THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

ANNUAL REPORT OF THE TRUSTEES AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

International Finance Facility for Immunisation Company, 2 Lambs Passage, London EC1Y 8BB, United Kingdom. Registered in England and Wales as a company limited by guarantee with number **5857343** and as a charity with number **1115413**.

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TRUSTEES

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SOLICITOR

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London EC1Y 8YY
United Kingdom

AUDITOR

Deloitte LLP
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United Kingdom

TREASURY MANAGER

International Bank for Reconstruction and Development
1818 H Street NW
Washington, DC 20433
United States

LEGAL STATUS

The International Finance Facility for Immunisation Company ("IFFIm") is a multilateral development institution, established as a charity registered with the Charity Commission for England and Wales. IFFIm was incorporated as a private company, limited by guarantee, without share capital and for indefinite duration, under the Companies Act 1985. IFFIm is governed by its Memorandum and Articles of Association dated 26 June 2006. Amended Articles of Association were adopted on 17 December 2018. IFFIm's company registration number is 5857343 and its charity registration number is 1115413.

FILING OF REPORTS

Copies of IFFIm's Annual Report of the Trustees and Annual Financial Statements are available to the public and may be obtained from the Registrar of Companies for England and Wales at Companies House, Cardiff.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Statement of responsibilities of the Trustees of the International Finance Facility for Immunisation Company in respect of the Trustees' annual report and the financial statements

The trustees, who are also directors of the International Finance Facility for Immunisation Company ("IFFIm") for the purposes of company law, are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ANNUAL REPORT OF THE TRUSTEES

OBJECTIVES AND PUBLIC BENEFIT

OBJECTIVES

The International Finance Facility for Immunisation Company ("IFFIm") was created to accelerate the availability of predictable, long-term funds for health and immunisation programmes through Gavi, the Vaccine Alliance, in over 70 of the poorest countries around the world. IFFIm promotes the effective use of Gavi resources for charitable purposes, and for the benefit of the public, by providing services and facilities that assist Gavi in raising funds. Such services and facilities include, but are not limited to, borrowing money or entering into agreements that are backed by legally binding funding commitments from sovereign government donors (the "Grantors").

Every year, in the world's poorest countries, millions of children miss out on vaccinations against common diseases, making them vulnerable to sickness, disability and death. Millions of children die from easily preventable diseases such as diphtheria, pneumonia, diarrhoea, meningitis and yellow fever. IFFIm funding accelerates the availability and increases the predictability of funds for immunisation, vaccine procurement and health systems strengthening ("HSS") programmes. Gavi uses funds raised by IFFIm to reduce the number of worldwide vaccine-preventable deaths and illnesses. Gavi achieves this by funding the purchase and delivery of vaccines and strengthening health systems in the poorest countries in the world.

IFFIm raises funds by issuing bonds in the international capital markets under its *Global Debt Issuance Programme* and through its involvement in issues of Sukuk certificates. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation and HSS programmes. Through its bond issuances, IFFIm converts long-term government pledges into immediately available cash resources. IFFIm uses grant payments from the Grantors to pay the principal and interest on its bonds.

PUBLIC BENEFIT

Through supporting the charitable aims of Gavi and meeting its objects, IFFIm is a public benefit entity but does not work directly with the public. IFFIm's directors have considered the Charity Commission's general guidance on public benefit and have paid due regard to it when planning IFFIm's activities and assessing how IFFIm's activities further its objectives described above.

STRUCTURE, GOVERNANCE AND MANAGEMENT

STRUCTURE

IFFIm is a multilateral development institution incorporated as a private company, limited by guarantee, with the company registration number 5857343, and registered as a charity in England and Wales, with the charity registration number 1115413. Gavi is the sole member of IFFIm.

IFFIm had control over IFFIm Sukuk Company II Limited ("IFFImSC II"), a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFIm has control over IFFIm Sukuk Company III Limited ("IFFImSC III"), 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 company registration number 348825. IFFImSC II and IFFImSC III were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. IFFImSC II was dissolved on 4 July 2019 upon final redemption of the sukuk certificates. IFFIm's 2019 consolidated financial statements include the accounts of IFFImSC II, up to its dissolution date, and IFFImSC III.

In order to achieve its objectives, IFFIm worked with the following organisations during 2019:

- Gavi: Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. It uses funds raised by IFFIm to finance immunisation-related charitable activities in many of the world's poorest countries. Gavi's charitable activities are described further in the *Programmes Funded by IFFIm* section of this report. Gavi also provides administrative support to IFFIm.
- The International Bank for Reconstruction and Development (the "World Bank"): The World Bank is a global development organisation based in the United States. It provides treasury management, risk management and accounting services to IFFIm on a commercial basis. IFFIm's relationship and interactions with the World Bank are described further in the *Financial Overview* and *Hedging IFFIm's Market Risks* sections of this report.

GOVERNANCE AND MANAGEMENT

Board of Trustees

IFFIm's trustees, who are also directors of IFFIm for the purposes of company law, are responsible for determining IFFIm's strategic plans, overseeing the implementation of such plans, and monitoring functions outsourced to Gavi and the World Bank. Members of the Gavi Secretariat and the World Bank take part in every board meeting. In early 2020, a mapping exercise inclusive of Gavi and World Bank roles and responsibilities was conducted to affirm the IFFIm board receives sufficient information to engender discussion and carry out informed decision making while meeting its legal obligations.

IFFIm has no employees. During 2019, there were four meetings of the IFFIm board and two meetings of a Committee of the board to undertake ad hoc decisions in the ordinary course of business. In accordance with its Board Charter and Code of Conduct, IFFIm directors are expected to attend all board meetings unless exceptional circumstances prevail. Directors had an average board meeting attendance of 92% in 2019.

As at 31 December 2019, IFFIm's directors were as follows:

- Cyrus Ardalan, Board Chair: Mr Ardalan is the Non-Executive Director and Chairman of Citigroup Global Markets Limited. He is also Chairman of OakNorth Bank, as well as Chairman of the Financial Services Advisory Board of Alvarez and Marsal. Previously, he was Vice Chairman of Barclays and Head of European Union and United Kingdom Public Policy and Government Relations as well as Vice Chairman of Barclays Capital, where he had a variety of roles, including Head of Public Sector for Emerging Europe, Middle East and Africa ("EEMEA"); Head of Investment Banking for EEMEA; and Head of Investment Banking for Continental Europe. Mr Ardalan was appointed as a director effective 1 January 2013 and as Chair of the IFFIm board effective 1 January 2018.
- Bertrand de Mazières: Mr de Mazières is the Director General for Finance at the European Investment Bank (EIB). He oversees EIB's Finance Directorate, which is responsible for the bank's borrowing and treasury operations and its support functions for equity, lending, borrowing, and funding operations. Prior to that, he was the Chief Executive of Agence France Trésor, the division of the Ministry of Economy and Finance of the Republic of France responsible for the country's debt and treasury management. Mr de Mazières was appointed as a director effective 18 May 2018 and subsequent to the year end he was appointed as Audit Committee Chair effective 1 April 2020.
- Fatimatou Zahra Diop: Ms Diop is a former Secretary-General of the Central Bank of West African States ("BCEAO") where she was responsible for the coordination and management of the bank in its eight member countries as well as offices in Dakar and Paris. Prior to that, she was the National Director of Senegal where she led the Senegalese branch of the Central Bank. She co-founded and currently serves as Vice President of the board of Afrivac, a public-private partnership whose mission is to work with public and private sector partners to promote the need to strengthen the budgets of African countries with a view toward becoming independent from multilateral support. Ms Diop was appointed as a director effective 10 June 2015 and she is a member of the audit committee.
- Doris Herrera-Pol: Ms Herrera-Pol retired from the World Bank in 2015 where she was the Global Head of Capital Markets. Her team was responsible for designing the World Bank's funding strategy and managing its multi-currency funding programme in global money, capital and derivatives markets. From 2002 to 2007, she led the team responsible for the World Bank's plain-vanilla debt products, including global bonds and emerging market bond issues. Ms Herrera-Pol was appointed as a director effective 13 November 2015 and she is a member of the audit committee.
- Helge Weiner-Trapness: Mr Weiner-Trapness is a founding partner of Quintus Partners, an independent financial advisory firm that provides strategic and investment advisory and capital raising services to a diverse client base of corporations, private investment firms, and institutions. Prior to that, he was the Managing Director and Co-Global Head of the Financial Institutions Group at Barclays Bank in Hong Kong and previously held senior positions at Asia Pacific Land, JP Morgan Securities, and Goldman Sachs. Mr Weiner-Trapness was appointed as a director effective 17 December 2018.
- Marcus Fedder, Audit Committee Chair: Mr Fedder has been involved with microfinance for the past six years after spending more than 20 years in banking. He held senior positions at several financial institutions, including as Vice Chair of TD Securities, the Toronto Dominion Bank, with responsibility for all businesses in Europe and Asia-Pacific. Prior to that he was Treasurer of the European Bank for Reconstruction and Development ("EBRD") and worked at the World Bank and in derivatives, starting his career at Deutsche Bank. He is a member of the supervisory board of TCX Fund. Mr Fedder was appointed as a director effective 1 January 2013 and after the year end concluded his tenure as a director and Audit Committee Chair on 31 March 2020 as described further in the *Recent Developments* section of this report.

Directors are chosen for their skills and expertise in areas relevant to IFFIm and the IFFIm board maintains a skills matrix which it uses for succession planning purposes. Board succession planning is managed by the

Board Chair in consultation with the entire board and as such there is no nomination committee. The IFFIm board is also guided by a diversity statement and seeks to adhere to Gavi's gender policy requiring that no more than 60% of the IFFIm board is the same gender. As of 31 December 2019, four of six directors, which is 66% of the IFFIm board, were male. The IFFIm board appointed Ms Jessica Pulay as a new director in March 2020 which changed the gender composition as of 1 April 2020 to 50% female.

All directors serve on a voluntary basis and are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as directors. Details of director expenses are disclosed in Note 4 to the financial statements.

A formal induction process is in place that includes briefings with members of the Gavi Secretariat and World Bank. Induction procedures introduce directors to the specifics of IFFIm's operations and provide an overview of entities associated with IFFIm, namely, Gavi and the World Bank.

In 2019, IFFIm incorporated a Code of Conduct within its Board Charter. The IFFIm board also approved an Independence Statement which underscores how all directors are required to exercise independent judgement in carrying out their duties. The IFFIm board must act in line with the principles laid out in the Board Charter and Code of Conduct, which comprehensively outlines expectations and conduct supported by policies for gifts and entertainment, diversity, procurement and travel, as well as processes for conflicts of interest.

The directors have a duty to avoid conflicts of interest and while IFFIm does not have a conflicts of interest policy, its Articles of Association and its Board Charter and Code of Conduct provide for the disclosure and management of conflicts of interest and a register is maintained and disclosed at each meeting of the IFFIm board. Gavi Alliance's code of conduct framework also guides the IFFIm board on matters and issues that are not covered by IFFIm policies.

IFFIm introduced a gifts and hospitality policy in 2018 and while no disclosures of gifts or offers of hospitality have been made to date, the IFFIm board has established a formal register of gifts and hospitality for use if and when such disclosure is made.

IFFIm's Board Chair attends all meetings of the board of directors of Gavi. The attendance of IFFIm directors at the Gavi board meetings is strictly in an observer status with no participation in the decisions of the Gavi board.

Gavi's Chief Executive Officer is invited to attend and present reports to meetings of the IFFIm board, as an observer and with no participation in the decisions of the IFFIm board. At each meeting, the IFFIm board receives operational reports from the Gavi Secretariat and the World Bank and reviews IFFIm's strategic initiatives. Twice a year the IFFIm board receives finance and accounting and monitoring and assurance reports. The IFFIm board also receives regular reports on Grantor and investor financial information and engagement.

Audit Committee

The IFFIm audit committee is a standing committee of the IFFIm board consisting of four members of the board, since reduced to three following the retirement of one of the board members, and was established to assist the board in fulfilling its responsibilities with respect to the corporate accounting and financial practices of IFFIm. It oversees the preparation of the annual financial statements, including accounting policies and judgements, and reviews the performance, independence, and objectivity of the external auditor. It monitors the effectiveness of IFFIm's risk management and internal grant monitoring systems.

During 2019, there were three meetings of the audit committee. Committee member attendance was 100% at all meetings. The audit committee work plan includes the formal requirement for an executive session with the external auditor without any representatives from the Gavi Secretariat and the World Bank being present.

Regarding the reporting of alleged improprieties, misconduct, or wrongdoing, the IFFIm board implemented an Ethics reporting hotline in 2019 that is connected to Gavi's. The Ethics Hotline is prominently displayed on the homepage of IFFIm's public website. No reports related to IFFIm have been received to date.

Board Effectiveness Review and UK Charity Governance Code

The IFFIm board carries out an effectiveness review annually and regularly discusses its effectiveness and ability to work together as a team within executive sessions scheduled before every board meeting. In 2019, the IFFIm board conducted a self-evaluation with an independent facilitator of the effectiveness of the board, the audit committee, and the Board Chair. The evaluation also assessed board composition, strategy, risk and performance, governance and operations, and relations with Grantors. The results of the evaluation were discussed by the IFFIm board at its meeting in December 2019.

One of the areas highlighted in the board effectiveness review was succession planning. In 2019, the IFFIm board engaged an international search firm to support its succession planning and search for new independent board members. A new appointment was approved in March 2020. A new audit committee chair was identified in 2019 for official appointment in 2020 and recruitment of the next board chair is well underway.

Another area highlighted in the board effectiveness review was the board's progress in strategy risk and performance. In 2019, the IFFIm board held a strategy session with the Gavi Secretariat and the World Bank which resulted in a strategy paper that now drives the board's strategic agenda. A consolidated risk framework was developed in 2019 as a tool for the board to monitor and assess IFFIm's evolving risks regularly. The IFFIm board routinely reviews the effectiveness of its approach to risk and assesses risk appetite, tolerance, and residual risk. The IFFIm board has reviewed its two main areas of risk, programme risks and financial risks, and established systems or procedures to manage them as required by the *Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), (second edition – October 2019)*. Further details of IFFIm's approach to risk are set out in the *Risk Management* section of this report.

As part of its own development, the IFFIm board reviewed guiding principles under the UK Charity Governance Code (the "Code"). At its March 2020 board meeting, the board assessed IFFIm's current governance arrangements against the provisions of the Code. The IFFIm board concluded for the second successive year, overall, IFFIm's governance broadly aligns with the recommended practices set out in the Code other than for those requirements regarding a Chief Executive and staff given that IFFIm does not have any employees. The IFFIm board also engaged in a UK Charity Governance code training session on 2 March 2020.

The IFFIm board has mandated that its work plan includes reviews of the Board Charter and Code of Conduct and other board-approved policies on a routine basis. It is also envisaged that an externally facilitated assessment of the board will be undertaken every third year, as was conducted in 2019 and reported above.

Accountability and Transparency

IFFIm updated its website in early 2020 to provide a more comprehensive and transparent disclosure of how it discharges its charitable functions. The annual IFFIm communication plan is now incorporated within IFFIm's strategic framework and there is a standing agenda item on communications at each board meeting. IFFIm's main stakeholders are Gavi, the World Bank, Grantors, and investors. Further details of IFFIm's stakeholder engagement are set out in the *Section 172 (1) Statement* included on page 22 of this report.

REFERENCE AND ADMINISTRATIVE INFORMATION

Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees as indicated above. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with accounting support, to the World Bank. The responsibilities of the IFFIm trustees, as well as brief descriptions of Gavi and the World Bank, are provided in the *Structure, Governance and Management* section above.

IFFIm also receives professional services from the following organisations:

- Trusec Limited is IFFIm's company secretary. Its registered address is 2 Lambs Passage, London, EC1Y 8BB, United Kingdom.
- Slaughter and May is IFFIm's solicitor. Its registered address is One Bunhill Row, London, EC1Y 8YY, United Kingdom.
- Deloitte LLP is IFFIm's independent auditor. Its registered address is 1 New Street Square, London EC4A 3HQ, United Kingdom.
- BDO LLP is IFFIm's tax services provider. Its registered address is 55 Baker Street, London, W1U 7EU, United Kingdom.
- MaplesFS Limited is the administrator of IFFImSC III. Its registered address is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

PROGRAMMES FUNDED BY IFFIm

Gavi programmes are funded by IFFIm, subject to the IFFIm board's approval of a request for funding from Gavi and when an indicative funding confirmation, signed by any trustee on behalf of the IFFIm board, is issued to Gavi. In 2019, IFFIm issued three new indicative funding confirmations, totalling US$ 216 million, to fund Gavi programmes and made grant payments to Gavi, totalling US$ 316 million, with respect to approved funding.

Since its inception, IFFIm has funded a number of Gavi programmes, which are categorised into Country-Specific Programmes and Investment Cases. Each of these categories is described below.

COUNTRY-SPECIFIC PROGRAMMES

Governments of eligible developing countries apply for vaccine procurement, immunisation and HSS support by submitting applications to Gavi. Once it has reviewed and approved the applications, Gavi requests funding from IFFIm. Since its inception in 2006, IFFIm has provided funding in support of the following Gavi Country-Specific programmes:

New and Underused Vaccine Support ("NVS") programmes: Gavi supports developing countries in introducing vaccines and associated vaccine technology. Gavi's support is aimed at accelerating the countries' vaccine uptake and improving their vaccine supply security. NVS programmes funded by IFFIm related primarily to the following diseases:

- Pneumococcal Disease: This is a bacterial infection and is the leading cause of pneumonia – the world's biggest killer of children under five years of age. WHO estimates that more than 500 thousand young children die each year from pneumococcal infection, with the vast majority of these deaths occurring in developing countries. In addition to pneumonia, pneumococcal disease is also responsible for meningitis, which can leave survivors with permanent disabilities, including mental retardation and seizures.

- Hepatitis B: This is a viral infection which claims more than 880 thousand lives every year, through chronic or acute liver infections. Babies and young children are most at risk, with the virus often passing from mother to child before or shortly after birth, and putting victims at high risk of death from cirrhosis of the liver and liver cancer in later life. More than 250 million people worldwide are chronically infected with hepatitis B.

- Haemophilus Influenzae Type B ("Hib"): This is a bacterial infection which causes meningitis and pneumonia. It is considered the third biggest cause of vaccine-preventable death in children under five years of age. It is estimated that Hib accounts for approximately 200 thousand child deaths every year, most of them in low-income countries. The majority of survivors suffer paralysis, deafness, mental retardation and learning disabilities.

- Diphtheria: This is a bacterial infection transmitted from person to person through close physical and respiratory contact. The disease can be fatal. Death occurs in 5% to 10% of those infected, mainly in children under five years of age.

- Tetanus: Also known as lockjaw, tetanus is a bacterial infection. Tetanus affects new-born babies and their mothers, usually as a result of unsafe delivery in unhygienic conditions, often without skilled birth attendants.

- Pertussis: Also known as whooping cough, pertussis is a disease of the respiratory tract caused by bacteria that live in the mouth, nose, and throat. Many children who contract pertussis have coughing spells that last four to eight weeks. The disease is most dangerous in infants.

- Yellow Fever: As an acute viral haemorrhagic disease transmitted by mosquitoes, yellow fever causes devastating epidemics in areas where infected mosquitoes can come in contact with non-immunised populations. Up to 50% of people severely affected by yellow fever will die. Yellow fever virus poses the greatest threat to 900 million people in Africa, Central and South America. Together, deforestation, urbanisation, climate change and low population immunity have contributed to its re-emergence since the 1980s.

- Measles: This is a highly contagious virus, whose symptoms include a high fever, severe skin rash, and a cough. Because it is so contagious, measles remains a significant threat to child health even in those areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.

- Rotavirus: This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. More than 500 thousand children under five die from diarrhoeal disease each year. Nearly every child in the world will suffer a rotavirus infection by their third birthday. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in low-income countries in Africa and Asia, where access to treatment for severe rotavirus-related diarrhoea is limited or unavailable.

Health Systems Strengthening ("HSS") programmes: The objective of HSS programmes is to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. Countries are encouraged to use HSS funding to target the bottlenecks or barriers in their health systems.

Immunisation Services Support ("ISS") programmes: Gavi provides developing countries with flexible reward payments for strengthening their immunisation systems. These payments are subject to strict performance requirements and Gavi works with governments and inter-agency coordinating committees to set goals and monitor progress.

Injection Safety Support ("INS") programmes: Gavi contributes to the provision of auto-disable syringes, reconstitution syringes and safety boxes. These syringes and safety boxes facilitate the administering of vaccines in developing countries.

Vaccine Introduction Grant: Recognising that introduction of a new vaccine can imply additional costs for a country's health system, Gavi provides additional support to bridge this resource gap. This support takes the form of an upfront cash grant and is used by implementing countries to pay for costs such as training, social mobilisation, programme management surveillance and monitoring.

INVESTMENT CASES

From time to time, IFFIm funds one-time tactical investments in disease prevention and control. These investments are made through Gavi partners such as the United Nations Children's Fund ("UNICEF") and WHO. Each investment targets a disease that constrains progress towards improved child and maternal health. Since its inception in 2006, IFFIm has provided funding in support of the following Investment Cases:

Yellow Fever Stockpiles: Gavi supported the creation and maintenance of yellow fever vaccine stockpiles to ensure that vaccines are ready for deployment as soon as an outbreak is identified. The stockpiles also help to secure supply for routine programmes. IFFIm funds were used for both outbreak response and preventative campaigns.

Polio Eradication: Gavi supported intensified eradication activities that were implemented to interrupt wild and vaccine-derived poliovirus transmission. These activities included sustaining polio surveillance and laboratory activities, improving social mobilisation and enhancing technical assistance.

Measles Mortality Reduction: Gavi supported efforts to reduce the level of mortality from measles. The measles mortality reduction campaign is a partnership among several global health and development agencies to address this major childhood disease. Measles vaccination campaigns have become a channel for the delivery of other life-saving interventions, such as bed nets, de-worming medicine and vitamin supplements.

Maternal and Neonatal Tetanus: Gavi supported a campaign to eliminate maternal and neonatal tetanus. Maternal and neonatal tetanus continues to burden the most poorly served populations in the poorest countries of the world. The campaign was implemented to build on existing efforts to improve clean delivery practices and immunisation services in these populations.

Yellow Fever Continuation: In March 2009, Gavi and IFFIm boards approved funding for an extension and expansion of Gavi's original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and also helped offset higher than expected vaccine prices.

Meningitis Eradication: Gavi supported efforts to eliminate meningococcal A meningitis epidemics in 25 African countries that were estimated to be home to approximately 95% of the world's meningococcal meningitis burden. Meningococcal meningitis is a bacterial disease that mainly affects children and can result in death or permanent disability.

Vaccine research and development: Gavi supported late stage research and development into new vaccines for vaccine preventable diseases of epidemic proportions for which no vaccines are currently available.

STRATEGIC REPORT

This Strategic Report relates to the year ended 31 December 2019. It forms part of the Annual Report of the Trustees, which contains all the information that company law requires to be provided in the directors' report. IFFIm's trustees are also the directors of IFFIm for the purposes of company law.

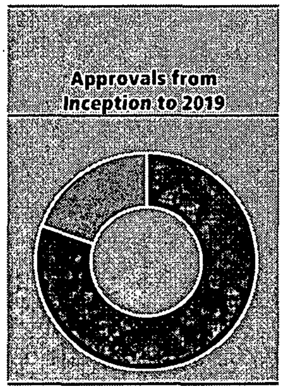
ACHIEVEMENTS AND PERFORMANCE

With the help of IFFIm funds, Gavi programmes led to the vaccination of more than 760 million children since Gavi's creation in 2000 and prevented more than 13 million deaths in the process. This was achieved by accelerating the uptake and use of new and underused vaccines, strengthening the capacity of integrated health systems to deliver immunisation in poor countries, increasing the predictability of global financing and improving the sustainability of national financing for immunisation, and through shaping vaccine markets to ensure adequate supply of appropriate, quality vaccines at low and sustainable prices for developing countries.

The Country-Specific Programmes and Investment Cases that are supported by Gavi with the help of IFFIm's funding are described in the *Programmes Funded by IFFIm* section above. In 2019, IFFIm made grant payments to Gavi totalling US$ 316 million, with respect to previously approved funding, and issued three new indicative funding confirmations to Gavi totalling US$ 216 million.

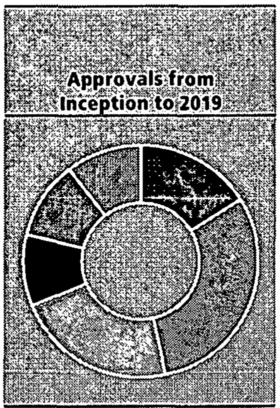
From its inception in 2006 to 31 December 2019, IFFIm approved the following amounts for disbursement to help fund Gavi's Country-Specific Programmes:

In Millions of US$	**Approvals from Inception to 2019**
New and underused vaccine support	2,147
Health systems strengthening and other	525
Total Country-Specific Programme approvals	2,672



From its inception in 2006 to 31 December 2019, IFFIm approved the following amounts for disbursement to help fund Gavi's Investment Cases:

In Millions of US$	**Approvals from Inception to 2019**
Yellow fever stockpile and eradication	101
Polio eradication	191
Measles mortality reduction	139
Maternal and neonatal tetanus	62
Meningitis eradication	68
Vaccine research and development	66
Total Investment Cases approvals	627



Since its inception in 2006, IFFIm has consistently demonstrated its performance as an efficient and flexible mechanism for Gavi to accelerate access to life-saving vaccines for children in the world's lowest-income countries. This continued performance is demonstrated by the following key indicators:

- Maximising value for money: IFFIm aims to deliver maximum value for money to Gavi for every dollar invested by its Grantors. As a measure of value for money, IFFIm expects that the cumulative total of IFFIm's disbursements to Gavi will exceed 90% of total Grantor pledges over IFFIm's lifetime. As an indicator of this measure, as of 31 December 2019, IFFIm's cumulative disbursements to Gavi were approximately 96.8% of its total outlays since its inception in 2006.

- Funding cost: IFFIm's cost of funding compared to that of its Grantors serves as an indicator of IFFIm's efficiency. Since its inception, IFFIm has accessed the capital markets at a weighted average cost of borrowing that is in total lower than that of its Grantors. 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 Grantors, which is 10 basis points over USD LIBOR calculated over the same period.
- Flexibility: One of IFFIm's core values is the financial flexibility that it provides Gavi by allowing it to de-link its immunisation programmes from when Grantor payments are received and link them to when funding is needed. This means that Gavi is able to determine the timing and amount of drawdown from IFFIm based on its needs, for example, whether to frontload resources over a short period of time or draw down on smaller amounts over a longer period of time, without incurring significant costs in either situation. Because of this flexibility, Gavi was able to drawdown US$ 316 million of IFFIm funding in 2019.
- Strategic market access: IFFIm's funding strategy is premised on the intention to optimise the following three objectives: (1) funding cost; (2) diversification; and (3) raising the profiles of IFFIm and Gavi and increasing awareness of Gavi's immunisation mission. IFFIm continues to achieve this strategy by issuing bonds in different currencies and regions, attracting new investors and broadening its geographical reach. In 2019, IFFIm undertook bond issuances in two important markets. In April 2019, IFFIm issued its third Sukuk in the Islamic capital markets, raising US$ 50 million for Gavi's immunisation programmes. With the Islamic Development Bank ("IsDB") as the sole investor, the transaction highlighted the shared development goals of IsDB, IFFIm, and Gavi while furthering IFFIm's presence in Islamic capital markets and building awareness and support for Gavi programmes among Gulf Cooperation Council investors. In July 2019, IFFIm issued its first bond in Norwegian krone, raising kr 600 million in immediate funding to Gavi to help finance research and development of new vaccines by the Coalition for Epidemic Preparedness Innovations ("CEPI"). In addition to the participation of two Norwegian institutions, Kommunalbanken ("KBN") 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 ("SRI") category.

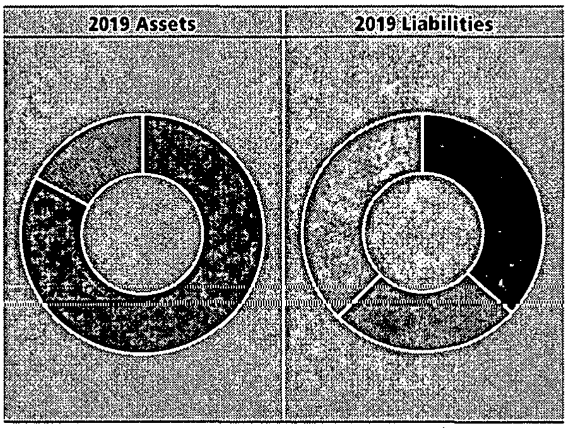
IFFIm's NOK bond issuance was backed by a new sovereign pledge in May 2019 from the Kingdom of Norway in the amount of kr 600 million. The NOK bond issuance effectively frontloaded the pledge from the Kingdom of Norway and provided immediate funding to Gavi to help finance research and development of new vaccines by CEPI, a global public-private partnership whose mission is to accelerate the development of vaccines against emerging infectious diseases and enable equitable access to these vaccines during outbreaks. IFFIm continues to engage with existing and prospective donors to attract further pledges in support of Gavi's immunisation mission.

FINANCIAL OVERVIEW

Overview of Assets and Liabilities

The following table summarises IFFIm's assets and liabilities as of 31 December 2019 and 2018:

In Millions of US$	2019	2018	Change
Sovereign pledges	2,074	2,250	(176)
Funds held in trust	428	817	(389)
Other assets	-	2	(2)
Total assets	2,502	3,069	(567)
Bonds payable	510	886	(376)
Grants payable	357	457	(100)
Other liabilities	521	528	(7)
Total liabilities	1,388	1,871	(483)
Net assets	1,114	1,198	(84)
Total liabilities and net assets	2,502	3,069	(567)



Sovereign Pledges: IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 31 December 2019, the Grantors were 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, the United Kingdom of Great Britain and Northern Ireland, the Commonwealth of Australia, and the Federative Republic of Brazil. The amounts pledged by the

Grantors, along with the pledge dates, are listed in Note 2 to the financial statements. From inception to 31 December 2019, cumulative payments received from the Grantors totalled US$ 3.1 billion.

During 2019, IFFIm's sovereign pledges decreased by US$ 176 million due to the following:

- Receipts from Grantors: IFFIm received payments from Grantors totalling US$ 331 million during 2019. The decrease in sovereign pledges due to these Grantor receipts was partially offset by fair value gains and a new sovereign pledge, as described below, bringing the net decrease in sovereign pledges to US$ 176 million.
- Fair Value Gains: IFFIm recorded US$ 95.3 million in fair value gains on sovereign pledges during 2019. These gains were primarily the result of lower interest rates and the decrease in the GPC Fair Value Adjustment in 2019, which more than offset fair value losses on foreign currency denominated sovereign pledges due to a stronger United States dollar in 2019 compared to 2018. The GPC Fair Value Adjustment is discussed further in the *Hedging IFFIm's Market Risks* section of this report and the methodology for estimating the GPC Fair Value Adjustment is described in Note 15 to the financial statements.
- New Sovereign Pledge: IFFIm received a new sovereign pledge in May 2019 from the Kingdom of Norway in the amount of kr 600 million, which is payable in annual instalments of kr 120 million over a period of five years, commencing in March 2021. The initial fair value of this new pledge was US$ 59.2 million.

Funds Held in Trust and Investment Strategy: IFFIm's funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. IFFIm has established liquidity and investment policies based on recommendations made by the World Bank.

The World Bank maintains a single, commingled investment portfolio (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 are made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under IFFIm's investment strategy approved by the trustees, IFFIm's liquid assets are invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding IFFIm's investment portfolio. No ethical guidelines have been set for the portfolios. IFFIm's trustees regularly review the portfolios within which IFFIm's investments are held.

IFFIm holds sufficient liquidity to satisfy investor expectations and rating agency requirements that a sufficient balance be available to meet interest and principal payments to debt holders. Consistent with these purposes, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. As of 31 December 2019 and 2018, the calculated minimum liquidity was US$ 338 million and US$ 528.2 million, respectively, and the value of IFFIm's funds held in trust was US$ 428 million and US$ 817 million, respectively.

During 2019, funds held in trust decreased by US$ 389 million primarily as a result of the redemption of a matured bond of US$ 500 million, programme grants paid of US$ 316 million, interest paid on bonds of US$ 23 million, and net swap settlement payments of US$ 19 million. These payments were partially offset by receipts from Grantors of US$ 331 million, bond issuance proceeds of US$ 115 million, and investment income of US$ 23 million.

Other assets: IFFIm's other assets comprise prepayments, amounts due from Gavi, and its cash balances held at depository bank accounts. Cash balances are moved to the investment portfolio on a regular basis.

Bonds Payable: IFFIm has continued to raise funds on the global capital markets. From inception to 31 December 2019, cumulative proceeds from bond issuances totalled US$ 6.1 billion.

During 2019, IFFIm's bonds payable decreased by US$ 376 million primarily due to the following:

- Bond Issuances and Redemptions: A matured bond of US$ 500 million was redeemed in November 2019. The decrease in bonds payable due to this bond redemption was partially offset by proceeds of US$ 115 million from two new bond issuances in 2019, which resulted in a net decrease of US$ 385. This net decrease was further offset by fair value losses described below.
- Fair Value Losses: The fair value of bonds payable is highly sensitive to yield and exchange rate movements, which are some of the market observable inputs that are used to fair value IFFIm's bonds. During 2019, IFFIm recorded fair value losses of US$ 11 million on its bonds.

As of 31 December 2019, IFFIm's bonds payable balance of US$ 510 million comprised bonds payable falling due within one year of US$ 332 million and bonds payable falling due after more than one year of US$ 178 million.

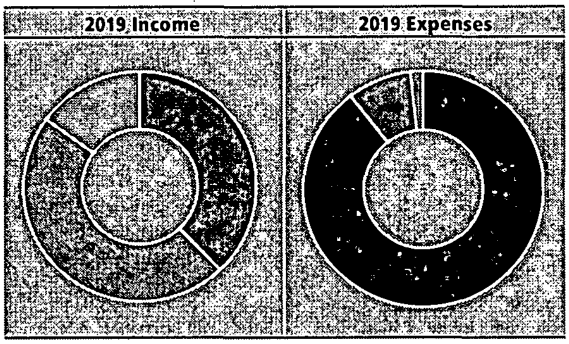
Grants payable: Grants payable represent board approved commitments made by IFFIm to fund Gavi programmes. Each of these commitments is recognised when an indicative funding confirmation to Gavi is signed by one of IFFIm's trustees on behalf of the IFFIm board. During 2019, IFFIm's grants payable balance decreased by US$ 100 million due to grant payments to Gavi totalling US$ 316 million, which were partially offset by new indicative funding confirmations issued by IFFIm to Gavi totalling US$ 216 million.

Other Liabilities: IFFIm's other liabilities primarily represent IFFIm's net liability position on interest rate and currency swap contracts and are also comprised of trade creditors and amounts due to Gavi. IFFIm's net liability position on interest rate and currency 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 and net swap settlements during 2019. As of 31 December 2019, IFFIm's net liability balance on its interest rate and currency swap contracts of US$ 519 million comprised net amounts due after more than one year of US$ 492 million and net amounts due within one year of US$ 27 million. IFFIm's hedging strategy is described in the *Hedging IFFIm's Market Risks* section of this report and IFFIm's net liability position is discussed further in Note 8 to the financial statements.

Overview of Income and Expenses

The following table summarises IFFIm's income and expenses for the years ended 31 December 2019 and 2018:

In Millions of US$	2019	2018	Change
Contribution revenue	59	11	48
Net fair value gains	74	151	(77)
Investment income	23	21	2
Other income	1	1	-
Total income	157	184	(27)
Programme grants	216	-	216
Financing costs	21	25	(4)
Other expenses	4	4	-
Total expenses	241	29	212



Contribution Revenue: IFFIm receives its funding from Grantor contributions in the form of long-term legally binding sovereign pledges and converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation, and HSS programmes as described in the *Programmes Funded by IFFIm* section of this report. Contribution revenue for 2019 was comprised of a new sovereign pledge from the Kingdom of Norway in the amount of kr 600 million, payable over a period of five years, with an initial fair value of US$ 59 million.

Net Fair Value Gains: During 2019, IFFIm recorded fair value gains of US$ 95 million on its sovereign pledges and other foreign exchange gains of US$ 1 million, which were partially offset by net fair value losses of US$ 11 million on its swaps and fair value losses of US$ 11 million on its bonds payable. The *Hedging IFFIm's Market Risks* section below further describes fair value adjustments on pledges, bonds, and swaps, and summarises their impact on IFFIm's income.

Investment Income: IFFIm's investment portfolio achieved a rate of return of 2.61% during 2019 compared to a rate of return of 2.32% during 2018, which, together with a relatively higher weighted average balance of funds held in trust in 2019 compared to 2018, resulted in higher investment income during 2019.

Other income: Other income for 2019 was comprised of US$ 1 million of administrative support services donated to IFFIm by Gavi.

Programme Grants: During 2019, three new indicative funding confirmations totalling US$ 216 million were issued by IFFIm to fund Gavi programmes, namely, new and underused vaccine support, health systems strengthening, and vaccine research and development.

Financing Costs: IFFIm's outstanding bonds payable predominantly comprise floating rate bonds with coupon interest rates that are based on three-month USD LIBOR. Lower three-month USD LIBOR rates in 2019 compared to 2018, and a lower average nominal value of outstanding bonds payable in 2019, resulted in a US$ 4 million decrease in financing costs in 2019.

Other Expenses: IFFIm's other expenses predominantly comprise treasury management fees billed by the World Bank, legal fees, audit fees, consulting fees, and administrative support services donated to IFFIm by Gavi. As there were no significant changes in the nature of IFFIm's operations or suppliers, its other expenses remained at the same level during 2019.

IFFIm's policy is to pay its suppliers of the abovementioned services in accordance with those terms and conditions agreed between IFFIm and its suppliers. Payments for services received are usually processed within 30 days upon receipt of invoices.

RISK MANAGEMENT

The major risks to which IFFIm is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage these risks as required by the *Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), (second edition – October 2019).*

IFFIm has two main areas of risk; programme risks and financial risks:

- Managing Programme Risks: Programme risks include: (1) the performance risk that IFFIm funds may not be efficiently and effectively applied by implementing countries to meet Gavi's programme objectives, and (2) the risk that implementing countries may misuse funds they receive from IFFIm.

  The programme performance risk is mitigated through the Gavi programme monitoring process, which is a multi-step monitoring and evaluation process that includes an initial project assessment and approval, as well as annual monitoring reviews.

  The programme risk related to misuse of funds is addressed by management controls and audit processes put in place at Gavi. Gavi has identified cases of misuse of funds in thirty-three countries. The estimated total Gavi funds misused in these countries since 2006 is US$ 41.7 million, which is less than 0.29% of total funds disbursed by Gavi during that period. Gavi has a zero-tolerance policy with respect to misuse of funds and actively works to bring all these identified cases to resolution and recover the misused funds from the countries. To date, a total of US$ 33.4 million in misused funds has been scheduled for reimbursement to Gavi and resulted in actual reimbursements of US$ 31.6 million from the countries, which represents a recovery rate of 94.5%. IFFIm funds have been used in only certain instances of misuse in sixteen countries. It is estimated that approximately US$ 21.7 million of the misuse identified above relates to funds provided by IFFIm, with a recovery rate of 96.3% against amounts scheduled for reimbursement to Gavi.

  As described in the *Structure, Governance and Management* section of this report, IFFIm's Audit Committee monitors the effectiveness of IFFIm's risk management and internal grant monitoring systems.

- Managing Financial Risks: IFFIm's activities expose it to three principal types of financial risk: (1) credit risk, (2) liquidity risk, and (3) market risk. IFFIm seeks to mitigate each of these risks based on a risk management strategy approved by its board. IFFIm's mitigation of each type of financial risk is described below:

  (1) Credit Risk: IFFIm's credit ratings are closely tied to the credit ratings of Grantors. A change in the outlook for, or a downgrade of, the credit rating of one of the major Grantors may cause one or more of the credit rating agencies to review its outlook or credit rating for IFFIm and to amend such outlooks or credit ratings accordingly. A change in the credit rating of IFFIm may affect the market value of IFFIm's debt. IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2019. 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. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk. These measures are described in the *Credit Rating and Reserves Policy* section below. Note 12 to the financial statements describes IFFIm's credit risk and related risk management activities in more detail.

  IFFIm's ability to make principal and interest payments to investors, and programme payments to Gavi, depends primarily on receipt by IFFIm of payments from Grantors under the grant agreements. IFFIm does not have any other significant sources of funds available to meet these obligations. In connection with this risk, each Grantor has represented and warranted to IFFIm, and to the other parties to IFFIm's Finance Framework Agreement, that the grant agreement to which it is a party constitutes valid and legally binding obligations of that Grantor. IFFIm has experienced occasional payment delays by some Grantors, but these have not been material and have not adversely affected IFFIm's credit ratings nor IFFIm's financial condition.

  (2) Liquidity Risk: Under its liquidity policy, IFFIm seeks to maintain 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 liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.

  IFFIm's bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. As of 31 December 2019, the GRL model had established that, at a triple-A equivalent confidence level, 70.3% of the present value of Grantor pledges may be used to support the issuance of IFFIm bonds.

The World Bank continues to have the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the gearing ratio limit to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2019, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

The World Bank, as IFFIm's Treasury Manager, continues 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 CSA and ISDA Agreement. Note 13 to the financial statements describes IFFIm's liquidity risk and related risk management activities in more detail.

(3) Market Risk: IFFIm's market risk is comprised of interest rate and foreign exchange rate risks. IFFIm mitigated these risks through the use of interest rate and currency swaps. Sovereign pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities. IFFIm's activities to hedge market risks are described further in the *Hedging IFFIm's Market Risks* section below. Note 14 to the financial statements describes IFFIm's market risk and related risk management activities in more detail.

The COVID-19 pandemic is a new emerging risk and has significantly disrupted economic activity and financial markets globally, including the economies of IFFIm's Grantors and implementing countries parts of which were shut down to slow the spread of the disease. As a result of the disruption caused by the pandemic, IFFIm is exposed to increased financial risk and disruptions to its business operations, including treasury management and administrative support functions outsourced to the World Bank and Gavi, respectively. As described above, IFFIm has appropriate measures in place to mitigate the key financial risks to which it is exposed and has relied on those measures to effectively mitigate incremental financial risk due to the pandemic. Key IFFIm operational processes have proceeded as planned during the period of disruption, ensuring that the directors continue to receive timely information from the World Bank and Gavi to facilitate key decisions and provide necessary guidance on operational matters on a timely basis. The World Bank and Gavi each invoked business continuity procedures, including home-based work, to ensure operations remain functional and adopted other prudent measures to ensure the health and safety of their employees. IFFIm's trustees have considered the impact of the COVID-19 pandemic on IFFIm's ability to continue undertaking its business activities on an ongoing basis and prepare its financial statements on a going concern basis as discussed further in Note 1 to the financial statements.

Credit rating and reserves policy

IFFIm seeks to maintain 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 liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2019 and 2018, the calculated minimum liquidity was US$ 338 million and US$ 528.2 million, respectively, and the value of IFFIm's Liquid Assets was US$ 428 million and US$ 817 million, respectively. Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA- by Fitch Ratings, Aa1 by Moody's Investor Service, and AA by Standard and Poor's Ratings Service.

IFFIm receives its funding from Grantor contributions and borrowings on worldwide capital markets, and disburses its funds only to Gavi to finance programmes for a defined portfolio of eligible countries or specified purposes. Therefore, all IFFIm's funds are treated as restricted funds.

Hedging IFFIm's Market Risks

The majority of IFFIm sovereign pledges and some of its bonds payable 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 all of IFFIm'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 effectively swapped foreign currency receipts from Grantors and payments to bond holders 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 sovereign pledges and bonds payable 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 effectively swapped sovereign pledges into dollar floating rate receivables from the World Bank and bonds payable into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments and interest expense, for the years ended 31 December 2019 and 2018, before and after the impact of IFFIm's currency and interest rate swaps:

	2019		2018	
In Millions of US$	Pledges	Bonds	Pledges	Bonds
Interest and fair value adjustments before impact of swaps	95	(32)	(9)	(19)
Impact of currency and interest rate swaps	(21)	9	165	(9)
Net interest and fair value adjustments after impact of swaps	74	(23)	156	(28)
Interest expense on bonds before impact of swaps		21		24
Impact of bond swaps on interest expense		3		3
Net interest expense on bonds after impact of swaps		24		27

As shown above, IFFIm recorded fair value gains on pledges and fair value losses on pledge swaps in 2019 as a result of several factors as discussed below. The following table further analyses fair value adjustments on pledges and pledge swaps:

	2019			2018		
In Millions of US$	Pledges	Pledge Swaps	Total	Pledges	Pledge Swaps	Total
Fair value gains due to GPC Fair Value Adjustment	42	-	42	95	-	95
Interest rate fair value gains (losses)	19	(5)	14	(9)	42	33
Foreign currency fair value gains (losses)	34	(15)	19	(95)	124	29
Net debit valuation adjustment	-	(1)	(1)	-	(1)	(1)
Net fair value gains (losses)	95	(21)	74	(9)	165	156

Each component of fair value adjustments on pledges and pledge swaps is discussed below:

- Fair value gains due to GPC Fair Value Adjustment: As described in Notes 1 and 15 to the financial statements, the Grant Payment Condition (the "GPC") allows the Grantors to reduce their payments to IFFIm in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Therefore, when calculating the fair values of Grantor pledges, the expected future cash inflows from Grantors are reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated by the World Bank using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. During 2019, the GPC Fair Value Adjustment decreased from 9.4% to 8.6%. When Grantor payments are made, they are reduced by the actual GPC level on the date that they are received. As described in Note 15 to the financial statements, two reference portfolio countries, Somalia and Sudan, with country weightings of 1% and 0.5%, respectively, were in protracted arrears to the IMF during 2019. Therefore, Grantor payments in 2019 were reduced by an actual GPC level of 1.5%. The decrease in the GPC Fair Value Adjustment and the lower actual GPC level applied to Grantor payments during 2019 resulted in fair value gains on pledges of US$ 42 million due to the GPC Fair Value Adjustment.

- No fair value adjustments on pledge swaps due to GPC Fair Value Adjustment: Pledge swap contracts are written at the actual GPC level at the time that each contribution is assigned to IFFIm and, therefore, the GPC Fair Value Adjustment does not impact the valuation of pledge swaps. The actual GPC level remained flat at 1.5% in 2019 and, therefore, there were no fair value adjustments on pledge swaps due to the actual GPC level in 2019.

- Interest rate fair value gains (losses): As described in Note 15, both pledges and pledge swaps are valued using the discounted cash flow method. Due to lower interest rates in 2019, lower discount factors were applied to the pledges and pledge swaps, which resulted in fair value gains on pledges and fair value losses on pledge swaps. However, the gains on pledges were US$ 14 million higher than the losses on pledge swaps. This was due to the following: (1) pledges were discounted to their present value using Grantor-specific interest rates while pledge swaps were discounted using a swap yield curve, and (2) as described above, sovereign pledges were swapped into United States dollar floating rate assets to mitigate interest rate and foreign exchange rate risks associated with sovereign pledges. As a result, there is a United States dollar floating rate sensitivity on the receive legs of the pledge swaps, which is not present in the valuation of the pledges themselves.

- Foreign currency fair value gains (losses): The majority of IFFIm's pledges are denominated in euros and British pounds. In addition, IFFIm has smaller foreign currency pledges denominated in Australian dollars, Norwegian kroner, and Swedish kronor. The United States dollar weakened against the British pound in 2019 and strengthened against the euro, Australian dollar, Norwegian krone, and Swedish krona. The impact to the fair value of pledges due to the strengthening of the British pound against the United States dollar in 2019 was of greater magnitude than the impact due to the strengthening of the United States dollar against the euro and the other currencies, which resulted in net fair value gains on pledges. The total effect of all the aforementioned was a gain on pledges of US$ 34 million and a loss on pledge swaps of US$ 15 million due to foreign currency movements.
- Net debit valuation adjustment: IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. A net debit valuation adjustment of US$ 0.8 million was included in the valuation of pledge swaps in 2019.

As shown above, IFFIm recorded fair value losses on bonds and bond swaps as a result of several factors as discussed below. The following table further analyses fair value adjustments on bonds and bond swaps:

	2019			2018		
In Millions of US$	Bonds	Bond Swaps	Total	Bonds	Bond Swaps	Total
Interest expense	(21)	(3)	(24)	(24)	(2)	(26)
Interest rate fair value (losses) gains	(10)	10	-	(8)	5	(3)
Foreign currency fair value (losses) gains	(1)	2	1	13	(12)	1
Net interest and fair value (losses) gains	(32)	9	(23)	(19)	(9)	(28)

Each significant component of fair value adjustments on bonds and bond swaps is discussed below:

- Interest expense: IFFIm recorded interest expense on bonds of US$ 21 million and net interest expense on bond swaps of US$ 3 million in 2019.
- Interest rate fair value (losses) gains: As described in Note 15 to the financial statements, both bonds and bond swaps are valued using the discounted cash flow method. Due to lower interest rates in 2019, lower discount factors were applied to IFFIm's bonds and bond swaps in 2019, which resulted in fair value losses on bonds and fair value gains on bond swaps.
- Foreign currency fair value (losses) gains: Some of IFFIm's bonds are denominated in South African rand and Norwegian krone. The United States dollar weakened against the South African rand and strengthened against the Norwegian krone during 2019. Foreign currency fair value losses on bonds and fair value gains on bond swaps denominated in South African rand were higher than the gains on bonds and losses on bond swaps denominated in Norwegian krone, which resulted in net foreign currency losses of US$ 1 million on bonds and net foreign currency gains of US$ 2 million on bond swaps.

SECTION 172 (1) STATEMENT

The directors of IFFIm, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 which is summarised as follows:

"A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and

- the need to act fairly as between shareholders of the Company."

(the "s.172 (1) matters").

Board Approach

Through supporting the charitable aims of Gavi, the Vaccine Alliance, IFFIm is a public benefit entity but does not work directly with the public and has no employees. As a registered charity, IFFIm directors promote the effective use of its resources for charitable purposes by providing services and facilities which assist Gavi. All applicable s.172 (1) matters are duties owed by each director personally. Board induction materials provided upon appointment include an explanation of directors' duties and the Companies Act 2006.

In early 2019, the IFFIm board reviewed the requirements of section 172 of the Companies Act 2006 ahead of its obligation to report on compliance with that section in respect to the financial year ended 31 December 2019. The IFFIm board assessed current engagement activities between the board and its stakeholders, the ways the directors meet their obligations and their reporting obligations related to s.172 (1) matters. The IFFIm board agreed to consider the impact of its decisions on four identified key stakeholders in compliance with s.172 (1) matters. They are: investors, Grantors, the World Bank, and Gavi. The assessment demonstrated that the IFFIm board already engages with stakeholders by various means and addresses matters which concern them, both within the formal setting of the boardroom through reports and engagements that regularly precede board meetings, and other arrangements.

The IFFIm board decided to give consideration of s.172 (1) matters in board meeting papers, encouraging authors to identify the interests of key stakeholders in the topic under discussion and clearly demonstrating how recommendations for decisions and requests for guidance put forward to the board have taken stakeholder interests and other s.172 (1) matters into account. Stakeholder interests were considered prior to principal decisions being taken by the IFFIm board, often with IFFIm's stakeholders routinely participating directly in IFFIm board meeting discussions.

High Standards of Business Conduct and Culture

In 2019, the IFFIm board approved a new Board Charter and Code of Conduct which sets out the main principles relevant to IFFIm and its board of directors in order to develop, implement and maintain a culture and standard of good corporate governance. The matters set out in the Charter are subject to the Companies Act 2006, charities' legislation and regulations, and IFFIm's statutes. Incorporated into the Charter are formal procedures to help ensure that IFFIm and the IFFIm board act in a transparent and dutiful manner, along with criteria against which IFFIm's stakeholders can assess the performance of IFFIm from a corporate governance perspective.

Compliance with section 172 of the Companies Act 2006 is largely evidenced by IFFIm's board minutes and accompanying reports presented to the board. In addition to the annual financial statements, IFFIm produces an IFFIm resource guide and updates its website and issues press releases and newsletters on a regular basis.

IFFIm's Board Chair attends all meetings of the Gavi board and is routinely available to meet with Grantors, investors and other stakeholders. The IFFIm board also meets with Grantors and conducts bilateral discussions separately as appropriate. Directors relay feedback from stakeholder engagements in board meetings. The World Bank and Gavi Secretariat participate in all IFFIm board meetings. Gavi's board secretary or delegated representative also attends all IFFIm board and audit committee meetings and fulfils the role of company secretary envisaged under section 172.

Stakeholder Engagement

IFFIm's financing model for global health is built upon partnerships with Grantors, private investors, the World Bank, and Gavi. IFFIm receives long-term, legally binding pledges from Grantors and, with the help of the World Bank, converts these pledges into immediately available cash resources through the issuance of bonds. Money raised by IFFIm through bond issuances provides immediate funding for Gavi's immunisation programmes.

<u>Investors</u>: The IFFIm board engages with bond holders as circumstances require although engagement is generally conducted through the World Bank in its capacity as IFFIm's treasury manager. The board receives reports on investor engagement regularly and there is disclosure to investors through bond issuances, and the annual update of IFFIm's prospectus listed with the Luxembourg Bourse.

<u>Grantors</u>: The IFFIm board routinely engages with the sovereign government donors funding IFFIm. The IFFIm board receives reports on donor engagement regularly, hosts donor meetings and engages in calls with the donor community as appropriate.

<u>World Bank</u>: The World Bank is IFFIm's treasury manager and actively engages with IFFIm's board and audit committee and the Gavi Secretariat in relation to IFFIm. The treasury manager provides routine reports to the IFFIm board.

Gavi: Gavi is the sole member of IFFIm. The Gavi Secretariat actively participates in all meetings of the IFFIm board and audit committee. Gavi's Chief Executive Officer regularly participates in meetings of the IFFIm board, as an observer, and IFFIm directors routinely participate in Gavi board meetings also in an observer status. The Gavi board is comprised of representative members from donors, implementing countries, multilateral development agencies, and civil society, as well as experts from the pharmaceutical industry and research and technical health communities.

The IFFIm board routinely seeks to ensure the interests of its key stakeholders are considered in its decision-making processes. In 2019, their viewpoints were taken into account in improving IFFIm's operational performance and shaping IFFim's strategy and, as indicated, the impact of decisions and choices taken by the IFFIm board are routinely evaluated in the relevant papers submitted to the IFFIm board for guidance or decision and recorded in the board minutes accordingly.

RECENT DEVELOPMENTS

On 31 March 2020, Mr Marcus Fedder concluded his tenure as a director of IFFIm and Audit Committee Chair. Mr Fedder served on the IFFIm board since his appointment in January 2013.

In March 2020, the IFFIm board appointed Ms Jessica Pulay to a three-year term as a director of IFFIm effective 1 April 2020. Ms Pulay is Co-Head of Policy and Markets at the UK Debt Management Office ("DMO"), where her responsibilities include managing the UK government's debt issuance and cash management strategy as well as leading the research and business operations areas. She is also an executive member of the DMO's managing board. Her background includes 16 years at the European Bank for Reconstruction and Development ("EBRD") in London, as well as working for Morgan Stanley, Goldman Sachs, Deutsche Bank, and Credit Suisse First Boston. Ms Pulay also contributes to education and the arts as a trustee of the Wallace Collection, a former trustee of the Arts Foundation and a committee member of the Cliveden Literary Festival, as well as 17 years of service to Queen's College, a London-based school where she was vice chairman of the governing council. Ms Pulay helped to establish the Rewatha Orphanage in Sri Lanka, following the 2004 Indian Ocean earthquake and tsunami.

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.

Considering the COVID-19 pandemic and its global impact on economic activity and financial markets, the trustees reviewed and assessed its impact on IFFIm's assets, liabilities, and business activities. IFFIm is exposed to an increased level of financial risk and disruptions to its business activities as a result of the pandemic. As described in the *Risk Management* section of this report, there are appropriate measures in place to effectively mitigate the incremental financial risk due to the pandemic and business continuity procedures were invoked for treasury management and administrative support functions provided by the World Bank and Gavi, respectively, to ensure that key IFFIm business activities proceed as planned during the period of disruption. Based on their assessment, the trustees have determined that the COVID-19 pandemic has no material negative impact on IFFIm's assets, its capacity to meet its obligations as they fall due, and ability to continue undertaking its business activities on an ongoing basis.

FUTURE PLANS

IFFIm has proven very successful in helping to align Grantor pledges with demand for vaccines and immunisation related services. The multi-year nature of current sovereign pledges has also helped to facilitate long-term planning by Grantors, Gavi and implementing countries. IFFIm continues to engage with Gavi and Grantors to develop potential future roles that deliver significant value to Gavi in achieving its broader strategic goals for the 2021-2025 strategic period and beyond.

In order to meet its programmatic expenditure needs, Gavi aims to raise at least US$ 7.4 billion in new funding for the 2021-2025 strategic period. As part of this replenishment effort, Gavi encourages donors seeking an immediate, outsized impact on global immunisation to consider making new pledges to IFFIm.

DECLARATIONS BY IFFIm DIRECTORS

In accordance with section 418 of the Companies Act 2006, each person who is a director of IFFIm at the date of approval of this report confirms that:

- so far as he or she is aware, there is no relevant audit information of which IFFIm's auditor is unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that IFFIm's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

So far as each of the trustees is aware, applicable accounting standards have been followed.

INDEPENDENT AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report has been prepared in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), (second edition – October 2019)*, and in accordance with the provisions of the Companies Act 2006.

Approved by the trustees and signed on their behalf by:

/s/ Cyrus Ardalan

Cyrus Ardalan
IFFIm Board Chair
29 May 2020

/s/ Bertrand de Mazières

Bertrand de Mazières
Audit Committee Chair
29 May 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

In Thousands of US$	**Note**	**Year Ended 31 December 2019 Restricted Funds**	**Year Ended 31 December 2018 Restricted Funds**
Income from:			
Contribution revenue	2	59,150	10,738
Donated services	2	888	924
Investments	3	23,371	20,648
Other income		130	-
Total income		83,539	32,310
Expenditure on:			
Raising funds	4	23,433	27,006
Charitable activities	4	217,807	1,991
Total expenditure		241,240	28,997
Net (expenditure) income before gains and losses		(157,701)	3,313
Net fair value gains on pledges, bonds, and swaps	5	73,536	151,049
Net movement in funds		(84,165)	154,362
Reconciliation of funds:			
Total funds as of the beginning of the year		1,198,430	1,044,068
Total funds as of the end of the year		1,114,265	1,198,430

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

All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURES

In Thousands of US$	Note	Year Ended 31 December 2019 Restricted Funds	Year Ended 31 December 2018 Restricted Funds
Turnover			
Contribution revenue	2	59,150	10,738
Operating expenses			
Programme grants	4	215,700	-
Treasury manager's fees	4	2,052	1,934
Governance costs	4	2,107	1,991
Total operating expenses		219,859	3,925
Other operating income			
Donated services	2	888	924
Other income		130	-
Total other operating income		1,018	924
Net operating (expenses) income		(159,691)	7,737
Financing and investment income (expenses)			
Financing expenses on bonds and bond swaps:			
Net fair value losses on bonds and bond swaps	5	(2,194)	(3,788)
Interest expense on bonds	4	(20,943)	(24,224)
Net financing expenses on bonds and bond swaps		(23,137)	(28,012)
Other financing income (expenses):			
Net fair value gains on pledges and pledge swaps	5	74,626	155,591
Other foreign exchange gains (losses)	5	1,104	(754)
Other financing charges	4	(438)	(848)
Net other financing income		75,292	153,989
Investment income:			
Investment and interest income	3	23,371	20,648
Total financing and investment income		75,526	146,625
(Deficit) surplus for the year		(84,165)	154,362

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

BALANCE SHEETS

Group and Parent Company In Thousands of US$	Note	As of 31 December 2019	As of 31 December 2018
Fixed assets			
Sovereign pledges due after more than one year	6	1,745,455	1,944,351
Derivative financial instruments due after more than one year	8	1,915	2,277
Total fixed assets		1,747,370	1,946,628
Current assets			
Sovereign pledges due within one year	6	328,381	306,134
Derivative financial instruments due within one year	8	190	1,411
Prepayments		-	114
Amounts due from related parties		111	-
Funds held in trust	7	427,925	816,964
Cash		15	1,978
Total current assets		756,622	1,126,601
Current liabilities			
Creditors falling due within one year	9	532,953	833,006
Derivative financial instruments due within one year	8	26,171	551
Total current liabilities		559,124	833,557
Net current assets		197,498	293,044
Total assets less current liabilities		1,944,868	2,239,672
Liabilities due after more than one year			
Creditors falling due after more than one year	10	335,398	511,351
Derivative financial instruments due after more than one year	8	495,205	529,891
Total liabilities due after more than one year		830,603	1,041,242
Net assets		1,114,265	1,198,430
Restricted funds		1,114,265	1,198,430

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

The parent company's results were a deficit of US$ 84 million and surplus of US$ 154 million for the years ended 31 December 2019 and 2018, respectively.

Approved and authorised for issue by the trustees and signed on their behalf by:

/s/ Cyrus Ardalan

Cyrus Ardalan
IFFIm Board Chair
29 May 2020

/s/ Bertrand de Mazières

Bertrand de Mazières
Audit Committee Chair
29 May 2020

Registered company number 5857343

CONSOLIDATED STATEMENT OF CASH FLOWS

In Thousands of US$	Note	Year Ended 31 December 2019 Restricted Funds	Year Ended 31 December 2018 Restricted Funds
Cash flows from operating activities			
Cash (used in) provided by operating activities		(5,969)	199,911
Net cash (used in) provided by operating activities		(5,969)	199,911
Cash flows from investing activities			
Investment and interest income received	3	23,371	20,648
Decrease in funds held in trust	15	389,039	94,812
Net cash provided by investing activities		412,410	115,460
Cash flows from financing activities			
Proceeds from bond issuances	15	115,080	-
Redemption of bonds	15	(500,000)	(289,374)
Interest paid on bonds		(23,484)	(24,033)
Net cash used in financing activities		(408,404)	(313,407)
Net change in cash		(1,963)	1,964
Cash as of the beginning of the year		1,978	14
Cash as of the end of the year		15	1,978

Reconciliation of net change in funds to net cash flows from operating activities:

In Thousands of US$	2019	2018
Net change in funds	(84,165)	154,362
Investment and interest income	(23,371)	(20,648)
Bond interest expense	20,943	24,224
Fair value (gains) losses on sovereign pledges	(95,320)	9,078
Fair value losses (gains) on bonds	10,924	(5,620)
Initial fair value of pledges	(59,150)	(10,738)
Payments received from donors	331,119	339,259
Decrease in prepayments and amounts due from related parties	3	125
Decrease in amounts due under derivative financial instruments	(7,483)	(240,118)
Increase (decrease) in trade creditors and amounts due to related parties	531	(13)
Decrease in grants payable	(100,000)	(50,000)
Net cash (used in) provided by operating activities	(5,969)	199,911

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The International Finance Facility for Immunisation Company ("IFFIm") is a private company limited by guarantee and incorporated and domiciled in the United Kingdom. The GAVI Alliance ("Gavi") is the sole member of IFFIm and exercises direction over the timing and extent of IFFIm's fundraising and programme disbursement activities. Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries. Gavi is domiciled in Switzerland and is recognised as an international institution under the Swiss Host State Act. Its principal address is Chemin du Pommier 40, 1218 Grand-Saconnex, Geneva, Switzerland. Gavi's Annual Financial Reports, including its Consolidated Financial Statements, are published on its website: https://www.gavi.org/news-resources/document-library/financial-reports.

The principal accounting policies of IFFIm are summarised below. These accounting policies were consistently applied from prior years. IFFIm's consolidated financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards. As IFFIm's credit rating is AA, the World Bank has the right to call for collateral, above a specified threshold amount, and protect its derivative exposure to IFFIm. However, following discussions and agreement with the World Bank, the World Bank has confirmed that it will not call collateral over at least 12 months from the date of approval of these financial statements, which would cause IFFIm to be unable to meet its required financial obligations. Furthermore, following Gavi's confirmation, IFFIm continues to maintain the ability to defer grant payments to Gavi to the extent that this is required for IFFIm to meet other obligations as they fall due within the next 12 months. In assessing the going concern basis, the trustees have also considered the potential impact of the COVID-19 pandemic whereby, in addition to assessing any potential impact of the pandemic on the factors considered above, the trustees considered (1) the continued stability of funding from Grantors due to its legally binding nature and commitment from the Grantors and (2) measures in place which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the date of approval of these financial statements as further described in Note 13 below. In their assessment, the trustees determined that the COVID-19 pandemic does not significantly impact the above key factors that IFFIm's going concern basis is primarily reliant upon. Therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

Basis of Accounting: The consolidated financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable, which are included at fair value;
- in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and United Kingdom Generally Accepted Accounting Practice, as it applies from 1 January 2015 together with subsequent updates. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as of 31 December 2019, and of IFFIm's incoming resources and application of resources for the year then ended; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 15.

Basis of Consolidation: A subsidiary is an entity controlled by a group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm had control over IFFIm Sukuk Company Limited ("IFFImSC") and IFFIm Sukuk Company II Limited ("IFFImSC II"), which were Cayman Islands companies with limited liability. IFFImSC and IFFImSC II were incorporated on 3 November 2014 and 25 August 2015, respectively, under the Companies Law (2013 Revision) of the Cayman Islands with company registration numbers 293422 and 303397, respectively. IFFImSC and IFFImSC II were dissolved on 30 April 2018 and 4 July 2019, respectively. IFFIm has control over IFFIm

Sukuk Company III Limited ("IFFImSC III"), 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 company registration number 348825. IFFImSC, IFFImSC II and IFFImSC III were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations and their activities conducted on behalf of IFFIm and according to IFFIm's business needs. IFFIm was the primary beneficiary of IFFImSC and IFFImSC II and is the primary beneficiary of IFFImSC III, bearing a significant level of risk incidental to their activities, and retaining residual or ownership risks related to the entities or their assets. Therefore, these consolidated financial statements include the accounts of IFFImSC and IFFImSC II, up to their dissolution dates, and IFFImSC III. As of 31 December 2019, IFFImSC III had cash of US$ 250, share capital of US$ 250, and retained earnings of US$ 0, which are included in the group balance sheet but not included in the parent company balance sheet. The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present a separate parent company statement of income and expenditures. The parent company's loss for the year ended 31 December 2019 was US$ 84 million.

Contribution Revenue: Income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is evidence of entitlement, it can be measured reliably, and receipt is probable. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 2 and 6 for more details on revenue calculation and recognition of pledges.

Donated Services: Donated services are included at the value to IFFIm of the service provided.

Charitable Activities: Charitable expenses comprise the direct costs of programmes funded by IFFIm. They are recognised as expenses in the Statement of Financial Activities when indicative funding confirmations to Gavi have been signed by any trustee on behalf of the IFFIm board. Charitable expenses also include support costs and governance costs associated with meeting the constitutional and statutory requirements of IFFIm and include audit fees, legal fees, as well as the costs of providing strategic direction to IFFIm. No support costs are allocated to expenditure on raising funds as such costs are not considered material.

Expenditure on Raising Funds: Any costs of securing the sovereign pledges that are borne by IFFIm are expensed through its Statement of Financial Activities in the periods in which they are incurred. IFFIm is allocated a percentage of the fundraising costs with the assignment of the pledges from Gavi to IFFIm. Consequently, IFFIm's costs of generating funds comprise the treasury manager's fees, for managing IFFIm's funds held in trust that generate its investment income and for managing IFFIm's borrowings that generate the funds IFFIm grants to Gavi for its programmes, and finance charges.

The bond issuance costs are presented as finance charges in the Statement of Financial Activities.

Interest Income and Expense: Investment and interest income is recognised during the period in which it is earned. Interest expense is recognised during the period in which it is incurred.

Sovereign Pledges: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities. Contribution amounts received from sovereign government donors (the "Grantors") depend on a Grant Payment Condition (the "GPC") which allows the Grantors to reduce such amounts. See Note 15 for details of the GPC.

Funds Held in Trust: Funds held in trust represent IFFIm's investments in a portfolio maintained by the World Bank in its capacity as IFFIm's treasury manager. IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with IAS 39, as permitted by FRS 102. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities. See Notes 7 and 14 for further details.

Cash: Cash consists of cash at depository bank accounts. Cash does not include IFFIm's pooled investment portfolio, which is presented separately as funds held in trust in the Balance Sheets.

Derivative Financial Instruments: IFFIm uses derivatives to manage its assets and liabilities. Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivatives are recognised as changes in restricted net assets in the periods of the changes and reported in fair value gains (losses) in the Statement of Financial Activities.

In applying IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting.

Bonds Payable: Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. Bonds payable have been elected to be fair valued as IFFIm manages all its assets and liabilities on a fair value basis. The bond issuance costs are written off in the year of issue and reported in expenditure on raising funds in the Statement of Financial Activities. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities.

As IFFIm's bonds payable are measured at fair value with changes in fair value recognised in the income statement, bond issuance costs are expensed as incurred.

Grants Payable: Grants payable are initially recognised at board approved amounts when an indicative funding confirmation to Gavi has been signed by one of IFFIm's trustees on behalf of the IFFIm board. They are subsequently remeasured at amortised cost where settlement is delayed and the effect of the time value of money is material.

Funds: Funds, revenues, gains and losses are classified based on the existence of Grantor-imposed restrictions. IFFIm receives its funding from Grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund Gavi programmes for a defined portfolio of eligible countries or specified purposes. Therefore all funds are treated as restricted funds. Where a Grantor requests funds be made available to a specific Gavi programme, this further restriction is maintained. There are currently no unrestricted or designated funds. See Note 15 for IFFIm's defined portfolio of eligible countries.

Foreign Currency Remeasurement: The consolidated financial statements are presented in United States dollars which is IFFIm's functional and reporting currency. All financial assets are monetary assets. As such, foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Exchange gains and losses arising on settled transactions are included in other incoming funds in the Statement of Financial Activities. Gains and losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are included in fair value gains (losses) in the Statement of Financial Activities.

Use of Estimates: The preparation of the consolidated financial statements in conformity with United Kingdom accounting standards involves the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates.

Significant estimates and judgements are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable, and derivative financial instruments. The natures of these significant estimates and judgements are described in Note 15 and Note 18.

2. CONTRIBUTION REVENUE

Contribution Revenue: Grantors have entered into legally binding obligations ("Grantor pledges") to make scheduled grant payments to Gavi over periods of up to 20 years. Gavi has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm's agreement to assess for approval programmes presented to IFFIm by Gavi, and to use its reasonable endeavours to raise funds for such programmes if approved.

The details of the grant obligations entered into by the Grantors are as follows:

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands		Grant Amount, in Thousands of US$[5]
Commonwealth of Australia[3]	28 March 2011	19 years	A$ (AUD)	250,000	175,350
Commonwealth of Australia[4]	3 June 2016	5 years	A$ (AUD)	37,500	26,303
Federative Republic of Brazil	10 October 2018	20 years	US$ (USD)	20,000	20,000
Republic of France[1]	2 October 2006	15 years	€ (EUR)	372,800	418,580
Republic of France[2]	7 December 2007	19 years	€ (EUR)	867,160	973,647
Republic of France[1]	4 May 2017	5 years[6]	€ (EUR)	150,000	168,420
Republic of Italy	2 October 2006	20 years	€ (EUR)	473,450	531,590
Republic of Italy	14 November 2011	14 years	€ (EUR)	25,500	28,631
State of the Netherlands[7]	18 December 2009	7 years	€ (EUR)	80,000	89,824
State of the Netherlands	2 May 2017	4 years	US$ (USD)	66,667	66,667
Kingdom of Norway[7]	2 October 2006	5 years	US$ (USD)	27,000	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr (NOK)	1,500,000	170,711
Kingdom of Norway	15 May 2019	5 years	Nkr (NOK)	600,000	68,284
Republic of South Africa	13 March 2007	20 years	US$ (USD)	20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€ (EUR)	189,500	212,771
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK)	276,150	29,684
United Kingdom	2 October 2006	20 years	£ (GBP)	1,380,000	1,822,980
United Kingdom	5 August 2010	19 years	£ (GBP)	250,000	330,250
Cumulative contribution revenue since inception					5,180,692

[1] Acting through Agence Française de Développement.

[2] Acting through the Ministry of Economy, Industry and Employment.

[3] Acting through the Department of Foreign Affairs and Trade.

[4] Acting through the Department of Foreign Affairs and Trade.

[5] United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2019.

[6] Corresponds to a payment period from 31 March 2022 to 31 March 2026.

[7] These grant obligations were fully paid and were not outstanding as of 31 December 2019.

Contribution revenue recognised was comprised of:

In Thousands of US$	**2019**	**2018**
Initial fair value of pledge received from the Federative Republic of Brazil		10,738
Initial fair value of pledge received from the Kingdom of Norway	59,150	
Total contribution revenue	59,150	10,738

Donated Services: IFFIm received donated administrative services from Gavi in 2019 and 2018. The services donated by Gavi were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by Gavi:

In Thousands of US$	**2019**	**2018**
Administrative support	888	924
Total donated services	888	924

3. INVESTMENT AND INTEREST INCOME

In Thousands of US$	2019	2018
Income from funds held in trust	23,399	20,664
Bank account interest	(28)	(16)
Total investment and interest income	23,371	20,648

4. TOTAL EXPENDITURE

In Thousands of US$	2019	2018
Expenditure on raising funds		
Treasury manager's fees:		
Financial operations management	2,052	1,934
Finance charges:		
Bond interest expense	20,943	24,224
Other financing charges	438	848
Total finance charges	21,381	25,072
Total expenditure on raising funds	23,433	27,006
Expenditure on charitable activities		
Country-specific programmes:		
New and underused vaccines	95,000	-
Health systems strengthening and immunisation services	55,000	-
Investment cases:		
Vaccine research and development	65,700	-
Professional services:		
Consultancy fees	369	304
Gavi administrative support fee	888	924
Legal fees	285	252
Tax compliance services	15	14
Auditor's remuneration:		
Statutory audit	392	382
Other governance costs:		
Trustees' indemnity insurance premiums	9	6
Trustees' meeting and travel expenses	149	109
Total expenditure on charitable activities	217,807	1,991

Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Auditor's Remuneration: Statutory audit expenses relate to the audit of financial information included in these financial statements and in the special purpose reporting package prepared by the World Bank in its capacity as IFFIm's treasury manager. Other financing charges include fees of US$ 67 thousand and US$ 15 thousand that were paid to IFFIm's auditor in 2019 and 2018, respectively, for services related to IFFIm's bond issuances.

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had six trustees as of 31 December 2019 and 2018.

5. FAIR VALUE GAINS AND LOSSES

In Thousands of US$	2019	2018
Fair value gains (losses) on bonds and bond swaps		
Fair value (losses) gains on bonds	(10,924)	5,620
Net fair value gains (losses) on bond swaps	8,730	(9,408)
Net fair value losses on bonds and bond swaps	(2,194)	(3,788)
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains (losses) on sovereign pledges	95,320	(9,078)
Net fair value (losses) gains on pledge swaps	(20,694)	164,669
Net fair value gains on pledges and pledge swaps	74,626	155,591
Other foreign exchange gains (losses)	1,104	(754)
Net fair value gains on pledges, bonds, and swaps	73,536	151,049

6. SOVEREIGN PLEDGES

IFFIm's sovereign pledges represent grants from the Grantors. These legally binding payment obligations are irrevocable by the Grantors and are paid in several instalments according to predetermined fixed payment schedules.

The total amounts paid by the Grantors to IFFIm are impacted by the GPC. See Note 15 for further details.

Sovereign pledges, like contribution revenue, are recognised upon assignment of the Grantor contributions to IFFIm by Gavi. Fair value adjustments due to changes in interest rates, the GPC, discounting and exchange rates are recognised from inception until year end.

Sovereign pledges were comprised of:

Group and Parent Company In Thousands of US$	2019	2018
Balance as of the beginning of the year	2,250,485	2,588,084
Initial fair value of pledges	59,150	10,738
Payments received from donors	(331,119)	(339,259)
Fair value gains (losses)	95,320	(9,078)
Balance as of the end of the year	2,073,836	2,250,485
Sovereign pledges due within one year	328,381	306,134
Sovereign pledges due after more than one year	1,745,455	1,944,351
Total sovereign pledges	2,073,836	2,250,485

Note 8 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

7. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group. Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank.

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

Group and Parent Company In Thousands of US$	2019	2018
IFFIm's share in the Pool's fair value	427,925	816,964

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US$ 23 million and US$ 21 million for the years ended 31 December 2019 and 2018, respectively, and were reported as investment income in the Consolidated Statement of Financial Activities.

8. DERIVATIVE FINANCIAL INSTRUMENTS

IFFIm entered into interest rate and currency swaps that economically hedged certain risks as discussed below.

For financial reporting purposes, IFFIm elected not to define any qualifying hedge relationships as defined by IAS 39, as permitted by FRS 102. All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statement of Financial Activities during the period in which they occur. Net gains on derivatives were recognised as changes in restricted net assets. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as counterparty on all of IFFIm's interest rate and currency swap contracts, has a right to call for collateral.

The World Bank, as IFFIm's treasury manager, executed a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies and, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, (4) assuming no Grantor defaults.

At issuance, IFFIm's fixed rate bond obligations have been swapped simultaneously on a back-to-back basis into United States dollar 3-month LIBOR, floating-rate liabilities.

As described in Note 12, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.

The notional amounts and fair values of the interest rate and currency swaps were:

Group and Parent Company In Thousands of US$	31 December 2019		31 December 2018	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	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 sovereign pledges	1,935,048	(440,802)	2,187,434	(448,084)
Currency and interest rate swaps payable related to bonds payable	174,679	(80,574)	163,586	(82,358)
Total currency and interest rate swaps payable		(521,376)		(530,442)
Total fair value of interest rate and currency swaps		(519,271)		(526,754)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US$ 519 million net liability on swaps is due to the World Bank. The World Bank has the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right and has confirmed that it will not call collateral over at least 12 months from the date of approval of these financial statements. Note 12 describes measures in place to mitigate the risk that the World Bank may call collateral.

9. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US$	2019	2018
Bonds payable falling due within one year	331,467	505,051
Grants payable within one year	200,000	327,000
Trade creditors	1,486	724
Amounts due to Gavi	-	231
Total creditors falling due within one year	532,953	833,006

10. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors falling due after more than one year are comprised of bonds payable and grants payable. IFFIm issues bonds on worldwide capital markets to meet IFFIm's primary objective of funding Gavi's immunisation, vaccine procurement, and HSS programmes. IFFIm's outstanding bonds payable and grants payable were:

					Group and Parent Company	
Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 31 December 2019, in Thousands of US$	Fair Value as of 31 December 2018, in Thousands of US$
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	42,608	36,389
28 June 2010	29 June 2020	0.50%	R (ZAR)	430,000	29,733	27,041
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	21,803	17,900
26 October 2016	1 November 2019	Libor+26bps	US$ (USD)	500,000	-	503,910
16 November 2017	16 November 2020	Libor+13bps	US$ (USD)	300,000	301,488	301,098
9 April 2019	9 April 2022	Libor+4bps	US$ (USD)	50,000	50,118	-
18 July 2019	15 March 2025	0.00%	Nkr (NOK)	600,000	64,051	-
Total bonds payable					509,801	886,338
Bonds payable falling due within one year					(331,467)	(505,051)
Bonds payable falling due after more than one year					178,334	381,287
Grants payable after more than one year					157,064	130,064
Total creditors falling due after more than one year					335,398	511,351

As of 31 December 2019 and 2018, the fair values of creditors falling due after more than five years totalled US$ 86 million and US$ 54 million, respectively.

As of 31 December 2019 and 2018, the undiscounted maturities of IFFIm's bonds payable totalled US$ 553 million and US$ 956 million, respectively, as shown in Note 12. This was US$ 43 million and US$ 70 million higher than the fair value of IFFIm's bonds payable as of 31 December 2019 and 2018, respectively.

Total bonds payable by the parent company included amounts due to IFFImSC III of US$ 50 million as of 31 December 2018.

11. MOVEMENT OF FUNDS

In Thousands of US$	As of 31 December 2018	Incoming Resources	Resources Expended	As of 31 December 2019
Sovereign pledges assigned from Gavi	3,662,617	59,150	(1,219)	3,720,548
Investment and interest income	119,629	23,371	-	143,000
Other gains (losses) and other income (expenses)	498,932	73,666	(23,433)	549,165
Donated services:				
Administrative support	-	888	(888)	-
Programme funding to Gavi:				
Country-specific programmes	(2,341,058)	-	(150,000)	(2,491,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Vaccine research and development	-	-	(65,700)	(65,700)
Total restricted funds	1,198,430	157,075	(241,240)	1,114,265

In Thousands of US$	As of 31 December 2017	Incoming Resources	Resources Expended	As of 31 December 2018
Sovereign pledges assigned from Gavi	3,652,937	10,738	(1,058)	3,662,617
Investment and interest income	98,981	20,648	-	119,629
Other gains (losses) and other income (expenses)	374,898	151,049	(27,015)	498,932
Donated services:				
Administrative support	-	924	(924)	-
Programme funding to Gavi:				
Country-specific programmes	(2,341,058)	-	-	(2,341,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	1,044,068	183,359	(28,997)	1,198,430

In May 2019, IFFIm received a new sovereign pledge from the Kingdom of Norway in the amount of kr 600 million, with an initial fair value of US$ 59 million, to support programme funding to Gavi for the research and development of new vaccines by the Coalition for Epidemic Preparedness Innovations ("CEPI"). In July 2019, IFFIm issued an indicative funding confirmation to Gavi in the amount of US$ 66 million to fund vaccine research and development activities by CEPI. In addition, IFFIm issued two indicative funding confirmations to Gavi, totalling US$ 150 million, to fund country-specific programmes, including new and underused vaccine support and health systems strengthening.

12. CREDIT RISK

Credit risk is the risk that IFFIm may suffer financial loss should the Grantors, market counterparties or implementing countries fail to fulfil their contractual obligations. The carrying amounts of financial assets represent IFFIm's maximum credit exposures. These maximum exposures were:

In Thousands of US$	2019	2018
Sovereign pledges	2,073,836	2,250,485
Cash and investments	427,940	818,942
Total credit exposure	2,501,776	3,069,427

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2019 and 2018, IFFIm had a net liability balance on its interest rate and currency swap contracts of US$ 519 million and US$ 527 million, respectively. The World Bank, an AAA-credit rated institution, serves as the counterparty for all IFFIm's swaps.

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from its Grantors. This exposure is detailed by Grantor in Note 2 above. The Grantors were rated between BB- and AAA as of 31 December 2019.

The Grantors' credit ratings as of 31 December 2019 and 2018, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2019	2018
Commonwealth of Australia	AAA	AAA
Federative Republic of Brazil	BB-	BB-
Republic of France	AA	AA
Republic of Italy	BBB	BBB
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BB+	BB+
Kingdom of Spain	A	A-
Kingdom of Sweden	AAA	AAA
United Kingdom	AA	AA

IFFIm was also indirectly exposed to implementing country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 15 for details.

Credit Risk Related to Cash and Investments: To manage credit risk related to investments, the World Bank invests in highly rated Liquid Assets. The World Bank was limited to investments with the following minimum credit ratings at the time of purchase:

- Investments in money market instruments were limited to instruments issued or guaranteed by financial institutions whose senior debt securities were rated at least A- by the major rating agencies.
- Investments in government and agency obligations were limited to obligations issued or unconditionally guaranteed by government agencies rated at least AA- by the major rating agencies if denominated in a currency other than the issuers' home currencies. Obligations denominated in issuers' home currencies required no rating. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity required a minimum credit rating of AA-.
- Investments in asset-backed securities and corporate securities were limited to securities with a minimum rating of AAA.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

IFFIm's investments in money market instruments, government and agency obligations, asset-backed securities and corporate securities had the following credit ratings:

In Thousands of US$	2019	2018
Instruments and securities rated AAA	166,060	282,338
Instruments and securities rated AA+	3,975	6,888
Instruments and securities rated AA	73,685	104,736
Instruments and securities rated AA-	38,895	73,197
Instruments and securities rated A+	128,922	297,848
Instruments and securities rated A	8,666	41,262
Instruments and securities rated A-	7,722	10,695
Total funds held in trust	427,925	816,964

Cash, receivables and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2019. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

13. LIQUIDITY RISK

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain 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 liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2019, the calculated minimum liquidity was US$ 338 million and the value of IFFIm's Liquid Assets was US$ 428 million. As of 31 December 2018, the calculated minimum liquidity was US$ 528 million and the value of IFFIm's Liquid Assets was US$ 817 million.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by S&P, AA- by Fitch Ratings, and Aa1 by Moody's Investor Service. On 31 March 2020, Fitch Ratings downgraded its credit rating on IFFIm to AA- from AA as described further in the *Subsequent Events* section below.

In order to help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as many countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 15.

In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2019, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

The following were the contractual undiscounted maturities of IFFIm's financial liabilities, including estimated interest payments:

As of 31 December 2019, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2021	Due in 2022	Due from 2023 through 2030
Bonds payable	(553,066)	(337,517)	(14,850)	(64,456)	(136,243)
Grants payable to Gavi	(357,064)	(200,000)	(157,064)	-	-
Derivative financial liabilities	(483,517)	(64,026)	(50,520)	(49,421)	(319,550)
Total undiscounted maturities	(1,393,647)	(601,543)	(222,434)	(113,877)	(455,793)

As of 31 December 2018, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2020	Due in 2021	Due from 2022 through 2030
Bonds payable	(956,399)	(523,766)	(338,687)	(459)	(93,487)
Grants payable to Gavi	(457,064)	(327,000)	-	(130,064)	-
Derivative financial liabilities	(439,337)	(29,773)	(60,753)	(42,736)	(306,075)
Total undiscounted maturities	(1,852,800)	(880,539)	(399,440)	(173,259)	(399,562)

The trustees expect that IFFIm will receive cash inflows over the lives of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted cash outflows from derivative financial liabilities:

As of 31 December 2019, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2021	Due in 2022	Due from 2023 through 2030
Derivative financial assets	30,549	6,721	5,636	5,943	12,249
Derivative financial liabilities	(483,517)	(64,026)	(50,520)	(49,421)	(319,550)
Net cash outflows	(452,968)	(57,305)	(44,884)	(43,478)	(307,301)

As of 31 December 2018, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2020	Due in 2021	Due from 2022 through 2030
Derivative financial assets	31,343	9,116	5,530	4,075	12,622
Derivative financial liabilities	(439,337)	(29,773)	(60,753)	(42,736)	(306,075)
Net cash outflows	(407,994)	(20,657)	(55,223)	(38,661)	(293,453)

14. MARKET RISK

Market risk is the risk that IFFIm's net assets or deficit for the year, or its ability to meet its objectives, may be adversely affected by changes in foreign exchange rates and interest rates. IFFIm's market risk objectives are: (1) understanding the components of IFFIm's market risk, (2) controlling IFFIm's market risk through the use of currency and interest swaps, and (3) facilitating predictable funding of Gavi programmes within a controlled and transparent risk management framework.

IFFIm's market risk is comprised of foreign exchange rate risk and interest rate risk. Each of these is described further below.

Foreign Exchange Rate Risk: IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of Grantor payments, payment of bond obligations, disbursements to Gavi and issuance of IFFIm bonds. To mitigate these risks, Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

The carrying amounts of IFFIm's foreign currency assets and liabilities, including derivatives, were:

As of 31 December 2019, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	106,260	(101,446)	4,814
Euro	106,183	(11,304)	94,879
British pound	934,360	(977,136)	(42,776)
Japanese yen	2	-	2
Norwegian krone	75,574	(80,562)	(4,988)
New Zealand dollar	1	-	1
Swedish krona	3,667	(3,797)	(130)
South African rand	95,099	(94,143)	956

As of 31 December 2018, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	107,965	(104,464)	3,501
Swiss franc	3	-	3
Euro	1,047,170	(975,454)	71,716
British pound	1,013,848	(1,067,591)	(53,743)
Japanese yen	2	-	2
Norwegian krone	31,111	(33,248)	(2,137)
New Zealand dollar	1	-	1
Swedish krona	5,591	(5,925)	(334)
South African rand	82,652	(81,330)	1,322

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2019	Spot Rate as of 31 December 2019	Average Rate for the Year Ended 31 December 2018	Spot Rate as of 31 December 2018
Australian dollar	0.6953	0.7014	0.7476	0.7059
Swiss franc	1.0061	1.0344	1.0220	1.0166
Euro	1.1196	1.1228	1.1810	1.1452
British pound	1.2767	1.3210	1.3352	1.2769
Japanese yen	0.0092	0.0092	0.0091	0.0091
Norwegian krone	0.1136	0.1138	0.1228	0.1152
New Zealand dollar	0.6590	0.6740	0.6924	0.6714
Swedish krona	0.1057	0.1075	0.1149	0.1117
South African rand	0.0692	0.0712	0.0754	0.0695

Sensitivity to Foreign Exchange Rates: Strengthening and weakening of the United States dollar, against the above currencies, as of 31 December 2019 and 2018 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

In Thousands of US$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2019[1]		Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2018[1]	
	10% Strengthening of US$	10% Weakening of US$	10% Strengthening of US$	10% Weakening of US$
Australian dollar	42	(51)	(325)	397
Euro	(8,409)	10,278	(6,534)	7,986
British pound	4,253	(5,198)	4,962	(6,064)
Norwegian krone	477	(583)	194	(237)
Swedish krona	16	(20)	30	(37)
South African rand	(87)	106	(120)	147

[1]Excludes impact to funds held in trust balances.

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure. The interest rate profiles of IFFIm's interest-bearing financial instruments, including derivatives, with the exception of funds held in trust, were:

In Thousands of US$	2019 Carrying Amount	2018 Carrying Amount
Fixed rate instruments		
Financial assets	95,099	82,652
Financial liabilities	(2,102,161)	(2,274,893)
Net fixed rate instruments	(2,007,062)	(2,192,241)
Variable rate instruments		
Financial assets	1,504,579	1,747,716
Financial liabilities	(527,406)	(970,287)
Net variable rate instruments	977,173	777,429

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2019 and 2018 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2019	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2018
25 basis point increase	9,951	13,851
25 basis point decrease	(9,836)	(14,096)

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of IFFIm's financial assets and liabilities are equal to their carrying amounts shown in IFFIm's balance sheets.

Fair Value Hierarchy: The table below analyses IFFIm's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- Level 2: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- Level 3: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

As of 31 December 2019, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,073,836	2,073,836
Funds held in trust	-	427,925	-	427,925
Derivative financial instruments	-	2,105	-	2,105
Total financial assets	-	430,030	2,073,836	2,503,866
Financial liabilities				
Bonds payable	-	509,801	-	509,801
Derivative financial instruments	-	521,376	-	521,376
Total financial liabilities	-	1,031,177	-	1,031,177

As of 31 December 2018, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,250,485	2,250,485
Funds held in trust	-	816,964	-	816,964
Derivative financial instruments	-	3,688	-	3,688
Total financial assets	-	820,652	2,250,485	3,071,137
Financial liabilities				
Bonds payable	-	886,338	-	886,338
Derivative financial instruments	-	530,441	-	530,441
Total financial liabilities	-	1,416,779	-	1,416,779

The changes in the aggregate fair value of IFFIm's Level 3 financial assets and liabilities were:

In Thousands of US$	2019	2018
Balance as of the beginning of the year	2,250,485	2,588,084
Initial fair value of pledges	59,150	10,738
Donor payments	(331,119)	(339,259)
Fair value losses	95,320	(9,078)
Balance as of the end of the year	2,073,836	2,250,485

The bases for techniques that IFFIm applied in determining the fair values of financial assets and liabilities are summarised below.

Funds Held in Trust: The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. 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 corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

Sovereign Pledges Receivable: Fair values are estimated using a discounted cash flow method. Each cash flow is reduced by an estimated reduction amount due to the GPC and the reduced cash flows are discounted to present value using observable Grantor-specific interest rates.

The GPC allows the Grantors to reduce their payments in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Grantors reduce the amounts they pay IFFIm 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 Grantors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio as of 31 December 2019 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, 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 are estimated using the discounted cash flow method. Each cash flow is reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment") and the reduced cash flows are discounted to present value at Grantor-specific interest rates. The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. This probabilistic model is based on the assumption that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 8.6% and 9.4% as of 31 December 2019 and 2018 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2019 and 2018 would have resulted in increases in the fair values of sovereign pledges of US$ 23 million and US$ 25 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2019, two reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia and Sudan.

For the above sovereign pledges as of 31 December 2019, market based discount rates ranging from 0.0% to 6.2% were applied, as appropriate, depending on the Grantor, payment schedule and currency of the grant payments.

Bonds Payable: The fair values of IFFIm's bonds payable are 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.

As of 31 December 2019 and 2018, the portions of the fair values of bonds payable that were attributable to IFFIm's own credit spreads were an increase of US$ 1.9 million and an increase of US$ 1 million, respectively.

Derivative Financial Instruments: The fair values of derivatives are estimated using a discounted cash flow method representing the estimated cost of replacing these contracts on that date. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

16. NOTES TO THE STATEMENT OF CASH FLOWS

The following table analyses changes in net debt:

In Thousands of US$	Fair Value as of 31 December 2018	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2019
Cash	1,978	(1,963)	15
Bonds payable	(882,897)	373,996	(508,901)
Funds held in trust	816,964	(389,039)	427,925
Total	(63,955)	(17,006)	(80,961)

In Thousands of US$	Fair Value as of 31 December 2017	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2018
Cash	14	1,964	1,978
Bonds payable	(1,177,891)	294,994	(882,897)
Funds held in trust	911,776	(94,812)	816,964
Total	(266,101)	202,146	(63,955)

The following table reconciles net cash flows to movement in net debt:

In Thousands of US$	2019	2018
(Decrease) increase in cash	(1,963)	1,964
Decrease in funds held in trust	(389,039)	(94,812)
Proceeds from bond issuances	(115,080)	
Redemption of bonds	500,000	289,374
Fair value (losses) gains on bonds	(10,924)	5,620
Movement in net debt in the period	(17,006)	202,146
Net debt as of the beginning of the year	(63,955)	(266,101)
Net debt as of the end of the year	(80,961)	(63,955)

17. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

- Gavi: Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. Gavi is IFFIm's sole member.
- IFFImSC: IFFImSC was a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFImSC was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 27 November 2014, IFFImSC issued sukuk certificates for a total amount of US$ 500 million. On 4 December 2017, IFFImSC made the final payment in relation to its certificates and, on 30 April 2018, IFFImSC was dissolved. These consolidated financial statements include the accounts of IFFImSC up to the date of its dissolution.
- IFFImSC II: IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC II was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 29 September 2015, IFFImSC II issued sukuk certificates for a total amount of US$ 200 million. On 29 September 2018, IFFImSC made the final payment in relation to its certificates and, on 4 July 2019, IFFImSC II was dissolved. These consolidated financial statements include the accounts of IFFImSC II up to the date of its dissolution.
- 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 company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. These consolidated financial statements include the accounts of IFFImSC III.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

IFFIm's related party balances were:

In Thousands of US$	2019	2018
Programme grants payable to Gavi	357,064	457,064
Amounts due (from) to Gavi	(111)	231

IFFIm recorded programme grants to Gavi of US$ 216 million during the year ended 31 December 2019. No programme grants to Gavi were recorded by IFFIm during the year ended 31 December 2018. IFFIm recorded in-kind contributions from Gavi of US$ 888 thousand and US$ 924 thousand during the years ended 31 December 2019 and 2018, respectively.

18. COMMITMENTS AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2019 or 2018.

19. ACCOUNTING ESTIMATES AND JUDGEMENTS

IFFIm manages its sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable on a fair value basis. Therefore, these assets and liabilities are measured at fair value on the balance sheets. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

IFFIm applied the following key accounting estimate in the valuation of its sovereign pledges:

As described in Note 1, contribution amounts received from Grantors depend on a Grant Payment Condition ("GPC"), which allows the Grantors to reduce their payments in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the IMF. Therefore, the fair values of IFFIm's sovereign pledges are estimated using a discounted cash flow method, which includes the application of an estimated reduction amount due to the GPC ("GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. See Note 15 for more details on the GPC Fair Value Adjustment and other estimates applied in determining the fair values of IFFIm's financial assets and liabilities.

IFFIm made the following critical judgement in the valuation of its derivative portfolio:

As described in Note 8, IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. The debit valuation adjustment is typically applied to the uncollateralised portion of a derivative portfolio. However, IFFIm has not posted any collateral as the World Bank has not exercised its right to call collateral and protect its derivative exposure to IFFIm, as described in Notes 1 and 8 above. After due consideration, consistent with market practice, IFFIm calculated the debit valuation adjustment based solely on the uncollateralised portion of its derivative portfolio.

20. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2019 or 2018. IFFImSC II is a Cayman Islands company with limited liability, incorporated under the Companies Law (2013 Revision) of the Cayman Islands. There are no taxes on income or gains in the Cayman Islands.

21. SUBSEQUENT EVENTS

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.

Considering the COVID-19 pandemic and its global impact on economic activity and financial markets, the trustees reviewed and assessed its impact on IFFIm's assets, liabilities, and business activities. IFFIm is exposed to an increased level of financial risk and disruptions to its business activities as a result of the pandemic. As detailed in Notes 12, 13, and 14 above, in relation to credit risk, liquidity risk, and market risk, respectively, IFFIm has appropriate measures in place to mitigate the key financial risks to which it is exposed and has relied on those measures to effectively mitigate the incremental financial risk due to the pandemic. Business continuity procedures have been invoked for treasury management and administrative support functions provided by the World Bank and Gavi, respectively, to ensure that key IFFIm business activities proceed as planned during the period of disruption. Based on their assessment, the trustees have determined that the COVID-19 pandemic has no material negative impact on IFFIm's assets, its capacity to meet its obligations as they fall due, and ability to continue undertaking its business activities on an ongoing basis.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of the International Finance Facility for Immunisation Company (the 'parent charitable company' or 'IFFIm') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of financial activities;
- the consolidated statement of income and expenditures;
- the consolidated and parent company balance sheets;
- the consolidated statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and the parent charitable company for the year are disclosed in note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent charitable company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • the valuation of sovereign pledges. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $20.0m which was determined on the basis of 1% forecasted sovereign pledges held at fair value. The final pledges were $2.07b as at year-end and therefore we did not revise our materiality set during the planning phase of the audit.
Scoping	As described on page 9 in the Structure, Governance and Management section, the parent charitable company is reliant upon treasury management, risk management and accounting services provided by the International Bank for Reconstruction and Development (the 'World Bank'). As such we instructed the Deloitte member firm in the US ('Deloitte US') to perform certain procedures on our behalf. As part of this work Deloitte US performed procedures over certain aspects of the Key Audit Matter set out below in this auditor's report. The work was performed under the direction and supervision of the UK audit engagement team.
Significant changes in our approach	The recognition of contribution revenue in relation to new sovereign pledges was a key audit matter in the prior year however as there are no changes in the accounting treatment of recognising the amount of new pledges as revenue this is not a key audit matter in the current year. There were no other significant changes in our approach in the current year.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of sovereign pledges

Key audit matter description	IFFIm's asset base consists primarily of sovereign pledges from sovereign government donors ('the pledges'). The pledges are used to support the various vaccine procurement and immunisation programmes of Gavi, the Vaccine Alliance ('Gavi'), IFFIm's parent company. The pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. The pledges are recognised at fair value on initial and subsequent measurement with changes in fair value recognised in the statement of income and expenditures. The fair values of the pledges are estimated using a discounted cash flow model. The fair values of cash flows reflect the potential for reduced payment of the pledges in the event that the grant payment conditions ('GPC') are not met. The GPC allows the grantors to reduce their payments in the event that an IFFIm eligible country falls into protracted arrears on its obligations to the International Monetary Fund ('IMF'). Management have described this accounting policy in note 1 of the financial statements. As detailed in the *summary of critical accounting judgements and key estimates* in note 19 and fair value disclosures in note 15, the estimation of the GPC fair value adjustment requires significant management judgement in particular the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the pledges. Therefore, we have determined that there was a risk of error in or manipulation of this balance. As at 31 December 2019, the value of the sovereign pledges amounted to US$2.07b (2018: US$2.3b). The fair value movement attributable to the GPC fair value adjustment in 2019 amounted to $42.0m (2018: $95.0m).
How the scope of our audit responded to the key audit matter	To scope our audit and respond to the key audit matters, we have: • evaluated the design and implementation of key controls over the GPC fair value adjustment focusing on the governance over the fair value estimation; • challenged and evaluated the reasonableness of the assumptions used in the GPC fair value adjustment, in particular, the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the pledges, by: - independently assessing the country risk ratings used to apply specific probability of default percentages; - recalculation of the GPC fair value adjustment percentage; and - back testing of the actual GPC fair value adjustment to assess whether the current GPC fair value adjustment percentage is

	reasonable; • tested the reasonableness of the donor discount rates used by independently validating the donor discount rates; and • engaged our own valuation specialists who assisted us in challenging the appropriateness of the methodology used in calculating the fair value of the sovereign pledges.
Key observations	From the work performed, we concur with management's assessment that the valuation is appropriate as at 31 December 2019.

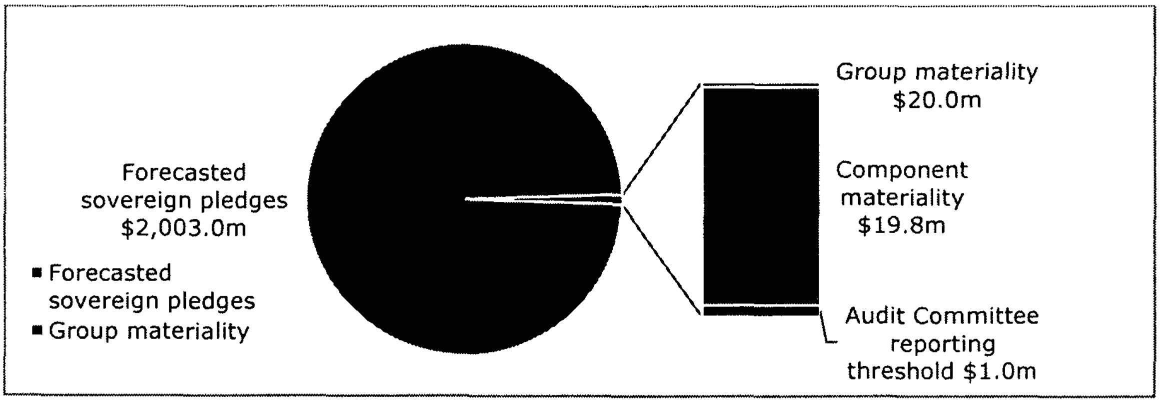
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	US$20.0m (2018: US$23.1m)	US$19.8m (2018: US$23.1m)
Basis for determining materiality	When planning our audit we set our materiality based on 1% (2018: 1%) of forecasted sovereign pledges. The final pledges were $2.07b (2018: $2.3b) as at year-end and therefore we did not revise our materiality set during the planning phase of the audit.	
Rationale for the benchmark applied	IFFIm's main purpose is to raise funds to support Gavi for its health and immunisation programmes. These are financed by sovereign pledges and represents the capital of the bondholders as IFFIm converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. Therefore, we identified this to be an appropriate benchmark for materiality.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the company's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in the prior period.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$1.0m (2018: US$1.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

We determined that there were two components for the purposes of our audit. The first component related to the operations of the parent company which are based in the US. These account for 100% of the asset balance and 99.99% of the liabilities and include all treasury related balances managed by the World Bank. The second component related to the governance and head office functions of the parent charitable company, as well as one other legal entity, incorporated in the Cayman Islands.

Because there are two legal entities in the group, consolidated financial statements have been prepared in accordance with UK GAAP; however, the subsidiary entity is immaterial to the Group.

Both components identified for the purposes of our audit were subject to full scope audits at a component materiality which was lower than the materiality of the financial statements as a whole.

7.2. Working with other auditors

As described in the Summary of audit scope section of the auditor report, the parent is reliant upon treasury management, risk management and accounting services provided by the World Bank. As such, we instructed Deloitte US to perform certain procedures on our behalf. As part of this work, Deloitte US performed procedures over certain aspects of the Key Audit Matters set out above in this auditor's report. Subsequent to the travel restrictions being put in place as a result of the COVID-19 pandemic, we reviewed the component audit file remotely and held regular calls with the component team to discuss the results and resolve any queries.

8. Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report of the trustees, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including valuations, IT and charity specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation of sovereign pledges. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, Charities SORP, Charities Act 2011 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the charity commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Trustees' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Trustees on 4 June 2018, to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 31 December 2018 to 31 December 2019.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Stephens, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 May 2020