

SUBJECT: INVESTMENT COMMITTEE CHAIR REPORT

Category: For Information

Section A: Introduction

- This report provides the Board with an overview of the activities of the Investment Committee along with an update on market trends since the Board last met in June 2019. The Committee met four times in 2019.
- All performance results presented in Annex A are shown as of 31 October. The long-term portfolio return is +9.4%. The short-term portfolio over which the Investments team has control delivered a return of +3.0%. The total portfolio as at October 2019 is US\$ 1.6 billion of which US\$ 902 million is invested in the long-term portfolio. The remaining US\$ 669 in the million short-term portfolio includes US\$ 190 million of cash proceeds that will be invested back into the long-term portfolio. As a reminder, these figures do not include the UNICEF Procurement Account or IFFIm assets.
- Overall 2019 returns are positive across all asset classes despite periodic market fragility related to stalled trade negotiations between the US and China, the two largest economies of the world. In addition, an agreement between the European Union and the UK on how Brexit will be implemented remains unresolved and dependent on the UK December General Election, leaving trade, border and labour questions unanswered. Also looming in the background is the US 2020 election, and whether there will be a re-profiling of national priorities.
- In Q3 the US economy expanded at an annualized rate of 1.9%, solid but not spectacular. While the US labour market and consumer spending are strong, weakening business investment and trade data, and inflation falling short of its longer-run goal of 2% led the US Federal Reserve ("Fed") to pre-emptively cut rates in July, September and October in order to sustain the current economic expansion, the longest since World War II. For now the Fed will likely keep its benchmark short-term interest rate at current levels until data pointing to a material weakness of the US economy emerges.
- Since the Great Financial Crisis in 2008, inflation levels have remained muted. However, the effect of tariffs will begin to appear in prices of raw materials such as steel and aluminium as well as finished goods, and raise inflation levels. Lesser known and tracked factors that will also impact inflation include climate change measures meant to limit emissions. For example, in 2020 the International Maritime Organization ("IMO") imposes rules aimed at limiting air pollutant emissions by requiring ships to use more expensive low-sulfur fuels such as marine gasoil and ultra-low-sulfur fuel oil. From an investment perspective, rising inflation levels requiring

monitoring given the negative impact they have on fixed income portfolios, which are heavily represented among Gavi's investments.

- An environment of low rates provides an attractive backdrop for both equities and fixed income, and both asset classes performed well in the July through October period. Moreover all major exposures in the long-term portfolio – Equity, Fixed Income, Tactical and Multi-Exposure – delivered positive performance. However, there was some weakness in performance relative to benchmarks. In particular, the Equity composite performance lags its global equity benchmark MSCI ACWI IMI by more than 500 basis points. This is normal in a rising equity market due to GAVI's exposure to long-short strategies for the purpose of dampening volatility and providing a less correlated source of returns. When equity markets reverse course we would expect the opposite result, outperformance against the long-only benchmark.
- The Committee requests that Gavi's consultant NEPC prepare an asset allocation study at the last meeting of the calendar year, or more frequently if required. Using specific capital market assumptions, and knowledge of the Committee's risk appetite and liquidity preferences for the long-term portfolio as inputs, NEPC prepares an asset allocation review using 3 risk scenario methodologies. By triangulating the scenario outcomes NEPC narrows the asset allocation mixes to a manageable number.
- At the November meeting, the Committee's selected an aspirational asset allocation mix that required modest changes to the existing long-term portfolio.
 - Decrease Fixed Income from 52% to 47%
 - Maintain Equity (including long/short Equity) at 24%
 - Increase Tactical from 4% to 7%
 - Increase Multi-Exposure from 20% to 22%
- Given there is no change in the strategic direction of the asset allocation from the prior year, there is also no change to the Investment Policy Statement. Through re-balancing of existing assets and the inclusion of a small number of new strategies, the long-term portfolio should be well positioned for a range of 2020 market scenarios.
- Given the negative health impact of climate change - especially on children – the Committee asked the Investments team to review policy options for evaluating climate change risk in the investment portfolios. Limiting carbon emissions is central to minimizing the impact on climate change. At the September Investment Committee meeting, the Committee reviewed five potential approaches and expressed a preference to incorporate three of those approaches. This was refined and confirmed at the November Investment Committee meeting:

- **Carbon related product involvement screens:** Undertake semi-annual negative screening in energy related areas such as thermal coal and oil and gas production. This approach would rely on an existing vendor for their expertise in tracking companies and their activities through company provided information, news, direct company discussions and regulatory filings.
- **Carbon risk rating:** Utilise a scoring methodology to understand the degree to which a public company's value is at risk in a transition to a low-carbon economy. The companies are not limited to energy companies but rather cover the entire spectrum of industry classifications. For example, a company may rely on carbon intensive energy supplies to power transportation of its goods. If it does not have alternatives (and a process to implement those alternatives) then its intrinsic value may be at risk. Again, this approach would rely on an existing vendor. It is important to note that only in 2020 will this leading vendor roll out Carbon Risk rating scores for the wider US and European company universe. Scoring can then be implemented from 2021.
- **Renewable or sustainable investment solutions:** Invest in public and/or private strategies that are primarily focused on renewable or sustainable solutions including Impact Investing. Traditional investments in this asset class include those that are less liquid and have themes such as wind power or solar energy. Any investments GAVI makes in this important area will need to be considered in the context of its current 20% allocation to Illiquid Strategies.
- The Investments team considered how to integrate these three approaches into a policy. Given Gavi already has a Socially Responsible Investment (SRI) Policy with negative screens, the sensible approach was to expand this policy rather than create a separate policy framework. In order to accommodate the expanded mandate, the new policy is called the Sustainable Investment Policy ("SIP"). At the November Investment Committee meeting the Committee reviewed and adopted the SIP.
- The Investments team also considered how to raise gender equity as an important issue with its investment managers. With guidance from the Committee, the team integrated gender equity as a risk characteristic into the annual risk rating of investment managers. The risk rating provides a consistent scorecard for GAVI's investment managers and can be used as the basis for both risk management and engagement.
- The Investment Committee Chair report is attached in the form of a presentation as Annex A.
- The revised Sustainable Investment Policy is attached as Annex B

Annexes

Annex A: IC Chair report

Annex B: Sustainable Investment Policy

INVESTMENT COMMITTEE CHAIR REPORT

BOARD MEETING

Stephen Zinser

4-5 December 2019, Delhi, India

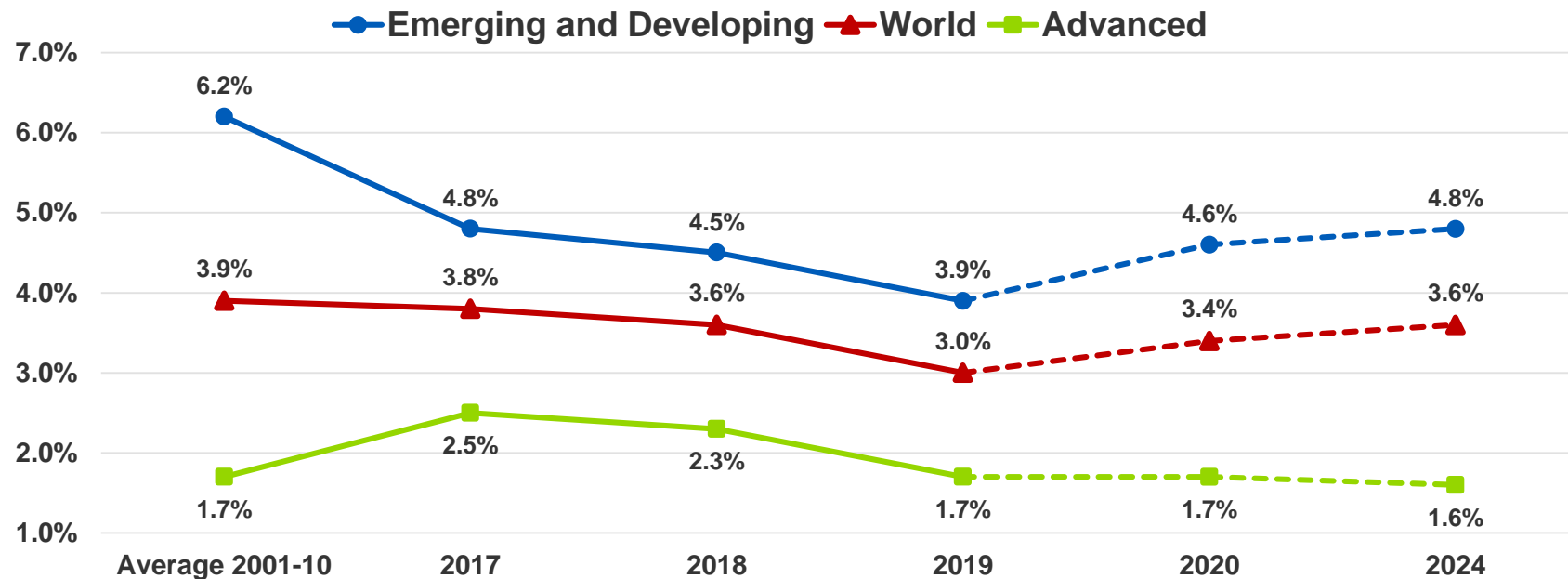
Market Commentary

Equity markets: Optimism about a US-China trade deal, US Federal Reserve rate cuts, the continued strength of the US consumer, and the prospect of greater global fiscal stimulus drove markets higher.

Fixed income: US Fed rate cuts helped lift prices and lower yields.

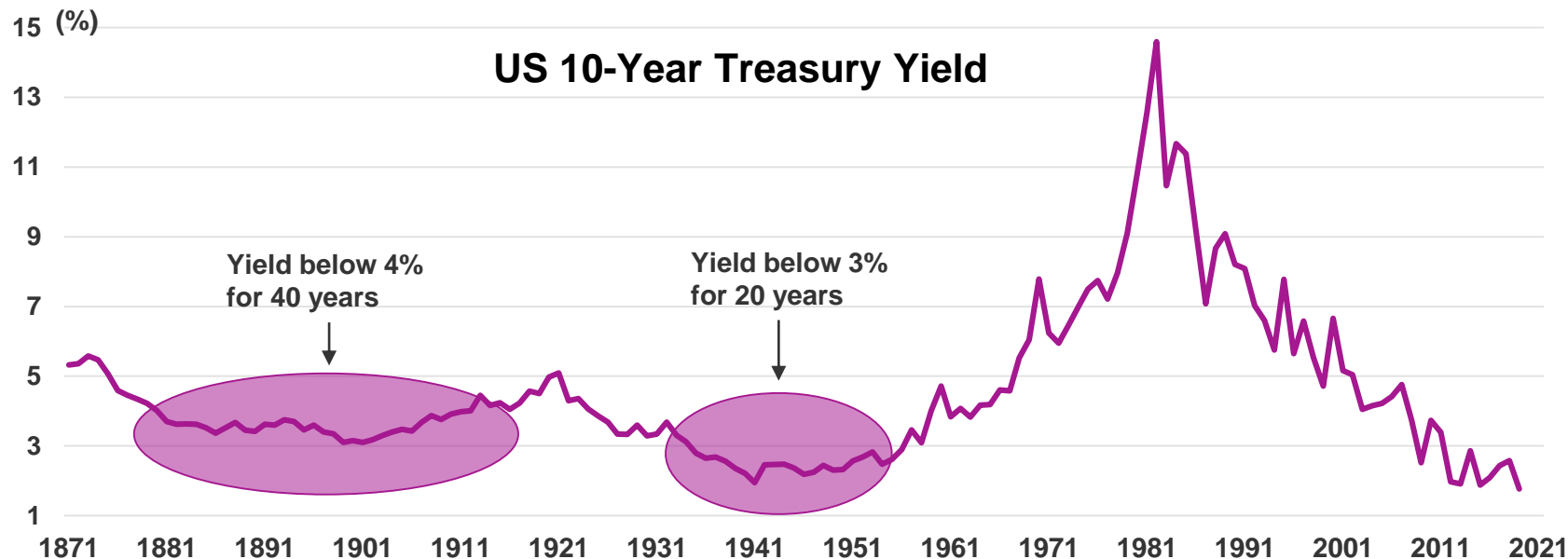
Commodities: Middle East tensions led to increased energy prices in Q3. However, US energy-company bankruptcy filings are on par with 2016 when energy markets were stressed.

Real GDP Growth (%): Modest But Not Bad



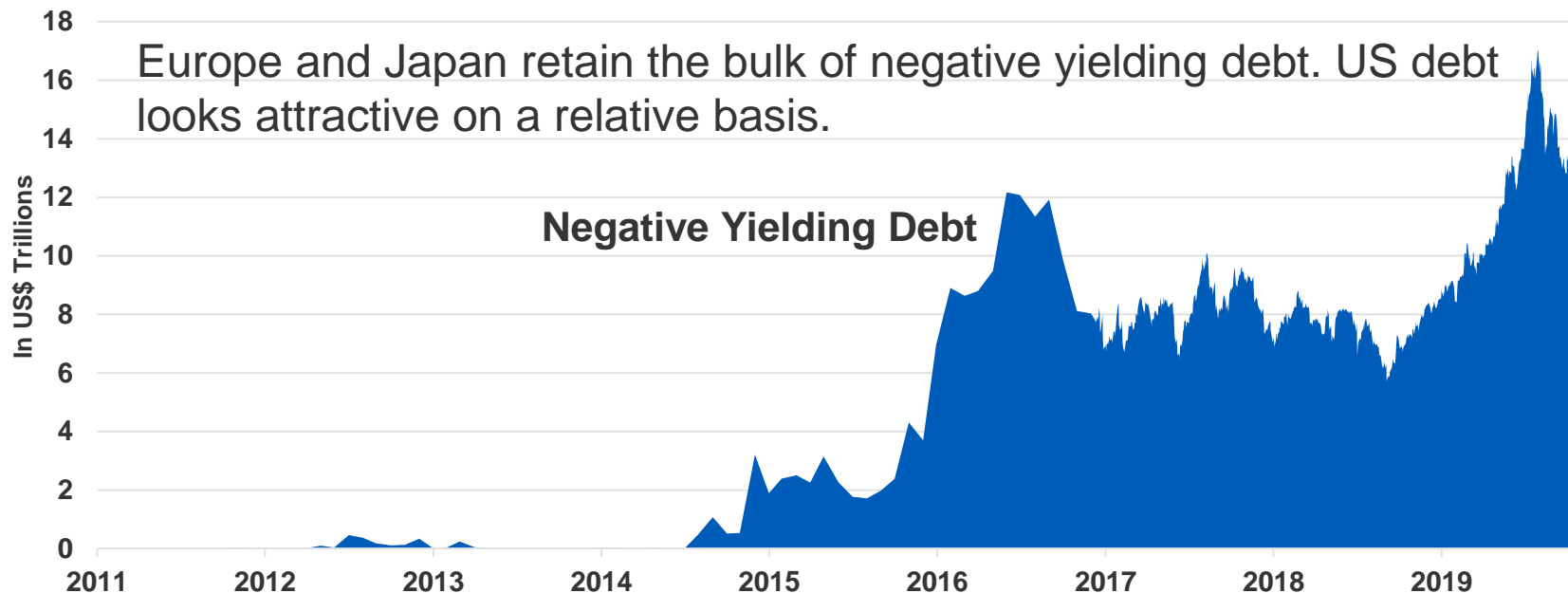
Source: IMF World Economic Outlook (October 2019).

Interest Rates Can Stay Low



Source: Robert Shiller. Data as of 25 October 2019

Negative-Yielding Debt



Source: Bloomberg as of 19 November 2019

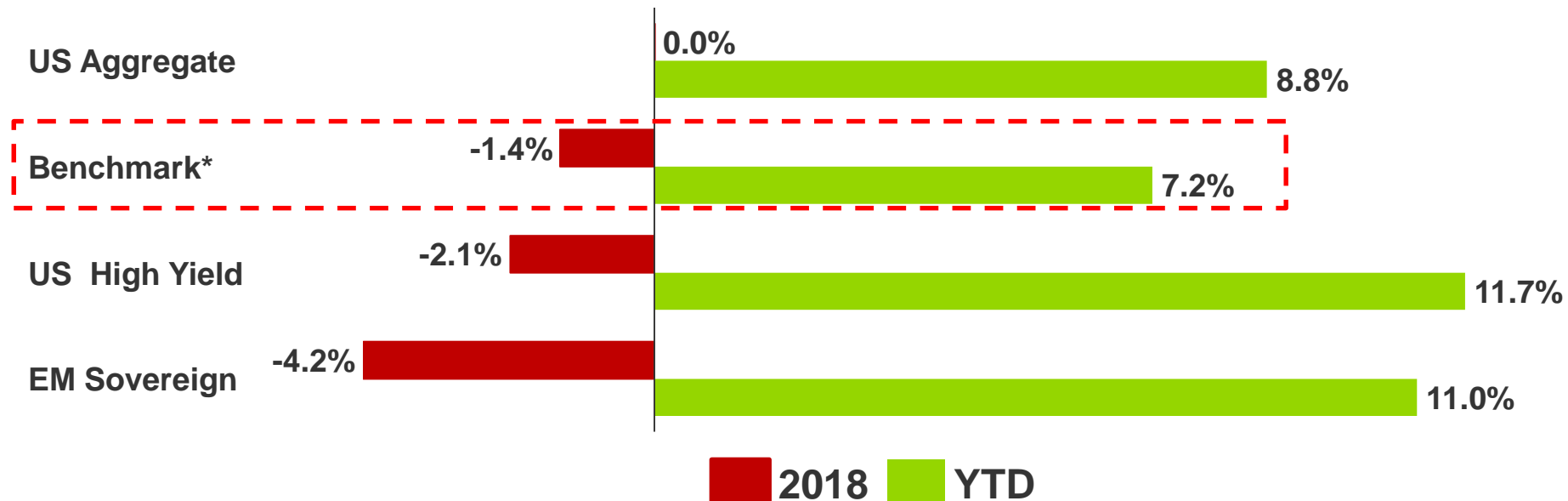
Market Sentiment and Outlook

Risk assets and safe-haven assets look fully valued: Market opportunities going forward will likely be limited and returns lower.

Geopolitical risks: Elections, trade tensions and populist protests centered on economic inequality may lead to a re-shaping of national priorities.

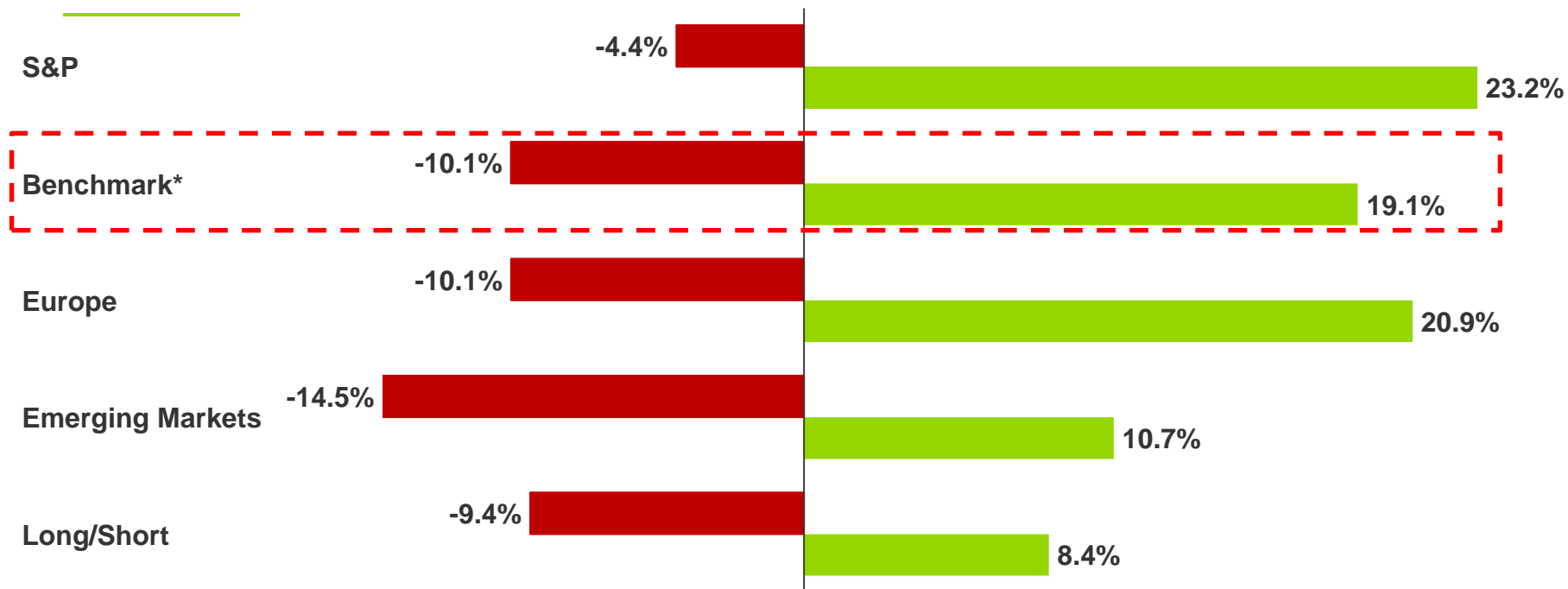
Macro environment: November provided some signs that the worst of the “soft patch” is behind the global economy. However, commodity markets do not agree.

Fixed Income Index Returns



Barclays Multiverse Total Return Index Value Unhedged USD
Data as of 31 October 2019; Source: Bloomberg

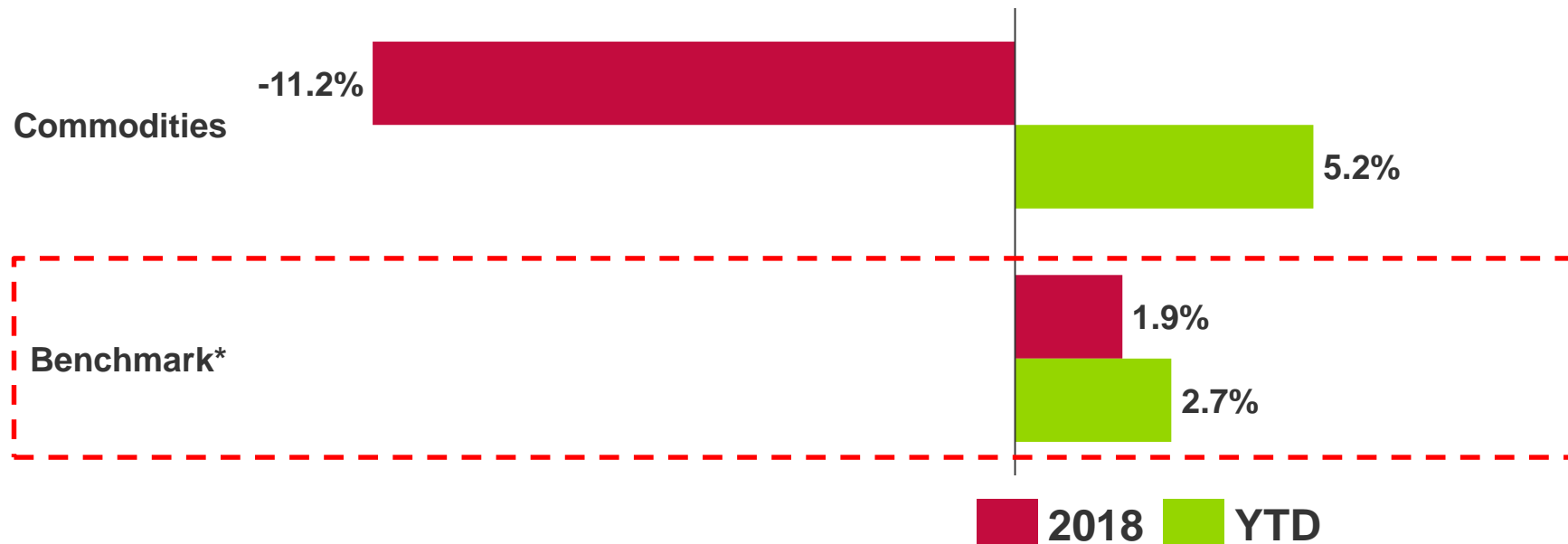
Equity Index Returns



*MSCI ACWI IMI is a broad global equity index
Data as of 31 October 2019; Source: Bloomberg

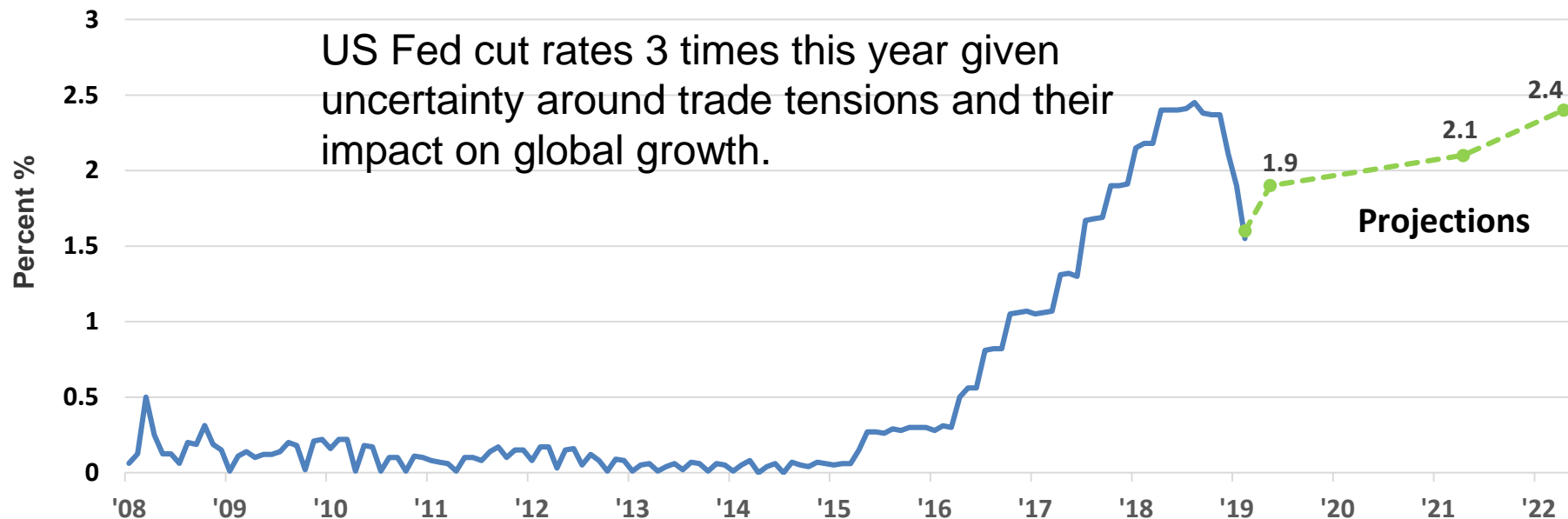
2018 YTD

Tactical Index Returns



*Composite benchmark: BofA 91-Day Treasury Bill Index until 31-Dec-2014; BofA Merrill Lynch US 1-Year Treasury Bill Index from 1-Oct-2014 to present. Data as of 31 October 2019. Source: Bloomberg.

US Federal Reserve Pre-emptively Cuts Rates

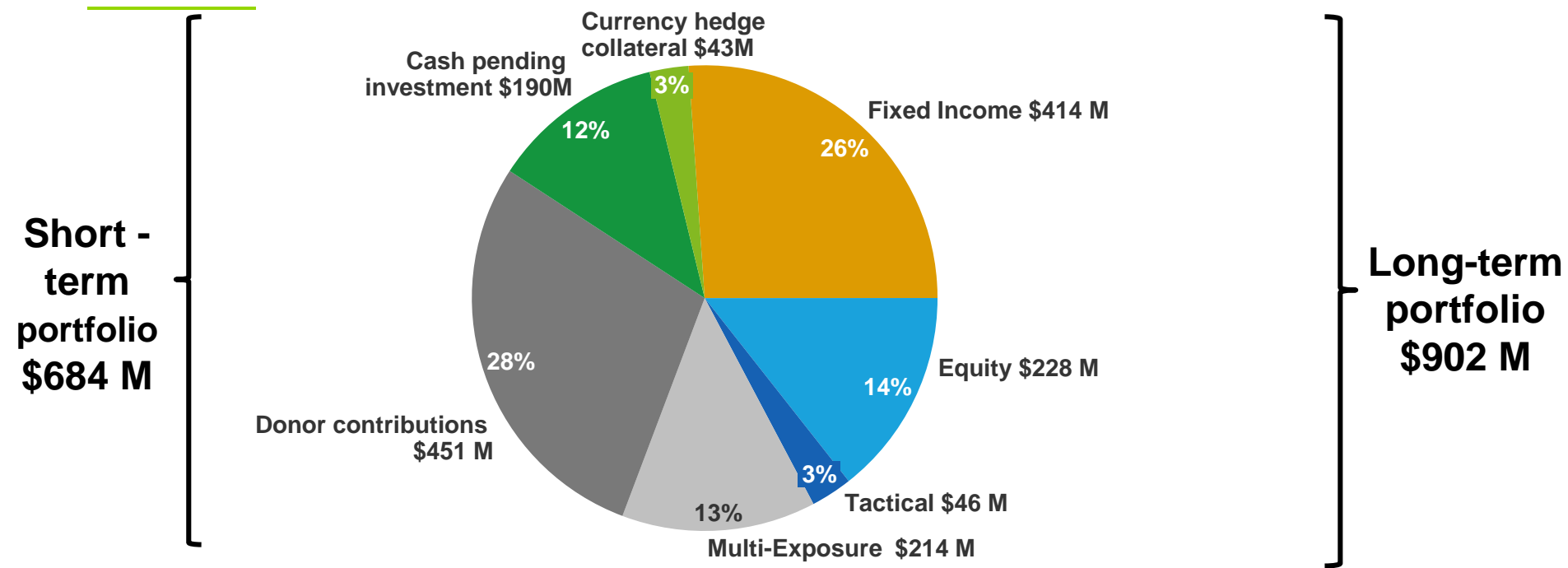


Source: Bloomberg as of 31 October 2019, FOMC projections as of Sept 2019

Portfolio Objectives

Short-term	Long-term
<ul style="list-style-type: none"> • Maintain liquidity to meet anticipated operating requirements. • Provide for prudent diversification of investments to minimise credit and market risk exposure. • Generate income. 	<ul style="list-style-type: none"> • Generate a positive real (after inflation) return. • Generate income for current spending. • Provide a prudent degree of growth in assets to support future spending. • Provide for prudent diversification of investments to minimise correlation among investment strategies. • Maintain liquidity to meet unanticipated operating requirements. • Maintain overall portfolio volatility within acceptable risk levels.

Gavi Portfolio Allocation (US\$ 1.6 B)¹



Data as of 31 October 2019

¹ Excludes UNICEF Procurement account of \$496M, IFFIm assets, and \$89 M in operating cash

Portfolio Net Returns

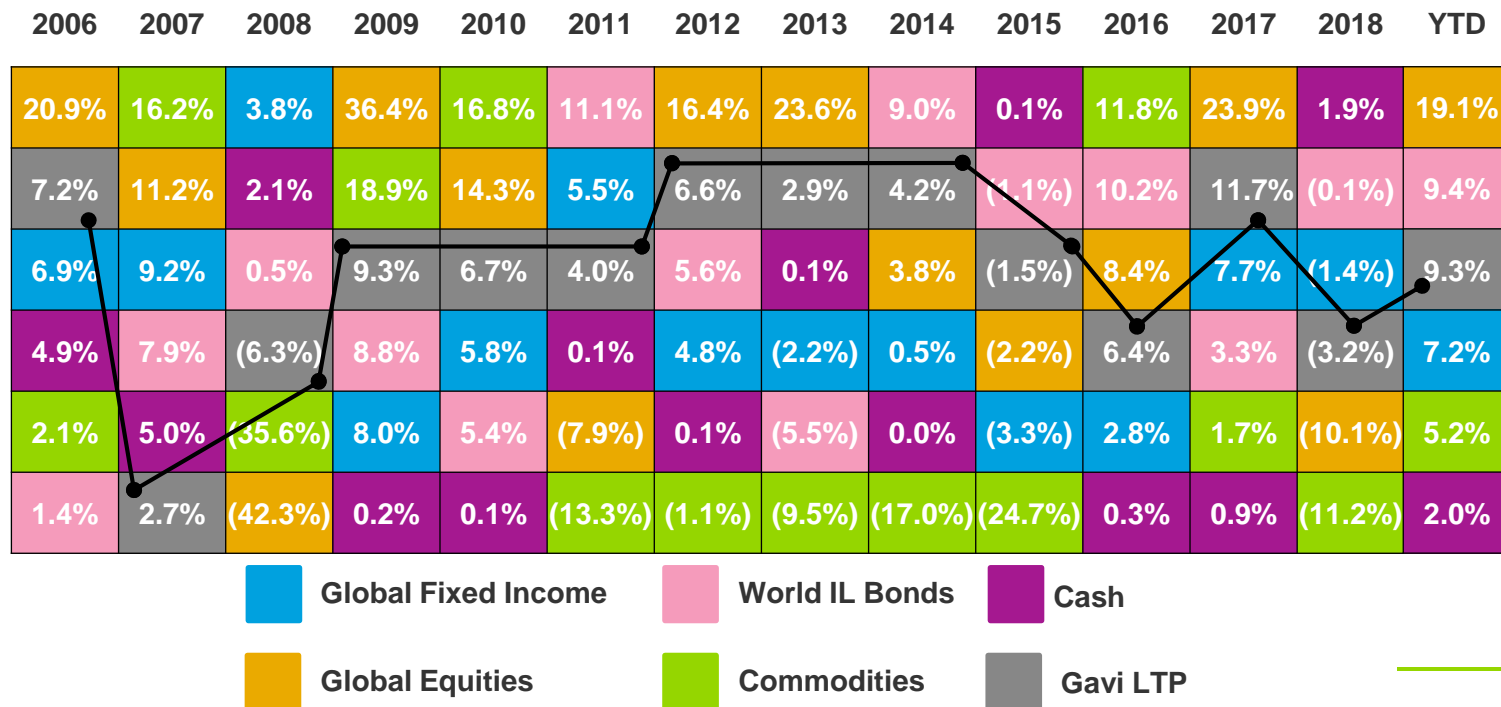
The total portfolio generated estimated year-to-date net investment income of US\$ 105.4 million, and since inception, US\$ 654.9 million.

Portfolio returns	2013	2014	2015	2016	2017	2018	YTD
Long-term portfolio	2.9%	4.2%	-1.5%	6.4%	11.7%	-3.2%	9.3%
Short-term portfolio	0.4%	0.2%	0.4%	0.9%	1.0%	1.8%	3.0%

Data as of 31 October 2019

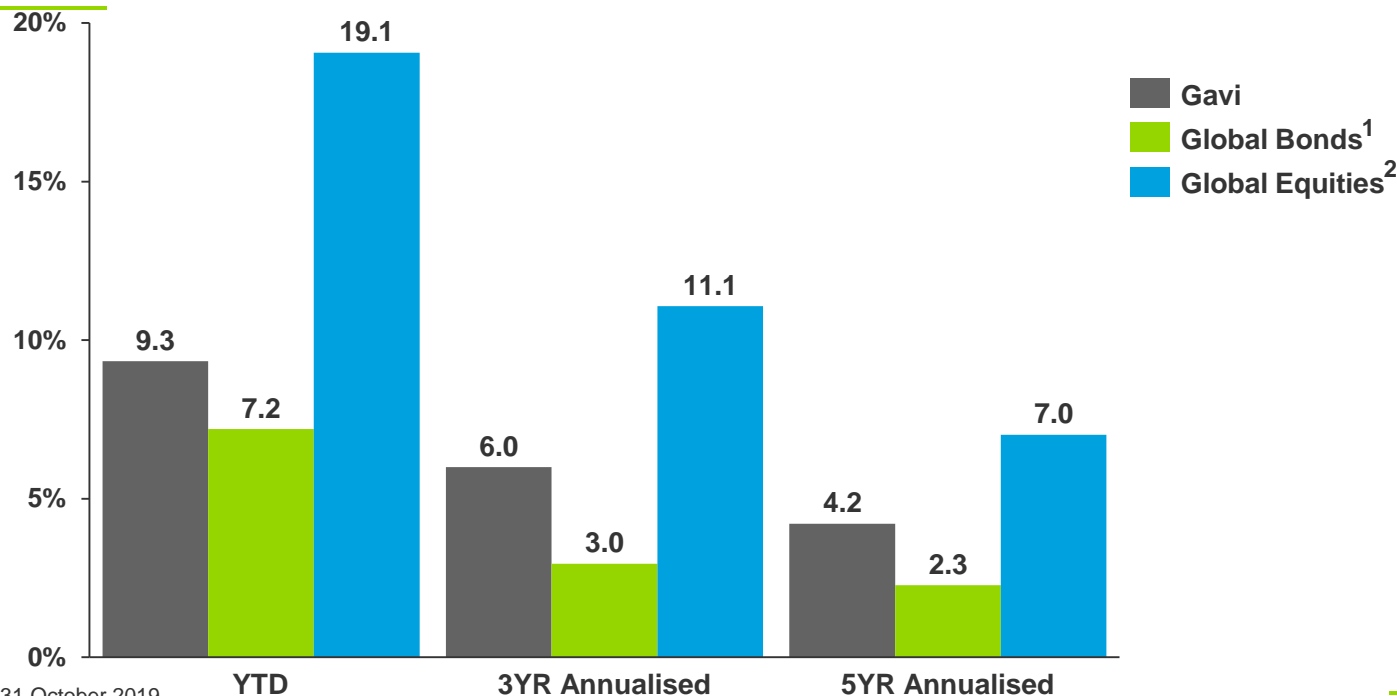
Source: internal estimates, short-term portfolio figures based on strategies managed by the Investments team

Comparison of Index Returns



Data as of 31 October 2019
Source: Bloomberg, internal estimates

Long-term Portfolio Performance



Data as of 31 October 2019

Source: Bloomberg, internal estimates

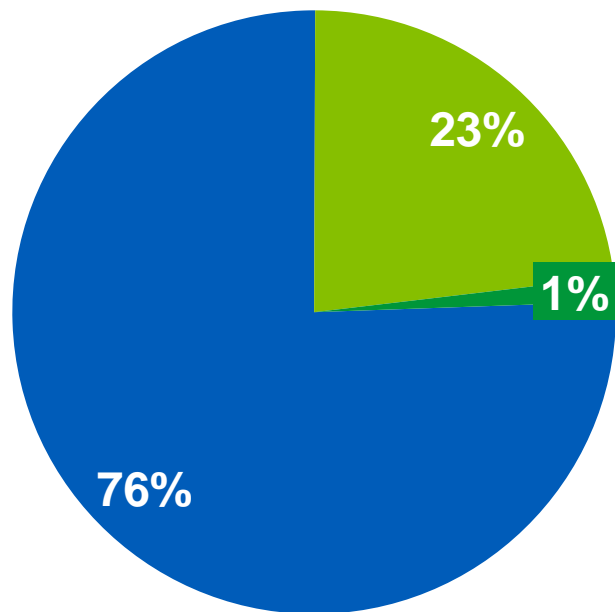
(1) Barclays Multiverse is a broad, global fixed income index.

(2) MSCI ACWI is a broad, global equity index.

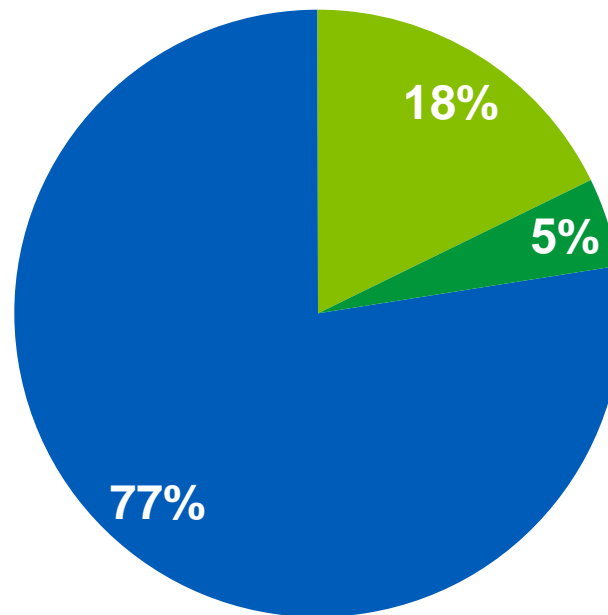
Long-Term Portfolio Liquidity

- Liquid (daily & monthly)
- Semi-liquid (quarterly)
- Illiquid (1 year or more)

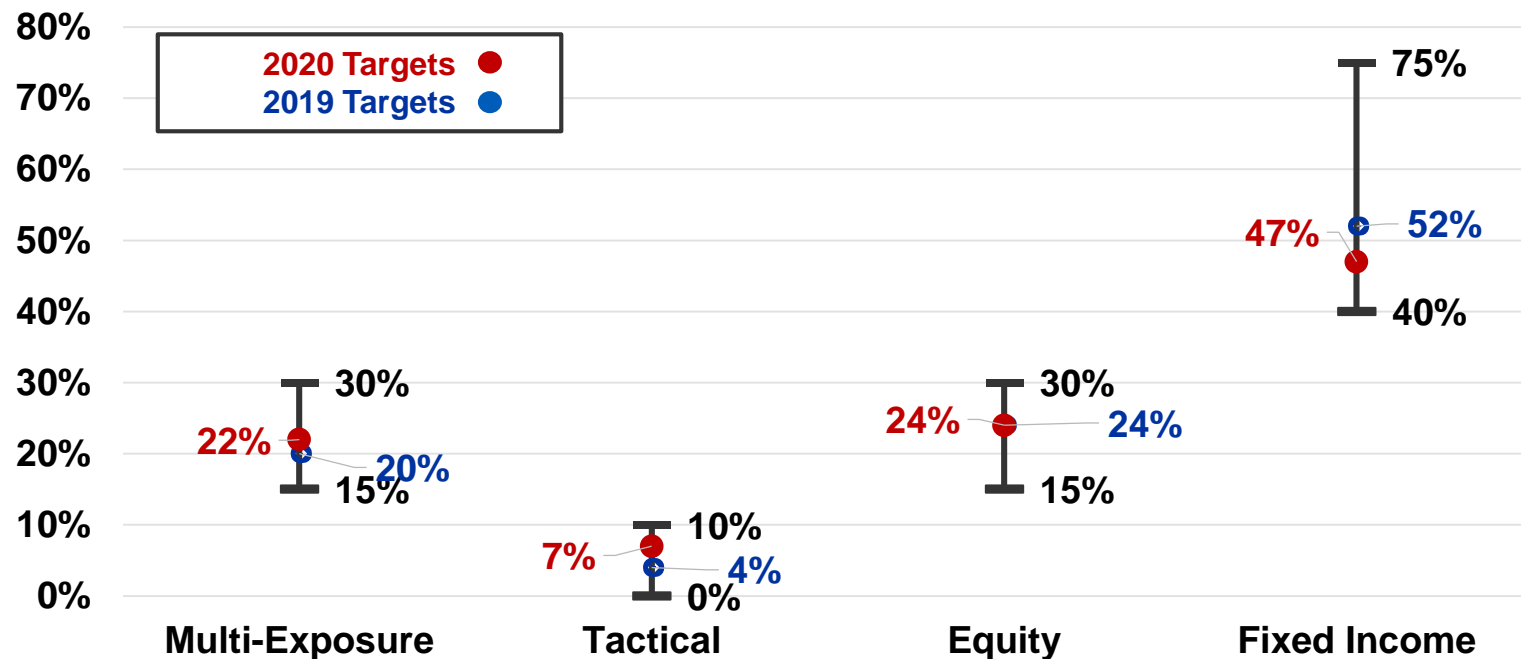
April 2019



October 2019



Asset Allocation: Minor Changes To Targets



2019 Manager Rotation

The Investment Committee authorised:

Redemptions

- **US\$ 96 Million**

New Investments

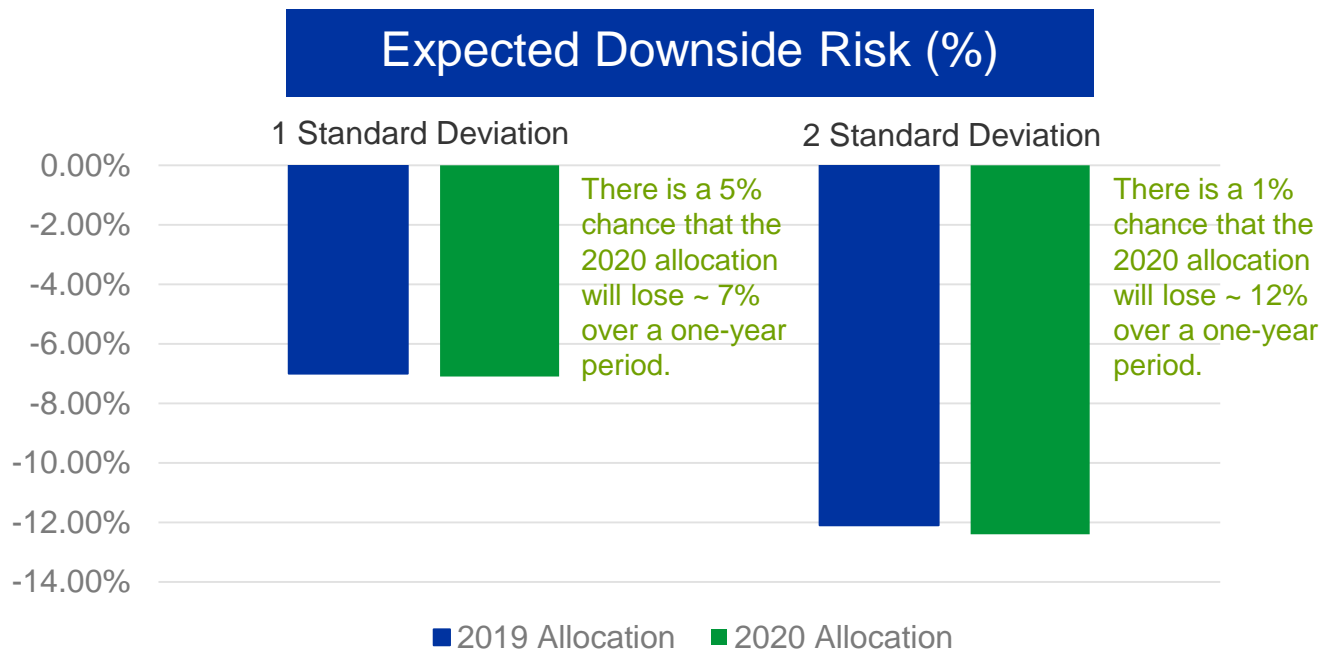
- **US\$ 90 Million**

SRI Enhancements

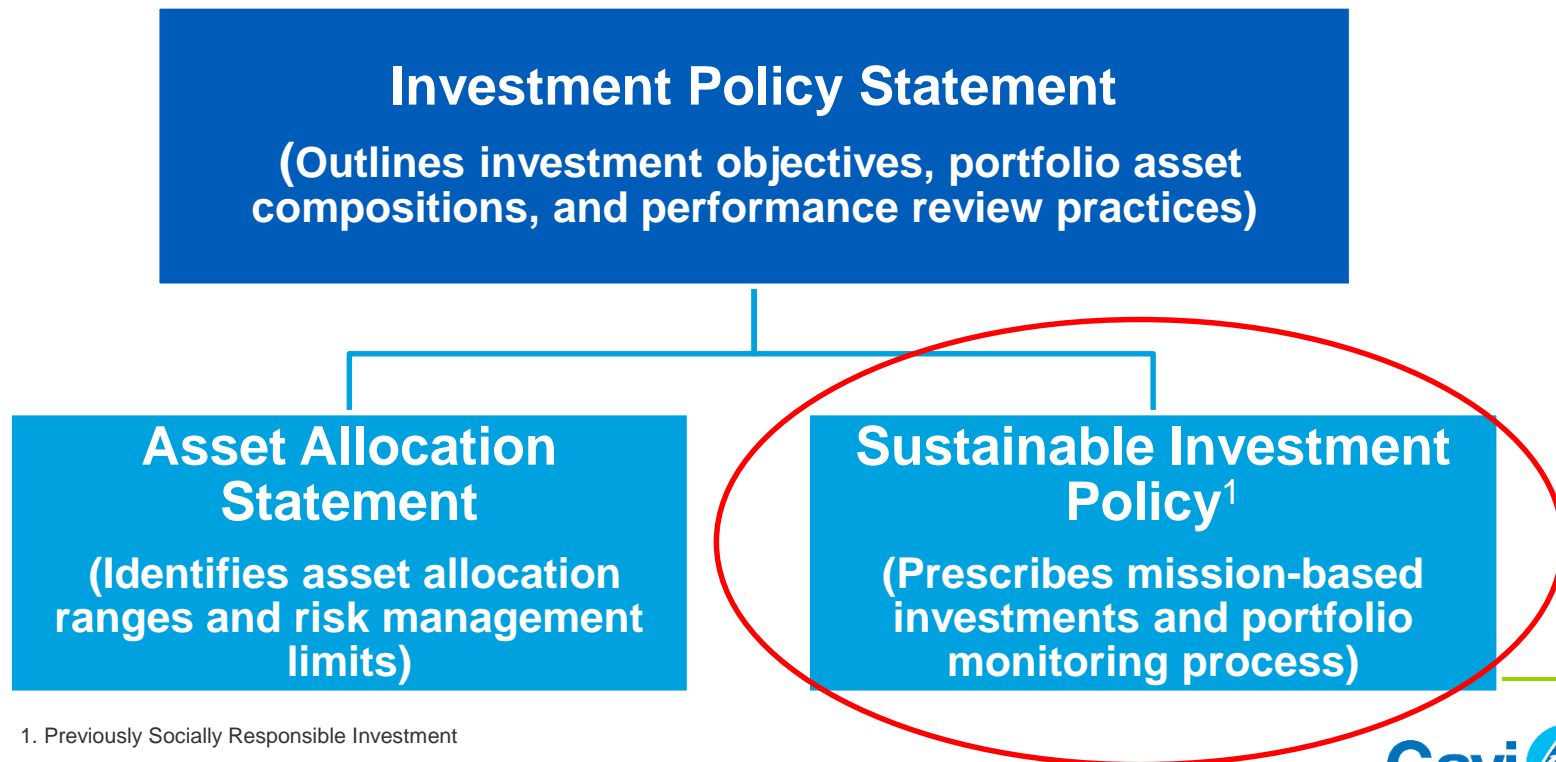
- **US\$ 65 Million**

Data as of 30 November 2019

Long-Term Portfolio's Value at Risk (VaR)



Investment Policies



1. Previously Socially Responsible Investment

Why Integrate Climate Change Risk

- A sustainable future supports Gavi's programmatic outcomes so there is a strong basis for integrating sustainability and evaluating climate change risk in the investment portfolios.
- The health effects of climate change disproportionately affect children, from the womb through adolescence.
- In the November 2019 *Lancet Countdown*, a report focused on the changing profile of climate change, the authors expressed the concern that climate change is increasing infectious disease transmissions.

Evaluating Climate Change Risk

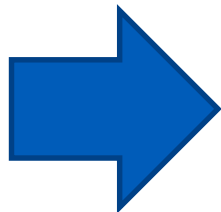
- Gavi has an opportunity to wield its stature among its investment managers to integrate climate change risk into their investment portfolios and processes.
- The Investment Committee met in September and November to agree and implement 3 incremental policy options to address these risks:
 - ❖ Negative screens for carbon-related product involvement.
 - ❖ Carbon risk rating assessment.
 - ❖ Renewable and sustainable solutions, including Impact Investing.

Comparison of Negative Screens

Annex A

Previous Screens

Socially Responsible	
• Tobacco	
• Weapons	
• Landmines/Cluster munitions	
• Child Labour	
• Human Rights	



Current Screens

Sustainable	
• Tobacco	
• Weapons	
• Landmines/Cluster munitions	
• Child Labour	
• Human Rights	
• Thermal Coal	
• Oil & Gas Production	

Sustainable Investment Policy Summary

	Policy Option	Purpose	Implementation Date(s)
Immediate	(1) Thermal Coal and Oil & Gas Production Screens	Understand Gavi's exposure to carbon heavy industries	2020
Future	(2) Carbon Risk Rating ¹ (individual strategy)	Understand how resilient a strategy may be in a transition to a low carbon economy.	2021 onwards
	(3) Renewable and sustainable investment solutions, including Impact Investing	Advances solutions that mitigate further damage from climate change	2020 onwards

(1) Sustainalytics will add research on mid and small cap companies throughout 2020.

Key Highlights 2H2019

Rebalancing and Manager Rotation	Preparations for a late cycle investment landscape are completed; less directional and lowly correlated strategies have been added.
Asset allocation	The Committee continues to focus on liquidity, capital preservation and regional exposure when considering asset allocation. The Investments team will harvest selected gains from certain strategies and re-deploy cash in either existing strategies or new strategies that meet the objectives of the 2020 asset allocation.
Risk management	The Committee stayed focused on risk in the portfolio given the late cycle environment and perceived investor complacency. The Committee remains vigilant on the number of managers so that the Investments team maintains robust monitoring.
Gender equity	The team integrated gender equity into its 2019 annual risk rating exercise as a risk characteristic, highlighting the value of a diverse workforce. Investment managers will be evaluated for representation of women on their boards, management and investment positions.

Key Priorities 1H2020

Maintain focus on capital preservation	The Committee elected to keep the portfolio at the conservative end of asset allocation scenarios. Gavi has sufficient cash to re-deploy when the time is right.
Diversified Income	Yields on traditional fixed income assets are low. The Investments team will prudently expand private debt exposure and seek other opportunities that may provide consistent income to the investment portfolio.
Implement SIP	Oil and thermal coal screens are first up next year.
Transition to New Chair	The intent is for Afsaneh Beschloss to assume the Investment Committee Chair role in June 2020. She has both multi-lateral institutional and private sector investment experience.

Appendix

Long-Term Portfolio Returns

Exposure vs. Benchmark	2014	2015	2016	2017	2018	YTD
Fixed Income	3.4%	0.9%	6.0%	6.5%	(1.1%)	6.8%
<i>Barclays Multiverse¹</i>	(0.6%)	(3.3%)	2.8%	7.7%	(1.4%)	7.2%
Equity	6.4%	(1.7%)	6.4%	25.3%	(9.2%)	13.2%
<i>MSCI ACWI IMI</i>	3.8%	(2.2%)	8.4%	24.0%	(10.1%)	19.1%
Tactical	5.1% ³	(10.3%)	16.0%	12.3%	2.1%	4.4%
<i>BofA Merrill US 1-Year Trsy²</i>	0.1%	0.2%	0.8%	0.6%	1.9%	2.7%
Multi-Exposure	4.4%	(4.3%)	4.7%	14.7%	(2.0%)	13.5%
<i>Credit Suisse Multi-Strategy⁴</i>	N/A	N/A	N/A	N/A	N/A	6.5%
<i>BofA Merrill US 3-Month Trsy+ 5%⁵</i>	N/A	N/A	N/A	5.9%	7.0%	6.2%
Long-term portfolio	4.2%	(1.6%)	6.4%	11.7%	(3.2%)	9.4%

Data as of 31 October 2019

(1) From 1 March 2014 to present

(2) From 1 October 2014

(3) Inception date 30 May 2014

(4) Benchmark not implemented until March 2019

(5) Benchmark not implemented until March 2016

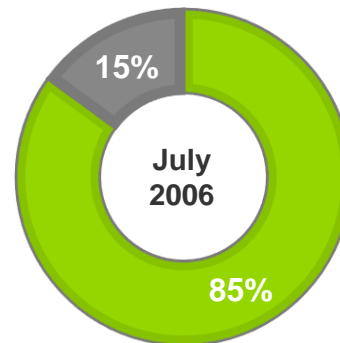
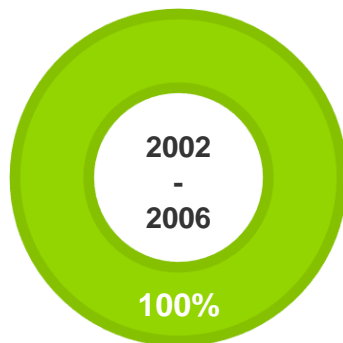
Long-Term Portfolio Monthly Returns

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
January	0.62%	2.31%	-0.69%	0.77%	0.17%	1.51%	0.56%	-0.14%	0.64%	-2.01%	1.47%	1.33%	2.77%
February	0.99%	-0.24%	-1.62%	0.46%	0.53%	0.44%	0.05%	2.10%	1.71%	-0.43%	1.41%	-1.84%	0.90%
March	0.05%	-0.84%	1.86%	0.21%	0.39%	-0.39%	0.68%	0.13%	-0.08%	3.33%	0.60%	0.07%	1.33%
April	0.32%	0.23%	1.69%	0.98%	1.39%	0.69%	1.10%	0.60%	1.02%	1.24%	1.14%	-0.01%	0.88%
May	-0.47%	-0.14%	2.26%	-0.01%	0.39%	-0.40%	-1.29%	1.43%	0.03%	0.42%	1.04%	-0.60%	-0.14%
June	-1.15%	-0.59%	0.46%	0.94%	-0.35%	0.64%	-2.46%	1.01%	-1.36%	0.17%	0.58%	-0.52%	2.43%
July	-0.33%	-1.01%	1.36%	1.23%	1.53%	1.74%	1.40%	-0.54%	-0.07%	1.81%	1.26%	0.76%	0.69%
August	1.08%	0.42%	0.95%	1.07%	0.21%	0.48%	-0.81%	1.29%	-2.79%	0.65%	1.00%	0.06%	-0.36%
September	1.56%	-3.30%	1.20%	0.70%	-1.42%	0.69%	1.83%	-1.76%	-1.76%	0.60%	0.43%	0.31%	-0.34%
October	0.62%	-5.46%	0.81%	0.92%	0.94%	0.03%	1.54%	0.78%	2.80%	-0.21%	0.65%	-2.08%	0.87%
November	-0.24%	-0.77%	1.41%	-0.84%	-0.53%	0.55%	0.14%	0.51%	-0.28%	-0.52%	0.58%	-0.19%	
December	-0.35%	3.14%	-0.70%	0.11%	0.72%	0.42%	0.20%	-1.20%	-1.25%	1.30%	0.96%	-0.50%	
	Greater than +1.5%		Between 0% and +1.5%				Between -1.5% and 0%			Less than -1.5%			

Data as of 31 October 2019

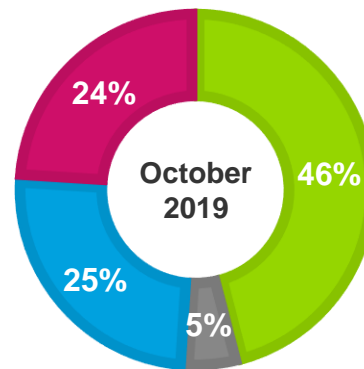
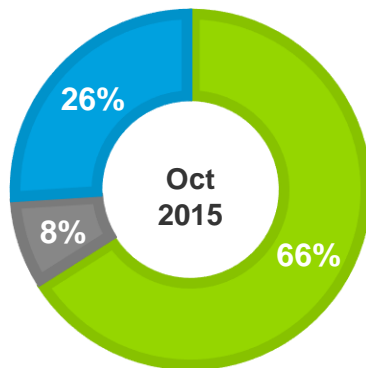
Long-term Portfolio Evolution

(1) Conservative,
US centric, short-
term fixed income



(2) Launch of
IFFIm extended
investment
horizon; added
inflation hedge
assets

(3) Further
diversification into
less correlated
assets



(4) Added multi-
exposure in May
2016.



Board meeting
4-5 December 2019

Exposure Characteristics

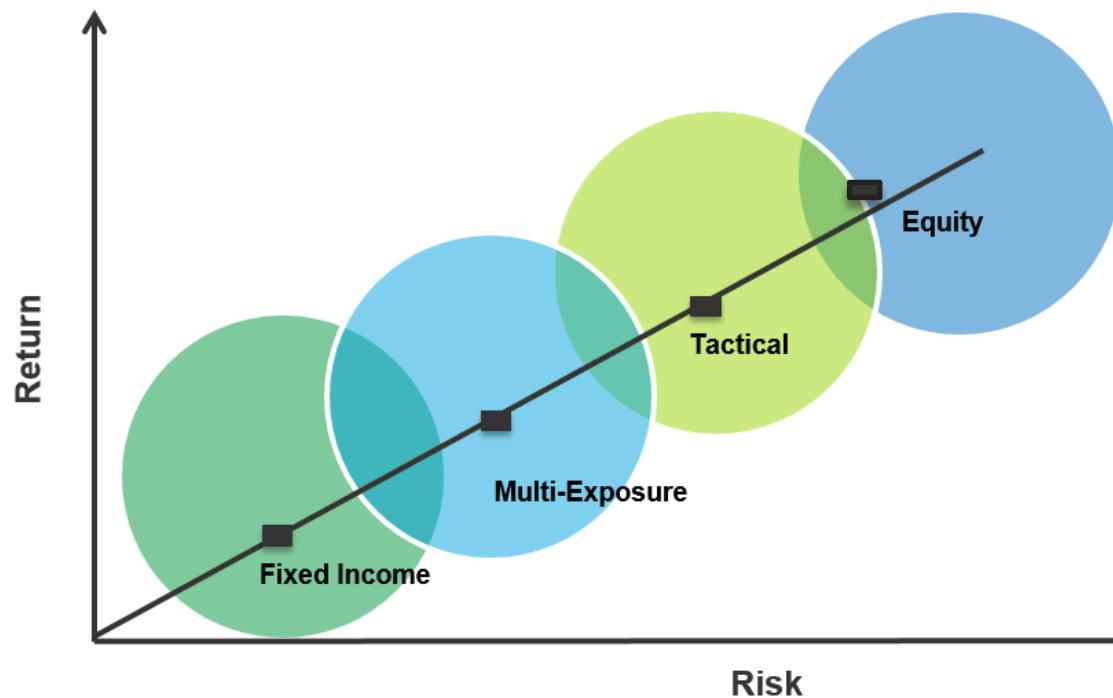
Characteristics	
Fixed Income (40% - 75%)	Capital preservation, income
Equity (15% - 30%)	Growth, inflation hedge (moderate)
Tactical (0% - 10%)	Less correlated assets lacking the typical characteristics of fixed income or equity
Multi-exposure (15%-30%)	Liquid, flexible, and risk diversified strategies

Asset Allocation: What To Consider

In assessing an appropriate mix of investments, the Investments team with the guidance of the Investment Committee and a strategic consultant considers the following:

1. Appetite for volatility/risk
2. Balancing liquidity of investments
3. Frequency and size of drawdowns (to pay liabilities)
4. Diversification (adding investments that will behave differently under various economic scenarios)

Risk Versus Return

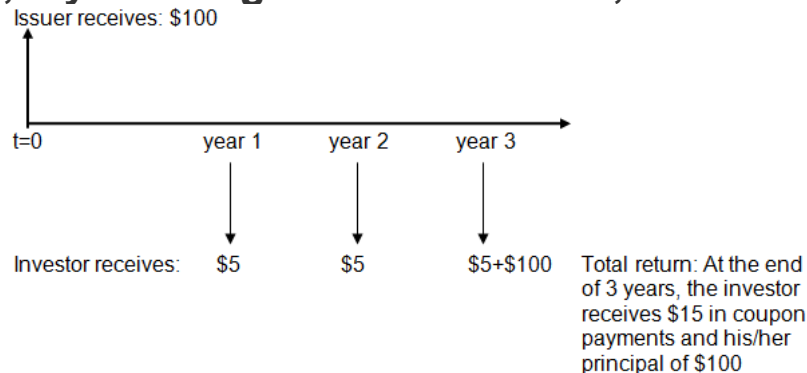


Fixed Income

Definition:

A financial obligation from an issuer (e.g. a government) to the investor which typically includes:

1. Periodic interest (coupon) payments
 2. Repayment of principal at maturity
- **Example: US\$ 100, 3-year obligation with a fixed, annual coupon of 5%**



Equity

Definition:

A security that provides the investor with an equity or ownership stake in a company. The investor seeks to earn at least one of the following:

1. Dividends (profit distribution)
2. Capital gain (market value at sale – purchase price)

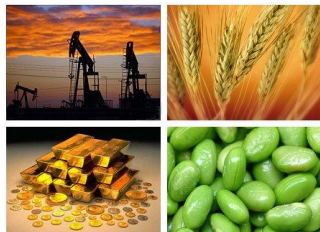
Stocks are *not* a short-term investment; in general they are appropriate for investors who have a time horizon greater than 5 years.

Tactical

Definition:

Investments that serve as diversifiers within the Gavi long-term portfolio. They do not share the typical characteristics of fixed income and equity. Examples include:

- Commodities
- Infrastructure
- Real estate investment trusts



Multi-Exposure

Definition:

Investing in a combination of various asset classes through the use of liquid, flexible strategies. It serves the goal of diversifying risk and mitigating volatility.

These strategies may include common asset classes such as:

- Equity
- Fixed Income
- Currencies
- Commodities

Thank you





Gavi Alliance Sustainable Investment Policy

Version 5.0

DOCUMENT ADMINISTRATION

VERSION NUMBER	APPROVAL PROCESS	DATE
1.0	Prepared by: Finance	
	Reviewed by: Gavi Investment Committee	23 February 2009 Effective from: 23 February 2009
2.0	Prepared by: Investments	
	Reviewed by: Gavi Investment Committee	2 November 2012 Effective from: 20 November 2012
	Next review :	Report to the Investment Committee by the Investments Team after getting results from the semi-annual monitoring studies
3.0	Prepared by: Investments	
	Reviewed by: Gavi Investment Committee	11 May 2015 Effective from: 11 May 2015
4.0	Prepared by: Investments	
	Reviewed by: Gavi Investment Committee	2 August 2016 Effective from: 2 August 2016
5.0	Prepared by: Investments	
	Reviewed by: Gavi Investment Committee	14 November 2019 Effective from: 14 November 2019

1. Introduction

- 1.1 The Sustainable Investment Policy (“Policy”) articulates the approach to sustainability by the Gavi Alliance and is designed to be consistent with its role as a humanitarian organisation focused on saving children’s lives and protecting people’s health.

2. Negative Screens

- 2.1 Gavi Alliance seeks to manage and monitor its exposure to sectors that are inconsistent or controversial in relation to its mission. Accordingly, to the extent possible, holdings of the investment portfolio will be reviewed on a semi-annual basis for the following screens.
- 2.2 Investments shall not knowingly be made in any company generating more than 10% of revenues from the production of tobacco products (cigarettes, cigars, snuff) or in any company whose core brand/identity is tobacco or tobacco related.
- 2.3 Investments shall not knowingly be made in any company generating more than 10% of revenues from the production of weapons (instruments specifically designed and whose primary purpose is for attack or defense in combat) or in any company whose core brand/identity is weapons related.
- 2.4 Investments shall not knowingly be made in any company generating revenues from the production of anti-personnel landmines or cluster munitions or key landmine/cluster munitions-specific components.
- 2.5 Investments shall not knowingly be made in any company causing or contributing a direct impact on human rights jeopardising its ability to meet the “corporate responsibility to respect human rights¹”, as laid out in the UN Guiding Principles on Business and Human Rights (UNGP).
- 2.6 Investments shall not knowingly be made in any company implicated in material breaches² of international child labour standards, as defined by ILO Conventions 182 & 190.

3. Negative Screens Monitoring

- 3.1 The negative screens shall only be applied to individual public company equities and corporate bonds. Securities such as mortgage-backed securities, asset-backed securities, derivatives, sovereign bonds or securities traded on the foreign exchange market are excluded.
- 3.2 The Gavi Alliance Secretariat Investments Team (“Investments Team”) is responsible for monitoring holdings to ensure compliance with the criteria identified in clauses 2.2 – 2.6 on a semi-annual basis and to report the results of its monitoring studies to the Investment Committee.

¹ According to UNGP, the human rights are understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the ILO’s Declaration on Fundamental Principles and Rights at Work.

² Material breaches are defined as ongoing, systematic or, if isolated, of a highly serious, grave nature.

- 3.3 Each existing manager's equity and corporate bond holdings as of June 30 and December 31 are to be screened by a third-party vendor. There is a 2% (of NAV) limit for ineligible holdings for each manager.
- 3.4 The Investments Team is responsible for informing fund managers when their holdings breach the 2% limit. Furthermore, the Investments Team should engage with the non-compliant fund manager, stating its concerns about each ineligible issuer and requesting the manager to provide explanation for holding these securities as well as any plans for divestment or engagement with ineligible companies.
- 3.5 If a manager breaches the 2% limit for two consecutive screening periods, an internal evaluation on the manager in question will be required and a recommendation will be shared with the Investment Committee.

4. Climate Change Risk

- 4.1 Climate change poses a significant risk to Gavi's ability to fulfill its mission. Gavi's investment framework for managing and monitoring climate change risk may include any combination of the following:
 - (a) Negative screens for carbon related product involvement companies;
 - (b) Carbon risk rating; and/or
 - (c) Investment in renewable or sustainable solutions including but not limited to: clean energy, waste reduction or natural resource efficiency.
- 4.2 The negative screens for carbon related product involvement shall only be applied to individual public company equities and corporate bonds. Securitized credit, derivatives, sovereign bonds or securities traded on the foreign exchange market are excluded.
 - (a) Investments shall not knowingly be made in companies that derive 10% or more of its revenue from thermal coal extraction.
 - (b) Investments shall not knowingly be made in companies that derive 10% or more of its revenue from oil and gas production.

The Gavi Alliance Investment Committee shall monitor the holdings that are related to carbon product involvement as defined in 4.2 (a) and (b). The Investment Committee shall review the screening results from a third-party vendor as of 30 June and 31 December. The Investment Committee may also set a limit (e.g. % of NAV) for ineligible holdings, and review it on an annual basis.
- 4.3 Gavi Alliance may employ a carbon risk rating methodology to determine the degree to which its investment portfolios' value is at risk from a transition to a low-carbon economy. It is acknowledged that many industry sectors may be exposed to direct or residual risk, and may require remediation of their business models in response.
- 4.4 Gavi Alliance may invest in strategies that are primarily focused on renewable or sustainable solutions. The type of investment will be guided by the Investment Policy Statement and its inherent limits on risk and liquidity.

5. Notice to prospective managers

- 5.1 The Investments Team is responsible for providing a copy of Gavi's Policy to prospective managers. The Investments Team will engage with prospective managers and affirm the rationale of Policy. The Investments Team will ask prospective managers to provide a copy of holdings for review and should inform the Investment Committee if the manager is unable/unwilling to provide the holdings.

6. Exemptions

- 6.1 The following, which are to be documented by the Investments Team, are exempt from the above restrictions 2.2-2.6, and 4.2 (a) and (b):
- (a) Commingled funds held by commingled funds.
 - (b) Passively managed index funds.
 - (c) Investment vehicles with non-transparent holdings.
- 6.2 The Investments Team will on an annual basis discuss the Policy with managers overseeing vehicles meeting the standard set forth in 6.1(c).