and delivery of COVID-19 vaccines so that anyone who needs them gets them. On 4 June 2020, Gavi launched the Gavi Advance Market Commitment for COVID-19 ("Gavi COVAX AMC") to ensure equitable access and delivery of COVID-19 vaccines after they have been developed. Disruptions to Gavi business operations include delays to routine immunisation programmes and supplementary immunisation activities, including vaccine and cold chain equipment supply constraints, as health workers focus on COVID-19 response. Gavi is allowing countries to apply to reprogramme their health system strengthening grants to provide fast and flexible funding to support their COVID-19 responses. In addition, Gavi made funds available to UNICEF to secure personal protective equipment (PPE), diagnostic tests and other vital supplies on behalf of 58 low- and lower middle-income countries as they respond to the pandemic. The Board and Secretariat have considered the impact of the pandemic on Gavi's business activities and, in their assessment, Gavi continues to meet its obligations as scheduled; undertake business activities on an ongoing basis; and deliver on its strategic goals.

- On 31 March 2020, Fitch Ratings downgraded its credit rating on IFFIm to AA- from AA. The action was the result of its 27 March 2020 downgrade of the sovereign credit rating on the United Kingdom to AA- from AA reflecting the impact of the COVID-19 outbreak on its economy and uncertainty regarding its post-Brexit trade relationship with the European Union.
- On 4 June 2020, the Government of the United Kingdom hosted the Global Vaccine Summit, **Gavi's** third donor pledging conference, to raise funds to support **Gavi's** programmes for the 2021 to 2025 strategic period. Attended by a number of world leaders and representatives from Gavi donor countries, Gavi-supported countries, the private sector, civil society, and Gavi partners, the summit raised a total of US\$ 8.8 billion (valued at foreign currency spot rates as of 4 June 2020) in new donor pledges, which will enable Gavi to reach a further 300 million children by 2025, saving an additional 7 to 8 million more lives.
- On 12 June 2020, IFFIm received a new sovereign pledge from the Kingdom of Norway in the amount of kr 2 billion, which is payable to IFFIm in annual instalments of kr 200 million over ten years, commencing in March 2021 and ending in March 2030. IFFIm used the new sovereign pledge as backing for a new bond issuance, as described below, to provide immediate funding to Gavi for COVID-19 vaccine research and development activities by CEPI.
- On 7 July 2020, IFFIm issued kr 2 billion in zero coupon amortising vaccine bonds to provide immediate funding to Gavi for COVID-19 vaccine research and development activities by CEPI. As described above, the bond issuance was backed by the kr 2 billion sovereign pledge to IFFIm from the Kingdom of Norway. The transaction was jointly managed by Crédit Agricole CIB and Skandinaviska Enskilda Banken AB ("**SEB**"), attracting investors from Europe and Asia. The issuance, maturing on 5 April 2030, has a re-offer price of 94.92%, which is 22 basis points above the NOK Mid-Swap.
- At the GVS on 4 June 2020, Gavi launched the Gavi COVAX AMC, a new financing instrument aimed at incentivising vaccine manufacturers to produce sufficient quantities of eventual COVID-19 vaccines, and to ensure access for implementing countries. The Advance Market Commitment for Pneumococcal Vaccine ("**PCV AMC**") donors the Republic of Italy, the United Kingdom, Canada, the Kingdom of Norway, and the Bill & Melinda Gates Foundation agreed to commit US\$ 177.5 million in unused funding remaining at the close of the PCV AMC to the newly launched Gavi COVAX AMC. On 30 July 2020, the Board approved the establishment of the Gavi COVAX AMC as a financing mechanism to ensure that low income and lower middle-income economies based on 2018 and 2019 World Bank income classifications, as well as 12 other International Development Association ("**IDA**") eligible economies ("**Gavi COVAX AMC Group**") have access to COVID-19 vaccines once available.
- On 30 July 2020, the Board approved Gavi as the legal entity to administer the COVAX Facility (the "**Facility**") with immediate effect. The Facility is a mechanism through which demand and resources are pooled to support availability of, and equitable access to, COVID-19 vaccines for all. All economies are invited to participate. High income economies and upper middle-income economies will be required to fully finance their doses by committing to purchase a certain percentage of doses once available and providing Gavi with a down payment on that commitment. The Gavi COVAX AMC will subsidise vaccine dose purchase for the Gavi COVAX AMC Group. Gavi, as administrator of the Facility, will enter into advance purchase agreements with manufacturers to procure volume of vaccine in advance of licensure so that, once licensed by an appropriate licensing authority, vaccines will be available faster and in larger amounts than they otherwise would have; thereby allowing access to more economies. All participating economies will have access to doses of vaccine procured through the Facility. Gavi will administer the continued implementation of the Facility in accordance with the framework set out by the Board.

Report of the Statutory Auditor

To the GAVI Alliance Board of
GAVI Alliance, Grand-Saconnex - Geneva

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of GAVI Alliance (Foundation), which comprise the consolidated statement of financial position as of 31 December 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

GAVI Alliance Board and Secretariat's Responsibility for the Consolidated Financial Statements

The GAVI Alliance Board and the Secretariat are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, the requirements of Swiss law and the statutes and by-laws of the Foundation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The GAVI Alliance Board and Secretariat are further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2019 present fairly, in all material respects of the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law and the statutes and by-laws of the Foundation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 83b Civil Code (CC) in connection with article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the GAVI Alliance Board.

We recommend that the consolidated financial statements submitted to you be approved.

We draw attention to the fact that the GAVI Alliance board meeting to approve the statutory financial statements for the year ended 31 December 2019 was not held within six months following the balance sheet date, which is in breach of article 958 paragraph 3 CO. The foundation oversight authority granted an extension to the deadline until 30 September 2020 for the filing of the accounts.

Deloitte SA



Fabien Bryois
Licensed Audit Expert
Auditor in charge



Lisa Watson
Licensed Audit Expert

Geneva, Switzerland, 24 August 2020

SUPPLEMENTARY INFORMATION



PLEDGES AND CONTRIBUTIONS SCHEDULES

Schedules 1.1 to 1.6 provide details of the Gavi Group's pledges and contributions from the following sources:

- **Multi-Year Pledges:** The Gavi Group receives upfront written commitments from donors that do not include any conditions and are payable over multiple years ("Multi-Year Pledges"). In accordance with its accounting policy, the Gavi Group records each Multi-Year Pledge as contribution revenue and contributions receivable at fair value on the date the recognition criteria are met. The recorded contributions receivable balances are then reduced over time as cash payments are received from the donors, and are adjusted for changes in fair value. In 2019, Gavi adopted Accounting Standards Update ("ASU") No. 2018-08 as described in the *Significant Accounting Policies: Adoption of New Accounting Pronouncements* section on page 30 of the consolidated financial statements.

The Gavi Group's methodology for valuing its contributions receivable, including details of IFFIm's grant payment condition and the Advance Market Commitment, is described in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements. Multi-Year Pledges in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2019. See *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements for further information.

Multi-Year Pledges balances presented in the currencies of the pledges, in Schedules 1.3 and 1.4, are not adjusted for reductions due to discounting. Discounting the Gavi Group's contributions receivable is described in Note 2 to the consolidated financial statements.

Multi-Year Pledges to IFFIm presented in the currencies of the pledge, in Schedule 1.4, are not adjusted for reductions due to the grant payment condition ("GPC"). The GPC is described in Note 2 to the consolidated financial statements.

- **Annual Contributions:** The Gavi Group receives contributions from donors that are committed and paid annually ("Annual Contributions"). In accordance with its accounting policy, the Gavi Group records Annual Contributions as contribution revenue when payments are received from the donors.

Schedules 1.7 to 1.8 provide details of cash receipts from donors, in United States dollar and in currencies of receipts. Cash receipts in foreign currencies are converted to United States dollar at the prevailing interbank exchange rate at the date cash is received.

SCHEDULE 1.1: MULTI-YEAR PLEDGES FROM DONORS, IN UNITED STATES DOLLARS

The following table presents the nominal amounts of Multi-Year Pledges from all Gavi Group's donors, in United States dollars:

| In Thousands of US\$ | Balance as of 31 December 2019 | Balance as of 31 December 2018 |
|--|-----------------------------------|-----------------------------------|
| <u>Multi-Year Pledges to Gavi from sovereign governments:</u> | | |
| Australia, Commonwealth of | 35,988 | 98,646 |
| Canada | 64,688 | 146,698 |
| China, People's Republic of | 1,000 | - |
| Denmark, Kingdom of | 11,258 | 15,335 |
| India, Republic of | 2,000 | 6,000 |
| Italy, Republic of | 31,394 | 64,106 |
| Kuwait, State of | 500 | - |
| Luxembourg, Grand Duchy of | 919 | 1,877 |
| Monaco, Principality of | 168 | 343 |
| Netherlands, State of the | 25,003 | 65,021 |
| Norway, Kingdom of | 150,018 | 318,660 |
| Qatar, State of | 6,000 | 6,000 |
| Saudi Arabia, Kingdom of | 7,500 | 12,500 |
| Swiss Confederation | 413 | 407 |
| United Kingdom | 265,220 | 508,188 |
| United States of America | 20,000 | - |
| Total Multi-Year Pledges to Gavi from sovereign governments | 622,069 | 1,243,781 |
| <u>Multi-Year Pledges to Gavi from corporations, foundations and private individuals:</u> | | |
| Al Ansari | 300 | - |
| Alwaleed Bin Talal Foundation | 5,201 | 403 |
| Bill & Melinda Gates Foundation | 240,000 | 540,000 |
| China Merchants Group | - | 500 |
| Comic Relief | - | 635 |
| IFPW Foundation | 280 | 723 |
| Rockefeller Foundation | 1,578 | - |
| Sultanate of Oman | 600 | 1,200 |
| UPS Foundation | 600 | - |
| Other | 500 | - |
| Total Multi-Year Pledges to Gavi from corporations, foundations and private individuals | 249,059 | 543,461 |
| <u>Multi-Year Pledges to IFFIm:</u> | | |
| Australia, Commonwealth of ¹ | 111,873 | 122,818 |
| Australia, Commonwealth of ² | 5,261 | 10,588 |
| Brazil, Federative Republic of | 18,985 | 19,000 |
| France, Republic of ³ | 67,031 | 101,121 |
| France, Republic of ⁴ | 536,395 | 602,902 |
| France, Republic of ³ | 168,420 | 171,780 |
| Italy, Republic of | 185,262 | 220,451 |
| Netherlands, State of the | 16,667 | 33,333 |
| Norway, Kingdom of | 85,355 | 34,566 |
| South Africa, Republic of | 7,000 | 8,000 |
| Spain, Kingdom of | 63,831 | 75,955 |
| Sweden, Kingdom of | 3,958 | 6,170 |
| United Kingdom | 1,036,961 | 1,156,631 |
| Total Multi-Year Pledges to IFFIm | 2,306,999 | 2,563,315 |
| Multi-Year Pledges from AMC donors | 262,500 | 331,958 |
| Total Multi-Year Pledges from donors | 3,440,627 | 4,682,515 |

¹ Acting through the Australian Agency for International Development.

² Acting through the Department of Foreign Affairs and Trade.

³ Acting through Agence Française de Développement.

⁴ Acting through the Ministry of Economy, Industry and Employment.

SCHEDULE 1.2: RECONCILIATION OF MULTI-YEAR PLEDGES TO CONTRIBUTIONS RECEIVABLE

The following table reconciles Multi-Year Pledges from donors, per Schedule 1.1 above, to the contributions receivable balances reported in the Consolidated Statements of Financial Position on page 26:

| In Thousands of US\$ | 2019 | 2018 |
|--|-----------|-----------|
| Total Multi-Year Pledges from donors | 3,440,627 | 4,682,515 |
| Grant Payment reduction on Multi-Year Pledges to IFFIm | (198,391) | (240,951) |
| Unamortised discount on Multi-Year Pledges to Gavi | (9,294) | (34,071) |
| Unamortised discount on Multi-Year Pledges to IFFIm | (34,772) | (71,879) |
| Allowance for doubtful accounts | (6,065) | (6,000) |
| Total recorded contributions receivable | 3,192,105 | 4,329,614 |

SCHEDULE 1.3: MULTI-YEAR PLEDGES TO GAVI, IN CURRENCIES OF PLEDGES

The following table presents the activity of Multi-Year Pledges to Gavi, for the year ended 31 December 2019, in the currencies of the pledges:

| In Thousands, in Currencies of Pledges | Currency of Pledge | Balance as of 31 December 2018 | New Pledges | Payments Received | Balance as of 31 December 2019 |
|---|--------------------|--------------------------------|-------------|-------------------|--------------------------------|
| <u>Multi-Year Pledges to Gavi from sovereign governments:</u> | | | | | |
| Australia, Commonwealth of | A\$ (AUD) | 140,000 | - | (88,750) | 51,250 |
| Canada | C\$ (CAD) | 200,000 | - | (116,000) | 84,000 |
| China, People's Republic of | US\$ (USD) | - | 1,000 | - | 1,000 |
| Denmark, Kingdom of | kr (DKK) | 100,000 | - | (25,000) | 75,000 |
| India, Republic of | US\$ (USD) | 6,000 | - | (4,000) | 2,000 |
| Italy, Republic of | € (EUR) | 56,000 | - | (28,000) | 28,000 |
| Kuwait, State of | US\$ (USD) | - | 1,000 | (500) | 500 |
| Luxembourg, Grand Duchy of | € (EUR) | 1,640 | - | (820) | 820 |
| Monaco, Principality of | € (EUR) | 300 | - | (150) | 150 |
| Netherlands, State of the | € (EUR) | 56,800 | - | (34,500) | 22,300 |
| Norway, Kingdom of | kr (NOK) | 2,769,033 | - | (1,451,817) | 1,317,216 |
| Qatar, State of | US\$ (USD) | 6,000 | - | - | 6,000 |
| Saudi Arabia, Kingdom of | US\$ (USD) | 12,500 | - | (5,000) | 7,500 |
| Swiss Confederation | SFr (CHF) | 400 | - | - | 400 |
| United Kingdom | £ (GBP) | 400,000 | - | (200,000) | 200,000 |
| United States of America | US\$ (USD) | - | 20,000 | - | 20,000 |
| <u>Multi-Year Pledges to Gavi from corporations, foundations and private individuals:</u> | | | | | |
| Al Ansari | US\$ (USD) | - | 1,000 | (700) | 300 |
| Alwaleed Bin Talal Foundation | US\$ (USD) | 403 | 5,000 | (201) | 5,202 |
| Bill & Melinda Gates Foundation | US\$ (USD) | 540,000 | - | (300,000) | 240,000 |
| China Merchants Group | US\$ (USD) | 500 | - | (500) | - |
| Comic Relief | £ (GBP) | 500 | - | (500) | - |
| IFPW Foundation | US\$ (USD) | 723 | - | (443) | 280 |
| Rockefeller Foundation | US\$ (USD) | - | 4,578 | (3,000) | 1,578 |
| Sultanate of Oman | US\$ (USD) | 1,200 | - | (600) | 600 |
| UPS Foundation | US\$ (USD) | - | 2,400 | (1,800) | 600 |
| Others | US\$ (USD) | - | 500 | - | 500 |
| Multi-Year Pledges from AMC donors | US\$ (USD) | 331,958 | - | (69,458) | 262,500 |

SCHEDULE 1.4: MULTI-YEAR PLEDGES TO IFFIm, IN CURRENCIES OF PLEDGES

The following table presents the activity of Multi-Year Pledges to IFFIm, for the year ended 31 December 2019, in the currencies of the pledges:

| In Thousands, In Currencies of Pledges | Currency of Pledge | Balance as of 31 December 2018 | GPC Adjustments | New Pledges | Payments Received | Balance as of 31 December 2019 |
|--|--------------------|--------------------------------|-----------------|-------------|-------------------|--------------------------------|
| <u>Multi-Year Pledges to IFFIm:</u> | | | | | | |
| Australia, Commonwealth of | A\$ (AUD) | 189,000 | (330) | - | (21,670) | 167,000 |
| Brazil, Federative Republic of | US\$ (USD) | 19,000 | (15) | - | - | 18,985 |
| France, Republic of | € (EUR) | 88,300 | (429) | - | (28,171) | 59,700 |
| France, Republic of | € (EUR) | 526,460 | 254 | - | (48,984) | 477,730 |
| France, Republic of | € (EUR) | 150,000 | - | - | - | 150,000 |
| Italy, Republic of | € (EUR) | 192,500 | (412) | - | (27,088) | 165,000 |
| Netherlands, State of the | US\$ (USD) | 33,334 | (250) | - | (16,417) | 16,667 |
| Norway, Kingdom of | kr (NOK) | 300,000 | (2,250) | 600,000 | (147,750) | 750,000 |
| South Africa, Republic of | US\$ (USD) | 8,000 | (1,000) | - | - | 7,000 |
| Spain, Kingdom of | € (EUR) | 66,325 | (142) | - | (9,333) | 56,850 |
| Sweden, Kingdom of | kr (SEK) | 55,230 | (276) | - | (18,134) | 36,820 |
| United Kingdom | £ (GBP) | 905,812 | (1,812) | - | (119,018) | 784,982 |

SCHEDULE 1.5: ANNUAL CONTRIBUTIONS FROM DONORS

The following schedule details Annual Contributions received from donors during the years ended 31 December 2019 and 2018, in both the currencies of the contributions and United States dollars:

| In Thousands | Currency of Contribution | 2019 | 2018 | 2019, in US\$ | 2018, in US\$ |
|---|--------------------------|---------|---------|---------------|---------------|
| <u>Annual Contributions from sovereign governments:</u> | | | | | |
| China, People's Republic of | US\$ (USD) | 500 | 500 | 500 | 500 |
| European Union | € (EUR) | - | 19,998 | - | 23,096 |
| Germany, Federal Republic of | € (EUR) | 130,000 | 95,015 | 146,501 | 108,439 |
| Iceland, Republic of | US\$ (USD) | - | 1,000 | - | 1,000 |
| Ireland, Republic of | € (EUR) | 3,000 | 3,000 | 3,413 | 3,414 |
| Japan | US\$ (USD) | 19,011 | 19,179 | 19,011 | 19,178 |
| Korea, Republic of | US\$ (USD) | 4,737 | - | 4,737 | - |
| Netherlands, State of the | € (EUR) | 3,667 | 2,329 | 4,055 | 2,703 |
| Sweden, Kingdom of | kr (SEK) | 300,000 | 350,000 | 31,866 | 42,441 |
| United States of America | US\$ (USD) | 290,000 | 290,000 | 290,000 | 290,000 |
| Total Annual Contributions from sovereign governments | | | | 500,083 | 490,771 |
| <u>Annual Contributions from corporations, foundations and private individuals:</u> | | | | | |
| Bill & Melinda Gates Foundation | US\$ (USD) | 16,598 | 54,456 | 16,598 | 54,456 |
| Elogøy | US\$ (USD) | - | 200 | - | 24 |
| Red Nose Day Foundation | US\$ (USD) | 100 | 1,900 | 100 | 1,900 |
| The Church of Jesus Christ of Latter-day Saints | US\$ (USD) | 2,000 | - | 2,000 | - |
| The "la Caixa" Foundation | € (EUR) | 4,417 | 1,503 | 4,510 | 1,671 |
| Other contributions | US\$ (USD) | 4,467 | 6,468 | 4,467 | 1,245 |
| Total Annual Contributions from corporations, foundations and private individuals | | | | 27,675 | 59,296 |
| Total Annual Contributions | | | | 527,758 | 550,067 |

SCHEDULE 1.6: RECONCILIATION OF ANNUAL CONTRIBUTIONS TO CONTRIBUTION REVENUE

The following table reconciles Annual Contributions per Schedule 1.5 above to contribution revenue reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements:

| In Thousands of US\$ | 2019 | 2018 |
|--|---------|---------|
| Total Annual Contributions | 527,758 | 550,067 |
| Initial fair value of new Multi-Year Pledges received during the year ¹ | 92,228 | 38,897 |
| Total recorded contribution revenue ² | 619,986 | 588,964 |

¹ In accordance with its accounting policy, the Gavi Group recorded the fair value of each new Multi-Year Pledge as contribution revenue on the date the recognition criteria are met. Therefore, this amount is included in the contribution revenue amount in the **Gavi Group's Consolidated Statement of Activities**.

² This amount represents the aggregate of unrestricted and donor-restricted contribution revenue, including contributed goods and services, as presented in the **Gavi Group's Consolidated Statement of Activities**. Annual Contributions in foreign currency are translated to United States dollars in accordance with the Gavi Group's methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

Total recorded contribution revenue is comprised of:

| In Thousands of US\$ | 2019 | 2018 |
|--|---------|---------|
| Contributions from governments and private donors without donor restrictions | 350,702 | 350,519 |
| Contributions from governments and private donors with donor restrictions | 269,284 | 238,445 |
| Total recorded contribution revenue | 619,986 | 588,964 |

SCHEDULE 1.7: CASH RECEIPTS FROM DONORS, IN UNITED STATES DOLLAR

The following schedule details Gavi's cash received from donors during the year ended 31 December 2019, in United States dollar:

| In Thousands of US\$ | Contribution Payments Received in 2019 | | |
|---|--|-------------------------------------|------------------|
| | For 2019 Pledges ¹ | For Multi-Year Pledges ² | Total Received |
| <u>Sovereign governments:</u> | | | |
| Australia, Commonwealth of | - | 62,421 | 62,421 |
| Canada | - | 86,709 | 86,709 |
| China, People's Republic of | 500 | - | 500 |
| Denmark, Kingdom of | - | 3,671 | 3,671 |
| Germany, Federal Republic of | 146,501 | - | 146,501 |
| India, Republic of | - | 4,000 | 4,000 |
| Ireland, Republic of | 3,413 | - | 3,413 |
| Italy, Republic of | - | 31,114 | 31,114 |
| Japan | 19,011 | - | 19,011 |
| Korea, Republic of | 4,737 | - | 4,737 |
| Kuwait, State of | - | 500 | 500 |
| Luxembourg, Grand Duchy of | - | 896 | 896 |
| Monaco, Principality of | - | 169 | 169 |
| Netherlands, State of the | 4,055 | 38,236 | 42,291 |
| Norway, Kingdom of | - | 166,452 | 166,452 |
| Saudi Arabia, Kingdom of | - | 5,000 | 5,000 |
| Sweden, Kingdom of | 31,866 | - | 31,866 |
| United Kingdom | - | 261,534 | 261,534 |
| United States of America | 290,000 | - | 290,000 |
| Total cash receipts from sovereign governments | 500,083 | 660,702 | 1,160,785 |
| <u>Corporations, foundations and private individuals:</u> | | | |
| Al Ansari | - | 700 | 700 |
| Alwaleed Bin Talal Foundation | - | 201 | 201 |
| Bill & Melinda Gates Foundation | 16,598 | 300,000 | 316,598 |
| China Merchants Group | - | 500 | 500 |
| Comic Relief | - | 642 | 642 |
| IFPW Foundation | - | 443 | 443 |
| Red Nose Day Foundation | 100 | - | 100 |
| Rockefeller Foundation | - | 3,000 | 3,000 |
| Sultanate of Oman | - | 600 | 600 |
| The Church of Jesus Christ of Latter-day Saints | 2,000 | - | 2,000 |
| The "la Caixa" Foundation | 4,510 | - | 4,510 |
| UPS Foundation | - | 1,800 | 1,800 |
| Other contributions | 4,467 | - | 4,467 |
| Total cash receipts from corporations, foundations and private individuals | 27,675 | 307,886 | 335,561 |
| AMC donors | - | 69,458 | 69,458 |
| Total cash receipts | 527,758 | 1,038,046 | 1,565,804 |

¹ Amounts received in 2019 to fulfil pledges for 2019.

² Amounts received in 2019 to fulfil pledges for multi-years.

SCHEDULE 1.8: CASH RECEIPTS FROM DONORS, IN CURRENCIES OF RECEIPTS

The following schedule details Gavi's cash received from donors during the year ended 31 December 2019, in currencies of receipts:

| In Thousands, in Currencies of Receipts | Currency of Receipt | Contribution Payments Received in 2019 | | |
|---|---------------------|--|-------------------------------------|----------------|
| | | For 2019 Pledges ¹ | For Multi-Year Pledges ² | Total Received |
| <u>Sovereign governments:</u> | | | | |
| Australia, Commonwealth of | A\$ (AUD) | - | 88,750 | 88,750 |
| Canada | C\$ (CAD) | - | 116,000 | 116,000 |
| China, People's Republic of | US\$ (USD) | 500 | - | 500 |
| Denmark, Kingdom of | kr (DKK) | - | 25,000 | 25,000 |
| Germany, Federal Republic of | € (EUR) | 130,000 | - | 130,000 |
| India, Republic of | US\$ (USD) | - | 4,000 | 4,000 |
| Ireland, Republic of | € (EUR) | 3,000 | - | 3,000 |
| Italy, Republic of | € (EUR) | - | 28,000 | 28,000 |
| Japan | US\$ (USD) | 19,011 | - | 19,011 |
| Korea, Republic of | US\$ (USD) | 4,737 | - | 4,737 |
| Kuwait, State of | US\$ (USD) | - | 500 | 500 |
| Luxembourg, Grand Duchy of | € (EUR) | - | 820 | 820 |
| Monaco, Principality of | € (EUR) | - | 150 | 150 |
| Netherlands, State of the | € (EUR) | 3,667 | 34,500 | 38,167 |
| Norway, Kingdom of | kr (NOK) | - | 1,451,817 | 1,451,817 |
| Saudi Arabia, Kingdom of | US\$ (USD) | - | 5,000 | 5,000 |
| Sweden, Kingdom of | kr (SEK) | 300,000 | - | 300,000 |
| United Kingdom | £ (GBP) | - | 200,000 | 200,000 |
| United States of America | US\$ (USD) | 290,000 | - | 290,000 |
| <u>Corporations, foundations and private individuals:</u> | | | | |
| Al Ansari | US\$ (USD) | - | 700 | 700 |
| Alwaleed Bin Talal Foundation | US\$ (USD) | - | 201 | 201 |
| Bill & Melinda Gates Foundation | US\$ (USD) | 16,598 | 300,000 | 316,598 |
| China Merchants Group | US\$ (USD) | - | 500 | 500 |
| Comic Relief | £ (GBP) | - | 500 | 500 |
| IFPW Foundation | US\$ (USD) | - | 443 | 443 |
| Red Nose Day Foundation | US\$ (USD) | 100 | - | 100 |
| Rockefeller Foundation | US\$ (USD) | - | 3,000 | 3,000 |
| Sultanate of Oman | US\$ (USD) | - | 600 | 600 |
| The Church of Jesus Christ of Latter-day Saints | US\$ (USD) | 2,000 | - | 2,000 |
| The "la Caixa" Foundation | € (EUR) | 4,417 | - | 4,417 |
| UPS Foundation | US\$ (USD) | - | 1,800 | 1,800 |
| Other contributions | US\$ (USD) | 4,467 | - | 4,467 |
| AMC donors | US\$ (USD) | - | 69,458 | 69,458 |

¹ Amounts received in 2019 to fulfil pledges for 2019.

² Amounts received in 2019 to fulfil pledges for multi-years.

EXPENSES SCHEDULES

Schedules 2.1 to 2.4 provide details of the following categories of Gavi Group's expenses:

- **Country Programme Expenses:** Gavi directly incurs expenses to procure and distribute vaccines to countries (e.g. the cost of vaccines, freight and insurance) and related to Gavi's core vaccine and cash programmes and investment cases.
- **Partner Programme Expenses:** Gavi incurs expenses to provide funding to partners through the partners' engagement framework (PEF). In June 2015, the Board approved the structure for the PEF, which came into force in 2016. Through PEF, Gavi provides funding to partners and allows the partners to support countries' immunisation programmes. Support under PEF is divided into three areas: targeted country assistance, strategic focus areas, and foundational support. Most PEF funding is allocated to targeted country assistance. PEF gives priority to the 22 countries that face the most severe immunisation challenges and aims to meet the specific needs of each country. In 2019, the priority countries were the Islamic Republic of Afghanistan, Republic of Chad, Federal Republic of Nigeria, Republic of Uganda, Islamic Republic of Pakistan, Republic of Indonesia, Democratic Republic of the Congo, Republic of India, Republic of Kenya, Federal Democratic Republic of Ethiopia, Republic of the Niger, Central African Republic, Republic of the Union of Myanmar, Republic of Haiti, Federal Republic of Somalia, Republic of Yemen, Republic of Mozambique, Independent State of Papua New Guinea, Republic of Madagascar, Republic of South Sudan, Republic of the Sudan, and the Republic of Mali.
- **Professional Fees:** The Gavi Group incurs expenses to engage external technical and expert advisors and consultants as needed.

SCHEDULE 2.1: COUNTRY PROGRAMME EXPENSES, BY RECIPIENT COUNTRY

The following schedule details country programme expenses, by recipient country, incurred by the Gavi Group during the years ended 31 December 2019 and 2018:

| In Thousands of US\$ | 2019 | | | 2018 | | |
|--|------------------------------|-------------|---------|------------------------------|-------------|---------|
| | Vaccine Support ¹ | Cash Grants | Total | Vaccine Support ¹ | Cash Grants | Total |
| Afghanistan, Islamic Republic of | 17,595 | 14 | 17,609 | 39,301 | 18,085 | 57,386 |
| Angola, Republic of | 6,834 | - | 6,834 | 1,723 | - | 1,723 |
| Armenia, Republic of | 6 | - | 6 | 128 | - | 128 |
| Azerbaijan, Republic of | 204 | - | 204 | - | - | - |
| Bangladesh, People's Republic of | 13,034 | 23,977 | 37,011 | 57,222 | 12,532 | 69,754 |
| Benin, Republic of | 2,576 | - | 2,576 | 9,255 | - | 9,255 |
| Bhutan, Kingdom of | 8 | - | 8 | 90 | - | 90 |
| Bolivia, Plurinational State of | 472 | - | 472 | 1,559 | - | 1,559 |
| Burkina Faso | 15,123 | 7,743 | 22,866 | 23,209 | 392 | 23,601 |
| Burundi, Republic of | 5,449 | - | 5,449 | 16,377 | 27,451 | 43,828 |
| Cambodia, Kingdom of | 475 | 9,322 | 9,797 | 7,310 | 6,882 | 14,192 |
| Cameroun, Republic of | 3,504 | 1,811 | 5,315 | 12,971 | 775 | 13,746 |
| Central African Republic | 4,283 | 1,452 | 5,735 | 4,365 | 1,519 | 5,884 |
| Chad, Republic of | 1,608 | - | 1,608 | 1,077 | - | 1,077 |
| Comoros, Union of the | 41 | - | 41 | 127 | 1,670 | 1,797 |
| Congo, Republic of the | 7 | - | 7 | 550 | - | 550 |
| Congo, Democratic Republic of the | 67,666 | 41,727 | 109,393 | 50,677 | 22,095 | 72,772 |
| Côte d'Ivoire, Republic of | - | 894 | 894 | 30,354 | 622 | 30,976 |
| Cuba, Republic of | 177 | - | 177 | 286 | - | 286 |
| Djibouti, Republic of | 72 | 294 | 366 | 304 | - | 304 |
| Eritrea, State of | - | - | - | 5,610 | 4,286 | 9,896 |
| Ethiopia, Federal Democratic Republic of | - | 9,179 | 9,179 | 95,931 | 24,480 | 120,411 |
| Gambia, Republic of the | 290 | - | 290 | 3,820 | 1,880 | 5,700 |
| Ghana, Republic of | 19,462 | 10,250 | 29,712 | 29,093 | 5,623 | 34,716 |
| Guinea, Republic of | 324 | - | 324 | 1,003 | - | 1,003 |
| Guinea Bissau, Republic of | 1,255 | 381 | 1,636 | 1,264 | 187 | 1,451 |

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| In Thousands of US\$ | 2019 | | | 2018 | | |
|---|------------------------------|----------------|----------------|------------------------------|----------------|------------------|
| | Vaccine Support ¹ | Cash Grants | Total | Vaccine Support ¹ | Cash Grants | Total |
| Guyana, Co-operative Republic of | 38 | - | 38 | 122 | 4 | 126 |
| Haiti, Republic of | 7,312 | 2,120 | 9,432 | 6,975 | 850 | 7,825 |
| Honduras, Republic of | 759 | - | 759 | 1,102 | - | 1,102 |
| India, Republic of | 9,991 | 22,451 | 32,442 | 118,573 | 1,475 | 120,048 |
| Indonesia, Republic of | - | - | - | 14,723 | - | 14,723 |
| Kenya, Republic of | 6,938 | - | 6,938 | 32,437 | 11,679 | 44,116 |
| Kiribati, Republic of | 5 | - | 5 | 18 | - | 18 |
| Korea, Democratic People's Republic of | 7,212 | 2,325 | 9,537 | 2,390 | 14,880 | 17,270 |
| Kyrgyz Republic | 1,534 | 378 | 1,912 | 2,854 | 3,066 | 5,920 |
| Lao People's Democratic Republic | 860 | 533 | 1,393 | 4,607 | 366 | 4,973 |
| Lesotho, Kingdom of | 482 | 41 | 523 | 564 | 26 | 590 |
| Liberia | 4,568 | 1,470 | 6,038 | 3,446 | 2,649 | 6,095 |
| Madagascar, Republic of | 3,956 | - | 3,956 | 9,097 | 5,713 | 14,810 |
| Malawi, Republic of | - | - | - | 25,034 | 9,419 | 34,453 |
| Mali, Republic of | 7,968 | - | 7,968 | 21,419 | 6,653 | 28,072 |
| Mauritania, Islamic Republic of | 1,751 | - | 1,751 | 4,244 | 99 | 4,343 |
| Moldova, Republic of | 15 | - | 15 | 493 | - | 493 |
| Mongolia | 70 | - | 70 | 67 | - | 67 |
| Mozambique, Republic of | 3,489 | 4,501 | 7,990 | 27,283 | - | 27,283 |
| Myanmar, Republic of the Union of | 15,562 | 3,327 | 18,889 | 10,570 | 36,222 | 46,792 |
| Nepal, Federal Democratic Republic of | 2,426 | 10,466 | 12,892 | 10,216 | 9,059 | 19,275 |
| Nicaragua, Republic of | 574 | 337 | 911 | 1,432 | - | 1,432 |
| Niger, Republic of the | 6,450 | 4,045 | 10,495 | 21,970 | 7,766 | 29,736 |
| Nigeria, Federal Republic of | 52,072 | 47,736 | 99,808 | 106,245 | 13,723 | 119,968 |
| Pakistan, Islamic Republic of | - | 31,133 | 31,133 | 123,053 | 21,350 | 144,403 |
| Papua New Guinea, Independent State of | 2,099 | 9,469 | 11,568 | 1,722 | - | 1,722 |
| Rwanda, Republic of | 4,893 | 984 | 5,877 | 9,183 | 2,955 | 12,138 |
| São Tomé | 68 | 500 | 568 | 180 | - | 180 |
| Senegal, Republic of | - | - | - | 24,713 | 3,913 | 28,626 |
| Sierra Leone, Republic of | 2,137 | - | 2,137 | 9,945 | 3,166 | 13,111 |
| Solomon Island | 268 | 636 | 904 | 1,392 | 2,051 | 3,443 |
| Somalia, Federal Republic of | 2,456 | 16,097 | 18,553 | 2,855 | - | 2,855 |
| Sri Lanka, Democratic Socialist Republic of | - | - | - | 687 | - | 687 |
| South Sudan, Republic of | 2,387 | 17,458 | 19,845 | 4,472 | 19,374 | 23,846 |
| Sudan, Republic of the | 8,861 | 1,239 | 10,100 | 59,914 | 15,530 | 75,444 |
| Tajikistan, Republic of | 908 | 391 | 1,299 | 2,796 | 2,395 | 5,191 |
| Tanzania, United Republic of | 11,508 | 3,559 | 15,067 | 58,792 | 10,432 | 69,224 |
| Timor-Leste, Democratic Republic of | 4 | - | 4 | 115 | - | 115 |
| Togolese Republic | 3,556 | - | 3,556 | 6,064 | - | 6,064 |
| Uganda, Republic of | 7,763 | - | 7,763 | 48,557 | 13,480 | 62,037 |
| Uzbekistan, Republic of | - | 3,992 | 3,992 | 7,356 | 9,820 | 17,176 |
| Vietnam, Socialist Republic of | - | 843 | 843 | 5,121 | 118 | 5,239 |
| Yemen, Republic of | 1,444 | - | 1,444 | 22,851 | 2,978 | 25,829 |
| Zambia, Republic of | 7,716 | 3,211 | 10,927 | 15,812 | 2,201 | 18,013 |
| Zimbabwe, Republic of | 19,192 | 5,912 | 25,104 | 10,166 | 705 | 10,871 |
| Total country programme expenses | 369,757 | 302,198 | 671,955 | 1,235,233 | 362,596 | 1,597,829 |

¹ Vaccine support includes support for new vaccine and cold chain equipment.

SCHEDULE 2.2: PARTNER PROGRAMME EXPENSES

The following schedule details partner programme expenses during the years ended 31 December 2019 and 2018:

| In Thousands of US\$ | 2019 | 2018 |
|--|--------|--------|
| United Nations Children's Fund | 63,963 | 80,597 |
| World Health Organization | 46,814 | 85,080 |
| The World Bank | 19,516 | 5,437 |
| CDC Foundation | 7,323 | 4,016 |
| JSI Research & Training Institute, Inc. | 5,576 | 4,561 |
| Centers for Disease Control and Prevention | 5,336 | 5,089 |
| Acasus Ltd | 2,810 | 1,951 |
| PATH | 2,690 | - |
| Zipline International Inc | 2,550 | - |
| GroupM Media India Private Ltd. | 2,456 | 1,400 |
| Nexleaf Analytics | 2,395 | 455 |
| Pan American Sanitary Bureau | 2,321 | - |
| Imperial College London | 1,733 | - |
| VillageReach | 1,729 | 679 |
| London School of Hygiene & Tropical Medicine | 1,658 | 1,071 |
| Clinton Health Access Initiative | 1,650 | 1,412 |
| University of Oslo | 1,407 | 965 |
| Mastercard International Inc | 1,307 | - |
| Jhpiego | 1,046 | 120 |
| Dalberg Global Development Advisors | 1,025 | 2,678 |
| Yale University | 944 | 695 |
| University of Oxford | 922 | 680 |
| PricewaterhouseCoopers | 915 | 1,140 |
| GFA Consulting Group GmbH | 802 | 468 |
| Parsyl Inc | 750 | - |
| Freight in Time Ltd. | 721 | 787 |
| Results for Development Institute | 698 | 219 |
| Agence Européenne pour le Développement et la Santé | 603 | 636 |
| Logistimo India Pvt Ltd | 575 | - |
| IRD Global Limited | 569 | 198 |
| The Aspen Institute | 563 | 676 |
| Captiva Africa | 503 | 102 |
| Simprints Technology | 480 | - |
| Murdoch Children's Research Institute | 450 | 975 |
| Consortium of Christian Relief and Development Associations | 425 | 26 |
| Cardno Emerging Markets USA Ltd. | 404 | 255 |
| Swiss Tropical and Public Health Institute | 399 | 780 |
| Centre for Infectious Disease Research in Zambia | 398 | 125 |
| Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH | 390 | 469 |
| International Rescue Committee Inc | 354 | - |
| Agence de Médecine Préventive | 347 | 285 |
| Johns Hopkins University | 344 | 1,621 |
| International Federation of Red Cross and Red Crescent Societies | 322 | 295 |
| Cambridge Economics Policy Associate | 295 | - |
| Ministry of Health Timor Leste | 294 | - |
| Global Development Support | 278 | 44 |
| Private Sector Health Alliance of Nigeria | 272 | 156 |
| EY Ford Rhodes | 267 | 277 |
| Rocque Advisory Sarl | 260 | 100 |
| Zenysis Technologies Inc | 217 | - |
| IOD PARC | 215 | 61 |
| Solina Health Limited | 209 | - |

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| In Thousands of US\$ | 2019 | 2018 |
|---|------|-------|
| Foundation for Innovative Diagnosis | 200 | 110 |
| Health Systems Consulting | 200 | - |
| Civil Society Human and Institutional Development Programme | 199 | 24 |
| mHealth and eHealth Expert Learning Program NPC | 184 | 165 |
| John Snow Inc | 181 | - |
| DevPartConsult | 174 | - |
| Promise Corporation Limited C Space | 170 | - |
| Harvard - President and Fellows of Harvard College | 167 | - |
| Infectious Diseases Research Collaboration | 157 | - |
| Orange Cote d'Ivoire | 150 | 356 |
| Emory University | 141 | 331 |
| Bureau d'Audit et de Gestion des Entreprises | 138 | 407 |
| Health Research for Action | 130 | 9 |
| Soft Tech Consultants | 116 | - |
| EpiLinks | 115 | 82 |
| Cabinet d'Appui au Developpment Sanitaire | 113 | - |
| Kantar IMRB | 113 | - |
| Expertise France AFETI | 101 | 29 |
| Matter Solutions Limited | 100 | 6 |
| Girl Effect | 98 | 46 |
| Sabine Vaccine Institute | 93 | 661 |
| Common Thread Communications, Inc | 92 | 19 |
| Royal Tropical Institute | 92 | - |
| Sydani International Initiative for Development | 85 | - |
| Maha | 82 | 87 |
| The Children's Hospital Westmead | 77 | - |
| Stiftelsen Flowminder | 76 | - |
| Vital Wave Inc | 72 | - |
| Mireille Gomes | 66 | - |
| Consulting Group Curatio Sarl | 63 | - |
| Brown Consulting Group International Ilc | 60 | - |
| Cesar Gomes Victora | 60 | - |
| KPMG East Africa | 55 | 16 |
| GaneshAID | 52 | 136 |
| Itad Ltd | 50 | 532 |
| ACLAIM Africa Limited | 49 | - |
| MMGH Consulting GmbH | 46 | 17 |
| Living Goods | 43 | 5,449 |
| Biostat Global Consulting Ilc | 39 | - |
| The Trustees of Columbia University in the City of New York | 29 | - |
| Last Mile Health | 28 | 3,469 |
| University of Zambia | 22 | - |
| Maria Clara Restrepo | 21 | - |
| AFRIVAC | 20 | - |
| Carnelian pvt Ltd | 19 | - |
| Abt Associates | 15 | 59 |
| MB Consulting Ltd | 12 | 179 |
| Edes & Associates Consultants Ltd | 8 | 8 |
| Abdellahi Lehib | 5 | - |
| one23 Partnership | 5 | 26 |
| Open Consultants GbR | 4 | - |
| Felix Masiye | 2 | - |
| ALMACO Management Consultants Ltd | - | 77 |
| A.M. Lehib | - | 28 |
| Catholic Relief Services | - | 2,030 |

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| In Thousands of US\$ | 2019 | 2018 |
|--|---------|---------|
| CREDES | - | 597 |
| Duke University | - | 112 |
| Energize the Chain | - | 500 |
| Field Epidemiology Society | - | 42 |
| GIE Vaccilog | - | 143 |
| Global Health Development | - | 67 |
| Imperial College of Science Technology and Medicine | - | 976 |
| International Centre for Diarrhoeal Disease Research | - | 268 |
| KIT Royal Tropical Institute | - | 180 |
| Program for Appropriate Technology in Health | - | 3,132 |
| REPAOC | - | 642 |
| Shifo Foundation | - | 1,104 |
| Skillssoft NETg GmbH | - | 20 |
| Speak Up Africa | - | 127 |
| United Nations Development Program | - | 271 |
| University Research Co., LLC | - | 77 |
| Total partner programme expenses | 194,879 | 229,201 |

SCHEDULE 2.3: RECONCILIATION OF COUNTRY AND PARTNER PROGRAMME EXPENSES TO PROGRAMME EXPENSES

The following table reconciles country programme expenses, per Schedule 2.1 above, and partner programme expenses, per Schedule 2.2 above, to programme expenses reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements:

| In Thousands of US\$ | 2019 | 2018 |
|--|-----------|-----------|
| Total country programme expenses | 671,955 | 1,597,829 |
| Total partner programme expenses | 194,879 | 229,201 |
| Provision for country programme expenses | 129,021 | 63,356 |
| Recovery of prior year grants | (42,024) | (95,858) |
| Allocated operating expenses | 57,383 | 59,959 |
| Total programme expenses | 1,011,214 | 1,854,488 |

In 2019, Gavi adopted ASU No. 2018-08 as described in the *Significant Accounting Policies: Adoption of New Accounting Pronouncements* section on page 30 of the consolidated financial statements. As a result of the adoption, there is a one-off reduction or decrease in total programme expenses.

SCHEDULE 2.4: PROFESSIONAL FEES

The following schedule details professional fees incurred by the Gavi Group during the years ended 31 December 2019 and 2018:

| In Thousands of US\$ | 2019 | 2018 |
|----------------------------------|--------|--------|
| Consulting services | 14,925 | 14,006 |
| Information technology | 3,966 | 6,676 |
| IFFIm's treasury management fees | 2,052 | 1,934 |
| Temporary staffing | 2,223 | 1,195 |
| Audit and accounting | 1,147 | 1,402 |
| Legal services | 386 | 411 |
| In-kind services | 1,196 | 555 |
| Total professional fees | 25,895 | 26,179 |

Independent Auditors' Report on Supplementary Information

The Board of Directors
GAVI Alliance, Geneva

We have audited the consolidated financial statements of GAVI Alliance as of and for the year ended 31 December 2019, and have issued our report thereon dated 24 August 2020 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Pledges and Contributions Schedules 1.1 to 1.8 and Expenses Schedules 2.1 to 2.4 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Opinion

In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte SA



Fabien Bryois
Partner



Lisa Watson
Director

Geneva, Switzerland, 24 August 2020