

Electronic Report to the Board

Appointment of the Independent Member of the Ethics and Governance Committee

GF/B35/ER13

For Board Decision

PURPOSE: This report provides for Board approval, the Board Chair and Board Vice-Chair's recommended candidate to serve as an Independent Committee Member on the Board's Ethics and Governance Committee, in accordance with its charter.

1. GF/B35/EDP17: Appointment of Independent Committee Member

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public.

I. Decision Point

Based on the rationale described in this report, the following electronic decision point is recommended to the Board:

Decision Point GF/B35/EDP17: Appointment of Independent Committee Member

- 1. The Board acknowledges the process led by the Board Chair and Vice-Chair to identify candidates to serve as independent committee members on the Ethics and Governance Committee (the “EGC”), as set forth in GF/B35/ER13”.***
- 2. Accordingly, the Board approves the appointment of Joan Elise Dubinsky to serve as a non-voting independent member of the EGC with expertise in the area of ethics for a two-year term starting from the June 2016 initial meeting of the EGC, or until the appointment of her successor***
- 3. In accordance with the EGC Charter, which provides that independent committee members may receive honoraria, the Board also decides to make available to the individual appointed as an independent committee member under this decision point an annual amount of USD 13,500.***

1. In January 2016, the Board endorsed the establishment of the enhanced governance structures of the Global Fund formed by five bodies: the Board, the Coordinating Group and three new Standing Committees of the Board.

2. The three new Standing Committees of the Board are as follows:

- i. The Audit and Finance Committee (the “AFC”);
- ii. The Ethics and Governance Committee (the “EGC”); and
- iii. The Strategy Committee (the “SC”).

3. As such, from the conclusion of the 35th Board Meeting in April 2016, the new Standing Committees of the Board have replaced the Strategy, Investment and Impact Committee (“SIIC”), the Finance and Operational Performance Committee (“FOPC”) and the Audit and Ethics Committee (“AEC”).

4. In accordance with the AFC and the EGC charters, the majority of their Committee Members are selected on a competency basis from amongst the constituencies of the Board. In addition, the membership of these two Standing Committees includes a reduced number of seats available for non-

voting external independent members bringing a specific area of knowledge and experience to support the work of the AFC and EGC. The AFC and EGC membership includes three external, non-voting Independent Committee Members as follows:

- Financial Audit Expert (AFC)
- Forensic Investigations Expert (AFC)
- Ethics Expert (EGC)

5. In line with the AFC and EGC charters, as well as the Operating Procedures of the Board and Committees, following the establishment of the new committee structure, the Board Leadership led the process to identify suitable Independent Committee Members based on the skills, experience and competencies required to fulfil the mandate of AFC and EGC. The two independent members serving on the AFC were appointed by the Board on 9 June 2016.

6. Following the launch of a call for expression of interest and the selection process outlined in this report, the Board Leadership recommends the candidate listed in the decision point above to serve as Independent Committee Member on the EGC for a two-year term from the start of the June 2016 initial meeting of the EGC, or until the appointment of her successors.

II. Relevant Past Decisions

Relevant past Decision Point	Summary and Impact
<p>GF/B35/EDP04 Appointment of Independent Committee Members (June 2016)¹</p>	<p>On 9 June 2016 the Board appointed the two Independent Committee Members serving on the AFC for a two year term or until the appointment of their successors in accordance with its Charter.</p> <p>The decision point outlined in section I to this report presents, for Board approval, the Board Leadership’s recommendation to appoint an Independent Committee Member to serve on the EGC with ethics expertise in accordance with the EGC Charter.</p>
<p>GF/B34/EDP07: Enhanced Governance Structures (January 2016)²</p>	<p>On 28 January 2016 the Board approved the enhanced governance structures of the Global Fund formed by five bodies: the Board, the Coordinating Group and three new Standing Committees of the Board (i.e., AFC, EGC and SC). The enhanced governance structure established the AFC and EGC with the 3 independent, non-voting members (two for AFC and one for EGC). The decision point presented in this report fills the two independent committee member seats on the AFC.</p> <p>Following this Board decision, on 12 April 2016 the Board Leadership launched a call for nominations for non-voting Independent Committee Members according to the new Committee Charters and the Operating Procedures of the Board and Committees.</p>

¹ Appointment of Independent Committee Members <http://www.theglobalfund.org/Knowledge/Decisions/GF/B35/EDP04/>

² GF/B34/EDP07: Approval of the Enhanced Governance Structure <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/EDP07/>

Relevant past Decision Point	Summary and Impact
<p>B25/EDP/18: Appointment of Independent Members of the Audit and Ethics Committee (April 2012)³</p>	<p>On 16 April 2012 the Board approved a series of changes to the AEC Charter including increasing the number of independent committee members from four to five. The Board also appointed five independent committee members to serve in the AEC, including the independent AEC Chair, for a two-year term. Based on the recommendation of the FOPC, the Board further decided that the AEC independent members and chair would receive an honoraria of USD 9,000 and USD 14,000, respectively, for the remainder of the calendar year. Pending the development and Board approval of a comprehensive honoraria framework for the governance bodies of the Global Fund, the honoraria arrangements for AEC independent members above noted were applied throughout the second term of the AEC ending in May 2016. The decision point presented in this electronic report appoints independent members to serve on the AEC's successor committee for audit and forensic investigations matters, namely the AFC, and recommends to continue to exercise the same honoraria arrangements upon the appointment of the independent members serving on such committee, based on the practice by which the full-year equivalent amounts of the initial honoraria have been made available to independent members of the AEC in each subsequent year.</p>

III. Background

7. In early 2014, the Board appointed individuals to serve as Independent Committee Members on the AEC in accordance with its Charter for a term of two years or until the appointment of their successors.

8. In January 2016, the Board endorsed the establishment of the enhanced governance structures which led to the replacement of the FOPC, SIIC and AEC by three new Standing Committees of the Board, namely, the AFC, EGC and SC.

9. In accordance with the AFC and the EGC Charters, in addition to Board constituency-nominated Committee Members, their membership includes three external, non-voting independent committee members as follows (the “Independent Committee Members”):

- Financial Audit Expert (AFC)
- Forensic Investigations Expert (AFC)
- Ethics Expert (EGC)

10. All Independent Committee Members serve in their personal capacity and therefore should not seek or accept instructions in regard to their performance or participation on the AFC or EGC from any

³ GF/B25/EDP18: Appointment of Independent Members of the Audit and Ethics Committee
<http://www.theglobalfund.org/Knowledge/Decisions/GF/B25/EDP18/>

constituency of the Global Fund, including any government, organization or other authority, other than through action by the Board. The full criteria for independence are set out in the AFC and EGC Charters.

11. Following the establishment of the new committee structure, and in line with the AFC and EGC Charters as well as the Operating Procedures of the Board and Committees, the Board Leadership launched the process to identify suitable Independent Committee Members based on the skills, experience and competencies required to fulfil the mandate of these two committees. The two Independent Committee Members serving on the AFC were appointed on 9 June 2016. The decision point in this report presents the candidate to serve as Independent Committee Member in the EGC.

12. The AFC and EGC Charters further note that an honorarium may be provided to all Independent Committee Members in recognition of their service, in addition to travel expenses and per diems. This provision is in line with previous practice to provide an honoraria to Independent Committee Members serving in the AEC, including its independent Chair. Same as in the past, honoraria amounts are not meant to serve as a salary replacement for Independent Committee Members.

13. During the in-person meetings held by the FOPC in 2015, the committee discussed options to develop a comprehensive honoraria framework for certain governance roles at the Global Fund. While at the time the FOPC did not reach consensus on a proposal for such framework, there was general agreement that all independent members of the AEC, including independent members of any successor committee(s) should continue to receive an honorarium in line with the relevant committee charter and the then current payment arrangements⁴. As such, this practice, including the same payment arrangements for Independent Committee Members totalling USD 13,500 per year, is recommended for continued application towards the proposed EGC Independent Member.

14. Should the EGC consider a comprehensive Honoraria Framework for certain governance roles in the future, arrangements may be updated accordingly.

IV. Call for Expression of Interest and Selection Process of Independent Committee Members

15. In March 2016, in order to recruit and appoint the three independent committee member roles listed above, the Board Leadership sought nominations through a broad and open call for expression of interest by (i) sharing the application materials with all Board Constituencies to be further circulated broadly amongst their networks, and (ii) placing advertisements in a number of relevant international publications, professional networks, newsletters and social media. All expressions of interest were collected by an external recruiting firm to conduct a preliminary competency-based screening of all candidates against either the AFC Charter or EGC Charter, including references, as appropriate for each role, and relevant minimum key competencies and responsibilities for each independent member seat.

16. As a next step, and recognizing the limited number of independent committee members (e.g., three in total), the Board Leadership formed an Advisory Panel to assist with the comprehensive review of a reduced number of expression of interests provided by the recruiting firm. The Advisory Panel was comprised of the recently appointed Chairs of EGC and AFC, the individual appointed by the Board to represent the Trustee of the Global Fund (i.e., the World Bank) on the AFC, and the former FOPC member representing the Canada, Australia and Switzerland Constituency given their current and past roles with respect to the Global Fund, particularly the mandates of the AFC and EGC.

17. Upon request of the EGC Chair, Board Leadership agreed to share with all EGC Committee Members the CVs of the candidates to serve as the Independent Committee Member with ethics expertise. Using the EGC Charter as main reference, the EGC Committee Members were invited to

⁴ Refer to the FOPC Chair and Vice-Chairs' notes for the 14th

provide high level input on the desired skill-set for this role and whether the potential candidates, overall, met such a skill-set. The feedback provided by the EGC Committee Members was shared with the Advisory Panel for its consideration. The final and comprehensive assessment of individual candidates, as well as recommendation to the Board Leadership remained with the Advisory Panel.

18. The Advisory Panel reviewed a set of expressions of interest for the EGC Independent Committee Member role and was requested to make its final recommendation by consensus. First, when reviewing the supporting documentation for candidates the Advisory Panel was asked to provide confirmation of the expected calibre of candidates against the required skills to fulfil this role against the relevant committee charter, as well as their satisfaction of independence criteria based on the input provided by the Ethics Officer. Secondly, the Advisory Panel was requested to rank candidates in order of most suited to be selected for the Independent Committee Member role with ethics expertise, for Board Leadership consideration and subsequent submission to the Global Fund Board for final approval.

19. All candidates assessed by the Advisory Panel were also requested to submit a Declaration of Interest to the Ethics Officer to address any potential ethics or conflicts of interest issues.

20. The Board Leadership reviewed all the expressions of interest facilitated by the external recruiting firm taking into consideration the input provided by the Ethics Officer and the Advisory Panel on the recommended candidate to serve as Independent Committee Member on the EGC in the field of Ethics.

21. As a last step in the selection process, the Board Leadership consulted with other members of the Coordinating Group to provide final input on the shortlisted candidates to serve as Independent Committee Member on the EGC.

22. On this basis and the decision point in section I in this report, the Board Leadership presents the following individual to serve as non-voting Independent Committee Member of the EGC, for Board approval:

- *Joan Elise Dubinsky*

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