

Gavi Alliance Investment Committee Meeting

10 February 2021

Teleconference

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 14.00 Geneva time on 10 February 2021. Stephen Zinser, Investment Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a). Ms Beschloss noted in the spirit of transparency that NEPC, one of the presenters, conducts a review of her firm from time to time.
- 1.3 The minutes of the 12 November 2020 meeting were tabled to the Committee as they had been approved by no objection consent on 25 January 2021 (Doc 01b in the Committee pack).
- 1.4 The Committee noted its action sheet (Doc 01c) and the forward work plan (Doc 01d).
- 1.5 The Chair highlighted the recovery in investment performance by the end of Q4 2020 and commented on the 2021 financial outlook, noting quite fully valued markets on the one hand but the likely positive macro and company specific impact from economies opening up as vaccine inoculation progresses on the other hand.

2. NEPC ESG Review

- 2.1 Ms Jeanne Shen, Chief Investment Officer, noted the objective of NEPC's presentation is to assist with the committee's impact investing decision-making in relation to the Gavi portfolio.
- 2.2 Sebastian Grzejka, Senior Consultant, NEPC, provided an overview of the impact investing landscape and NEPC's approach to supporting clients in incorporating impact investing in their portfolios.
- 2.3 He outlined NEPC's Environmental, Social, and Governance (ESG) framework and noted Gavi's approach to aligning its ESG goals and the long-term portfolio include negative screening, ESG integration in investment processes and thematic investing.

- 2.4 Mr Grzejka commended the Committee and Investments team for engaging managers that help advance Gavi's sustainability goals and for adjusting investments to align with Gavi's Sustainable Investment Policy. He noted that Gavi's exclusive use of commingled and mutual funds does impact our ability (as only one of many investors) to influence every line item in each portfolio but GAVI offsets this with meaningful ESG engagement at the manager level, retaining the ability to terminate if ESG concerns are not being meaningfully addressed.
- 2.5 NEPC presented its ESG research approach and process, as well as its ESG rating system based on 6 criteria.
- 2.6 He noted that in relation to NEPC's ESG framework, Gavi's average ESG rating is positive, but the Committee may nevertheless wish to consider shifting the composition of the broader portfolio to incorporate additional impact investment areas. However, impact investing is typically quite illiquid and the extent and timing of any such shift would need to be carefully evaluated in the context of GAVI's other objectives including financial flexibility.
- 2.7 Lynda Dennen, Senior Research Consultant, NEPC, provided an overview of NEPC's approach to climate change and outlined its climate risk framework. She noted that NEPC is in the process of revising its climate change analysis given significant data and policy changes in 2020 and noted that NEPC will update the Committee upon completion of this work.
- 2.8 Ms Dennen clarified that no changes to Gavi's asset allocation are being recommended because of the climate change analysis and provided an overview of how climate change can impact long-term investments.

Discussion

- In response to a question from a Committee member on ESG approaches taken by similar multilateral organisations, NEPC noted measures of success vary widely and rankings are generally applied to investment managers and strategies rather than investing clients. NEPC agreed to share knowledge from its assessment of other client approaches.
- In response to a question from a Committee member on how Gavi's sustainability screening criteria and manager ratings align with NEPC approach, the Secretariat noted Gavi's sustainability screens are different in nature than the ratings done by NEPC.
- The Chair highlighted the importance of distinguishing between Principles of Responsible Investing (PRI) and ESG ratings, noting Gavi should aim to have all its managers as PRI signatories as a matter of good governance. He stated that any manager who has not signed up to PRI should be requested to do so by not later than 2021 year end.
- In response to a question from a Committee member on measuring the impact of ESG practices, NEPC noted there is meaningful evidence of positive performance

benefits to integrating ESG in investment portfolios but definitive data and studies are still coming in.

- The Committee agreed to prioritise, later this year, thematic impact investing with a portion of Gavi's long-term portfolio, noting the importance of aligning Gavi's investment practices with its core values. This would be subject to the liquidity and financial flexibility requirements mentioned above.

3. Investment portfolio review

- 3.1 Ms Jeanne Shen, Chief Investment Officer, updated the Committee on the performance of the investment portfolio, manager activities, and related transactions (Doc 03).
- 3.2 Ms Shen noted the substantial market recovery since the Committee met in November and that 2020 ended as a positive year for the portfolio.
- 3.3 She noted a recent cash request was received from Treasury and some liquidation of the portfolio is likely.
- 3.4 Ms Shen reviewed the performance of the exposures as of 31 December 2020 noting wide dispersion across manager performance. The multi exposure, equity, and tactical allocations outperformed their respective benchmarks. Equity performance meaningfully exceeded its benchmark, due in large part to the long/short technology-media-telecom strategy. The Fixed Income composite underperformed its benchmark mainly due to its lower portfolio duration. For 2020 the return of the long-term portfolio exceeded the return of the policy index.
- 3.5 Ms Shen stated that long-term portfolio remains quite liquid and noted that the illiquid portion of the portfolio remains well under the policy limit.
- 3.6 The Committee agreed with the following recommendations:
 - 3.6.1 Accept the long/short technology-media-telecom strategy plan to increase the exposure to private investments from 15% to 25%; and
 - 3.6.2 To transition two existing fixed income funds into an ESG focused fund; and
 - 3.6.3 To transition from a high-quality short duration fixed income fund to a high-quality intermediate duration fund.
- 3.7 Ms Shen requested guidance on healthcare/biotech funds that invest in pre-IPO companies.

Discussion

- In relation to the healthcare innovations fund, the Committee discussed risks of entering into late stage and pre-IPO strategies and encouraged the Secretariat to conduct additional due diligence of firms with a proven track record in this sector.

The Secretariat agreed to come back to the Committee with a recommendation following additional research.

- The Chair noted that in relation to the transition from a high quality short-duration fixed income fund to a high-quality intermediate duration fund, although the Committee is typically cautious of duration, given it is intermediate duration, and considering sustainability factors, he supports the transition.
- The Secretariat highlighted that it is conducting due diligence on prospective carbon offset strategies and the Committee expressed interest and support for exploring such strategies.

4. Any other business

- 4.1 After determining there was no further business, the meeting was brought to a close.

Ms Brenda Killen
Secretary

Attachment A

Participants

Committee Members

- Stephen Zinser, Chair
- Afsaneh Beschloss
- William Roedy
- David Sidwell
- Peggy Hamburg
- Yibing Wu

Regrets

- Kwaku Agyeman Manu

Observers

- Stella Villares

Secretariat

- Assietou Sylla Diouf
- Brenda Killen
- Jeanne Shen
- Liron Sharon
- Sandra Gonzalez Nderstigt
- Kimberly Villa
- Melissa Wolfe

Guests

- Lynda Dennen (NEPC)
- Lily Fayerweather (NEPC)
- Sebastian Grzejka (NEPC)
- Dulari Pancholi (NEPC)