

SUBJECT: RISK MANAGEMENT UPDATE

Agenda item: 11

Category: For Decision

Section A: Executive Summary

Context

The Gavi Board has ultimate responsibility for risk oversight in the Alliance and is responsible for agreeing on overall risk appetite and understanding and agreeing the most significant risks and related mitigation. It therefore receives an annual comprehensive Risk & Assurance Report.

Questions this paper addresses

The Risk & Assurance Report 2019 has been reviewed and recommended for approval by the Audit & Finance Committee (AFC) and guidance has been incorporated in the final version annexed to this paper. The Gavi Alliance Board is requested to approve the report attached as Annex A and to provide guidance on the questions outlined below.

This year's report includes an additional section sharing some preliminary thoughts on how Gavi's risk profile may shift under Gavi 5.0. Board members are invited to discuss these and share preliminary views.

Conclusions

This year's report shows that Gavi's overall risk profile has remained relatively stable with 16 top risks from last year still included and one having decreased to become a medium risk.

Section B: Risk and Assurance Report

1. Portfolio discussion on top risks to the Alliance

- 1.1 This is the fourth annual Risk & Assurance Report which discusses the most critical risks that could potentially have an impact on the ability of the Alliance to achieve its mission and strategic goals. The report provides an update on risk management across the Alliance, an analysis of macro-trends affecting Gavi's risk profile, an overview of key changes in top risks compared to last year, and an overview of how current levels of risk compare to Gavi's risk appetite (i.e. the willingness to accept being exposed). Detailed information including analysis of each top risk and corresponding mitigation is included in the annexes of the report. Where

applicable, links are made with findings from audits, evaluations and other reviews where these provided assurance on the effectiveness of current mitigation measures and/or identified risks.

- 1.2 This year's report shows that Gavi's overall risk profile has remained relatively stable with 16 top risks from last year still included and one having decreased to become a medium risk. The levels of some individual risks have evolved, and the understanding of existing risks have been further enhanced throughout the year by risk owners and colleagues across the Alliance and reviews in the Secretariat's Risk Committee. The report also highlights four risks continuing to stay outside of risk appetite, requiring continued intensive mitigation efforts.

2. Shifting risk exposures and risk appetite under Gavi 5.0

- 2.1 This year's report includes an additional section sharing some preliminary thoughts on how Gavi's risk profile may shift under Gavi 5.0, highlighting potential new, shifted or reframed risks associated with the new strategy and operating model, as well as potential implications for Gavi's risk appetite. Board members are invited to discuss these and share preliminary views on where they see key risks for Gavi 5.0 as well as preliminary thoughts on their appetite for being exposed to these risks and how to appropriately balance potential trade-offs.
- 2.2 It is anticipated that risks and risk appetite implications will also be highlighted and discussed as an integral part of other Board discussions on strategy operationalisation over the coming year. The 2020 Risk & Assurance Report will capture these discussions and (being issued immediately before the start of the new strategic period) present an updated set of top risks for Gavi 5.0. As required the risk appetite statement may also be updated to appropriately reflect risk and reward trade-off discussions.

3. Board Committee discussion and guidance

- 3.1 The Audit and Finance Committee (AFC) have reviewed the report and recommended it for approval. There was significant discussion on the need to ensure that Secretariat capacity will be fit for Gavi 5.0, including allowing for fundamental changes in how the three lines of defence¹ work together. The AFC highlighted the need to mobilise and capacitate first and second lines to proactively address risks identified through risk registers, programme capacity assessments, audits and other sources, and learn from and act on recurring and cross-cutting issues, in order to reduce reliance on third line audits.

¹ The best practice Three Lines of Defence model separates roles and responsibilities across first line functions to understand, monitor and actively manage risks, second line functions to provide objective specialist advice and appropriate checks and balances, and a third line audit function to provide independent assurance on the effectiveness of risk management by the first and second lines.

- 3.2 AFC members also noted that Gavi's overall risk profile under Gavi 5.0 is inherently increasing, and suggested to use the coming period to step back and understand how learnings from managing top risks under Gavi 4.0 (especially for those that remained outside of risk appetite) should inform thinking on managing top risks under Gavi 5.0. The AFC encouraged the Alliance to reflect on what needs to be done differently in Gavi 5.0 to bring risk exposures within risk appetite, or whether it necessitates changes in risk definitions and risk appetite, potentially with more differentiation.
- 3.3 The Programme and Policy Committee (PPC) also extensively discussed risks as part of the strategy progress update, as well as during specific agenda items. Regarding the funding policy review, the PPC endorsed the adaptation of Gavi's approach to further mitigate risks of unsuccessful transition and provide the flexibility to tailor the accelerated transition phase. Regarding the long-term funding of malaria vaccine supply pending pilot results, the PPC had a discussion on whether to allow continued vaccine production through risk-sharing with the manufacturer, balancing trade-offs between financial and supply risk exposure. Regarding preventive vaccination campaigns undermining routine immunisation (a top risk outside of risk appetite), Alliance partners presented on concerns around campaign effectiveness, impact on routine immunisation, perverse incentives and fiduciary risks, and proposed key focus areas going forward, including the importance of prioritising and incentivising routine immunisation improvement, ensuring campaigns are focused on reaching zero-dose sub-populations, exploring approaches other than nation-wide non-selective campaigns, and improving the quality and efficiency of campaigns.

Section C: Actions requested of the Board

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

Approve the Risk & Assurance Report 2019 attached as Annex A to Doc 11

The Gavi Alliance Board is furthermore requested to **provide guidance** on the following questions:

- a) Does the Board agree with the top risks identified this year and their ranking against likelihood and impact?
- b) Are there concerns on risk exposures clearly outside Gavi's risk appetite and, if so, are further investments or different approaches to mitigation required?
- c) Does the Board have any preliminary views on key risks for Gavi 5.0 as well as preliminary thoughts on their appetite for being exposed to these risks and how to appropriately balance potential trade-offs (see also Section 3 of the Risk & Assurance Report)?

Annexes

Annex A: Risk & Assurance Report 2019