



Ethics and Governance Committee

Report of the 1st EGC Meeting

GF/EGC01/11

Decision

1st Ethics and Governance Committee

Geneva, Switzerland

14-15 June

Purpose of the paper: This report summarizes the discussions and decisions of the 1st Ethics and Governance Committee ("EGC") Meeting held on 14-15 June 2016.

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

I. Introduction

1. The Ethics and Governance Committee (the “EGC” or “committee”) met on 14-15 June 2016 in Geneva. The Chair and Vice-Chair of the committee, Mohamed Salah Ben Ammar and Jan Paehler respectively, led the meeting, which was preceded by an induction program on 13 June.
2. Quorum and participation: A quorum was present. Two committee members, Sandy Thurman and Archil Talakvadze were absent, with Ana Filipovska participating with delegated authority on behalf of Archil Talakvadze. A detailed list of participants is attached to this report in Annex 1.
3. Declarations of Interest: At the opening of the meeting, all members present declared they had no new actual or potential conflicts of interest to declare.
4. Approval of the Agenda: The committee approved the Agenda of the 1st EGC Meeting (GF/EGCo1/01).

II. Committee Matters

01 Work Plan 2016-2018 & Committee Ways of Working

5. Presentation. Rachel Orr, Office of Board Affairs (“OBA”), presented the work plan for the committee’s term, and an overview of key priorities for the first year of activity (document GF/EGCo1/02). The work plan serves as a planning and monitoring tool for the Committee, supports the Coordinating Group (“CG”) in its role of ensuring alignment and complementarity across committee mandates, and enables constituency awareness of EGC planned activities. The Committee returned to the work plan at the end of day 2 of the meeting, and key discussion points and conclusions are summarized below.
6. Discussion. The EGC discussed their vision for the committee, working modalities, and the implications of **EGC members serving in personal capacity**. Committee members reflected on their role of bringing individual views and expertise to EGC deliberations, as compared to representing the position of a constituency. The EGC Leadership encouraged transparent and dynamic exchange of ideas and interaction. Each EGC member was encouraged to take a leadership role in at least one of the main streams of work planned on the EGC work plan for the period 2016-2018.
7. Vision. Due to the specificities of the mission and the composition of the EGC, team spirit and teamwork are essential. The EGC Chair called on the Committee to focus on innovation and creative thinking. EGC member commentary underlined a collective ambition to bring continuous improvement, innovation where appropriate, and enhancement to Global Fund governance and ethics, in the context of the organization’s mission, delivering on the new Strategy, and informed by the core values of the Global Fund. The EGC later agreed to develop a vision statement for discussion on a conference call in July 2016, to be drafted by OBA based on EGC members’ commentary, for the Committee’s consideration. **(Action Item EGCo1/01)**
8. Ethics and values. Throughout the meeting, the EGC Chair affirmed the importance of fundamental values, and emphasized the need for the EGC to maintain constant focus on ethics-related considerations, including the following. Core ethical questions are inherent to Global Fund decision-making across the organization’s operational and governance structures. Consideration of ethics should extend beyond managing conflicts of interest and preventing corruption, with ethical values of dignity, respect, equality and non-discrimination informing the organization’s actions. The Committee’s discussions touched on the role of ethical decision-making, upheld by the ability to systematically identify and manage ethical issues and tensions. In a resource-constrained environment, ethical considerations must play a critical role in the decisions reached, alongside financial considerations, including in relation to transitioning countries, access to treatment, or allocation of resources.

9. Ways of working. In light of the specific nature of the EGC's mandate and composition, the committee discussed the following ways of working:

- a. Problem-based solutions. Ensuring the committee calls for, and considers, robust analysis of problems or weaknesses, in order to propose solutions which are fit-for-purpose.
- b. Best practice. Commitment to incorporation of industry best practice, expertise and benchmarking to develop robust proposals, all in the context of ensuring ethical decision-making.
- c. Engagement with the Board. The EGC will ensure appropriate emphasis on engagement, consultation and communication, and will draw on the involvement of the Coordinating Group.
- d. Board trust. The EGC underlined the importance of gaining Board confidence in the EGC's due diligence with respect to confidential matters.

10. Conclusions. Following discussion on day 1 and day 2 of the meeting, the EGC agreed to the following:

- a. EGC planning. Discuss work plan, vision statement, priorities, and allocation of EGC members to key thematic areas on a conference call in mid-July 2016. (**Action Item EGC01/AIo2**)
- b. Governance focal points. Establish a network of Governance Focal Points in order to exchange and engage with Board constituencies, in order to enable appropriate representation of constituency positions as policies and proposals are developed. (**Action Item EGC01/AIo3**)
- c. Monthly informal conference calls will be planned to facilitate regular discussion on work streams, and information-sharing.

02 Procedure for the Retention and Dissemination of Confidential Material

11. Presentation. Gülen Newton, Legal Counsel, presented the Procedure for Retention and Dissemination of Confidential Material (the "Procedure"), as set forth in document GF/EGCo1/03. In the context of the EGC's oversight of sensitive and confidential matters, the Procedure defines specific restrictions, obligations and processes in order to protect confidential information and mitigate risks associated with inappropriate disclosure.

12. EGC discussion and decision. The committee received clarifications regarding the operationalization of the Procedure, including with respect to reporting on the discussions held in executive session. In response to questions regarding transparency of information, OBA clarified that EGC meeting documents, with the exception of documents classified as confidential and subject to the Procedure, are made available to the Board, in line with the document transparency provisions of the Operating Procedures (Article 47.4). The EGC unanimously adopted the Procedure for Retention and Dissemination of Confidential Information (**GF/EGCo1/DP01**).

III. Ethics

01 Ethics Policy Landscape & Developing the Ethics and Integrity Framework – Briefing

13. Presentation. Gülen Newton, Legal Counsel and former Ethics Official, provided an onboarding briefing on the Global Fund's ethics policy landscape, and projects under way to develop the Ethics and Integrity Framework. The presentation covered (1) the role of ethics in upholding stakeholder trust and confidence; policies and codes establishing ethical expectations for specific stakeholders, and their implementation and integration; (3) the roles of the Board, the EGC, the Secretariat and the Ethics Officer in overseeing and/or embedding an ethical culture across Global Fund operations; (4) the four core ethical principles of the Global Fund,¹ and how these values inform the Code of Ethical Conduct for Governance Officials.

¹ integrity, duty of care, accountability, and dignity and respect

14. In addition, Ms Newton briefed the Committee on new projects to enhance compliance and anti-corruption systems, including (1) development of a Board Policy on Anti-Corruption and Compliance, alongside development of an anti-corruption and fraud regulation in consultation with peer organizations; (2) enhancing integrity due diligence; (3) enhanced supplier expectations through revision to the Code of Conduct for Suppliers under the Ethics and Integrity Framework.

15. EGC discussion. In response to EGC members' comments and queries, Ms Newton advised of the following:

- a. A Code of Conduct for CCMs is being considered under the Ethics and Integrity Framework, and may be developed by the Ethics Officer for EGC consideration and approval in due course and following the consultation and assessment phase of the Ethics Officer's work plan.
- b. Integrity Due Diligence. The Global Fund uses various international lists and databases to undertake due diligence with respect to key individuals and organizations. However, individual criminal background checks for governance officials are not currently in place. The Secretariat is analysing how to enhance due diligence procedures, including through tailor-made approaches based on programmatic area.

16. Conclusions. The EGC will be presented with a proposal for a Board policy on anti-corruption, fraud and compliance at its October 2016 meeting. In addition, the Ethics Officer will advise of timelines for a revision to the Code of Conduct for Suppliers, and the potential development of a Code of Conduct for CCMs, following an initial assessment and consultation phase, as described in paragraph 20 below.

01 Introduction to the Ethics Officer role and function

17. Presentation. Nick Jackson, Ethics Officer, provided the EGC with a briefing on the Ethics Officer function, ethics-related principles as applied to the Global Fund context, as well as first reflections on ethics-related risk management. The EGC is responsible for overseeing institutional ethics, both in terms of whether the Global Fund's ethical principles and policies are being upheld, and through oversight of the institutional ethics function. The presentation set the scene for consideration of the 2016 work plan for the function, and covered (1) definitions of ethics, in theory and in practice; (2) ethics-related considerations in the context of delivering on the Global Fund mission and 2017-2022 Strategy; and (3) the role of the formalized Ethics and Integrity Framework, the Global Fund's values, and of ethics-related principles and considerations, present throughout the Global Fund's operating and governance structures.

18. Ethics-related risk management.² Rahul Singhal, Chief Risk Officer, commented that ethics-related risk management requires definition of our agreed ethical standards, and identification of the areas in which those standards risk being violated. The CRO described ethics-related risk management as a cross-cutting risk area, requiring careful definition of the risks, in order to enable increasing focus on mitigation and monitoring. Mitigation requires a framework ensuring (1) clear definition of our values; (2) awareness of values through effective training mechanisms; and (3) processes to take informed and appropriate decisions, including escalation where necessary.

19. Mouhamadou Diagne, Inspector General, emphasized the importance of a comprehensive anti-corruption and fraud framework, and, thereafter, of clear definition of roles and responsibilities within that framework, whether focused within one function, or split across different complementary roles.

20. EGC discussion. The EGC Chair emphasized the Global Fund's role, and responsibility, to bring ethics to the fore, particularly in countries where key populations remain vulnerable. That is, ethics matters must be visible, emphasized, and clear, with appropriate training and education for all actors, so as to embed ethics in Global Fund ways of working at all levels. Finally, he commented on the need for ethics policy documentation to be available in multiple languages.

² Ethics-related risk is defined in the Corporate Risk Register as "non-compliance with Global Fund ethical standards and policies [...] leading to poor decision-making, potential fraud, financial loss, reputational damage, and/or the GF not meeting its strategic goals."

02 Ethics Function Work Plan and OPEX Budget 2016

21. Presentation. Following the introduction to the ethics function, the Ethics Officer presented the 2016 work plan for the ethics function, set forth in document GF/EGCo1/o8. Mr Jackson's introductory remarks noted the need to take a balanced approach to the work ahead, given the complexity of the Global Fund model and the need for efficient use of resources. The principal focus of the work plan for the remainder of 2016 is on an assessment and consultation phase, at both the governance and operational levels of the Ethics Officer mandate, to review the effectiveness and implementation of the current Ethics Framework. The findings will result in recommendations to the EGC at its October meeting as to the way forward for the ethics function, and will inform the 2017 work plan. Mr Jackson placed the work plan in the context of the following considerations and priorities:

- a. Development of scope over time. In the short term, the function will continue the current focus on avoiding ethical misconduct and advising on decision-making, including through managing conflicts of interest. In the longer term, the function's focus will move towards enabling a culture which facilitates ethical decision-making.
- a. Assessment of the Ethics and Integrity Framework, including how ethics-related risk is managed; effectiveness of the policies, systems and tools, including monitoring of compliance therewith; and identification of any policy or systems gaps, including in relation to CCMs.
- b. Assessing implementation through monitoring the design and effectiveness of the Framework, including through use of established metrics.

22. EGC discussion. The Committee reviewed and provided input on the work plan, as follows:

- a. Assessment phase. Support for the work plan's comprehensive assessment phase.
- b. CCMs. The EGC called for explicit reference in the work plan to ethics matters in relation to CCMs, recognizing that (1) conflict of interest and compliance matters relating to CCMs are deemed most urgent; and (2) the Ethics Officer's mandate covers ethics matters relating to CCMs, including training and resolution of ethics-related issues.
- c. Best practice. The expectation that the forthcoming evaluation of the Ethics and Integrity Framework will include assessment of the relevant Codes of Conduct, including against industry best practice.
- d. Demonstrating impact. The need for concrete areas in which the work of the ethics function, and the Ethics and Integrity Framework, are making an impact in the Global Fund context, and for this impact to fulfil Board-level ambitions.
- e. Collaboration. Recognition of the cross-divisional collaboration required to deliver against the mandate of the function, and a caution to ensure, with the EGC's support, that ethics-related deliverables are embedded into the work plans of other Secretariat functions.
- f. Communications. The importance of comprehensive web-based communications to support communication of policies and codes, and effective training on ethics matters.
- g. EGC support. The EGC is available for meetings with the Ethics Officer in executive session as required, to allow for confidential discussions, including in relation to the independence of the function. In addition, the Ethics Officer was invited to communicate openly with the Committee in the event of changes in circumstance resulting in a need to consider adjustment to allocation of financial or human resources.

23. Response. The Ethics Officer welcomed the EGC's support, and invited their ongoing guidance. Responding to queries from the committee, he reflected on the positive messaging required to move ethics beyond the conflict of interest matters, towards enhanced organizational culture and sound, ethical decision-making. In this way, ethics will become positive enabler in support of the Global Fund mission. Mr Jackson further confirmed his comfort with the dual reporting line to the Board through the EGC, and to the Executive Director, and recognized the especial need to develop strong trust-based relationships with management in this context. In addition, the Inspector General commented that implementation of ethics policies and procedures must necessarily be supported by a 'speak-up' culture, both inside and outside of the organization, with the Ethics Officer playing a key role in developing that culture.

24. Conclusion and decision. The EGC called for the work plan to incorporate explicit reference to assessment of ethics and integrity matters in relation to CCMs at both the operational and governance

levels, and (2) commentary regarding how the Ethics Officer will engage with the EGC. On this basis, the revised work plan was approved by the Committee (GF/EGCo1/DPo2, approving document GF/EGCo1/o8 – Revision 1). Finally, the EGC expressed their expectation that the 2016 budget would be sufficient, and called for a more detailed 2017 work plan and budget, for submission to the EGC at its October 2016 meeting.

IV. Governance

01 Recommendations of the Transitional Governance Committee

25. Introduction. Raegan Boler, Senior Specialist, OBA, presented a series of briefings on the work streams emanating from the Transitional Governance Committee (“TGC”), with the objective of determining the next steps to take forward relevant initiatives and priorities. The background regarding each of the below work streams can be referred to in document GF/B35/o9: *Final Recommendations of the Transitional Governance Committee*.

Components of a Governance Framework I: Livestreaming

26. EGC discussion. The EGC considered the TGC’s analysis and recommendation that Board meetings be livestreamed to each constituency via a secure internet-based facility, a recommendation first posited by the Ad Hoc Working Group on Governance and contained in the Governance Plan for Impact.³ Reflecting on the TGC’s analysis, and discussions at the 35th Board Meeting in April 2016, the EGC commented as follows:

- a. Enhanced constituency engagement. Since the approval of the Governance Plan for Impact in 2014, constituency engagement and access have been strengthened through other means, including the role of the Africa Constituencies Bureau, and increased constituency funding in support of improved communication and consultation.
- b. Risks relating to quality of discussions. Should livestreaming be implemented, constituencies may be dissuaded, or even formally restricted, from speaking openly at Board Meetings, thus hindering transparent exchange in the best interests of the Global Fund.
- c. Delegation size. Livestreaming could allow for reduced delegation size at Board Meetings. However, the EGC noted that the lack of consensus at Board level regarding the benefit of reduced delegation size reflected the differences between constituencies’ composition, from single-country to multiple countries, agencies or organizations.

27. Conclusion. While the EGC welcomed the objective of increasing the inclusiveness of Board deliberations, the Committee determined that livestreaming should not be pursued. Instead, the Secretariat and the EGC should consider alternative solutions to the concerns that livestreaming intended to resolve. Namely, modalities to increase access, transparency and engagement. These objectives will be incorporated into other work streams, including Board composition, and enhancing constituency engagement. The EGC may also consider Board Meeting reporting standards through the lens of supporting transparency and engagement. **(Action item EGC01/AIo4)**

28. Livestreaming of committee meetings. The EGC reflected on the provisions of the Operating Procedures, introduced in November 2015, whereby Board Members and Alternates are entitled to join committee meetings as observers, in person or via livestreaming. The EGC noted the intent of strengthening the connection between committees and the Board, particularly with respect to complex or sensitive issues discussed at committee level. One member commented on the inequitable access for observers from certain constituencies, resulting from geographical distance. The EGC agreed to reflect on whether the provision enabling observers at committee meetings upholds the Board’s intent in practice, and called for analysis from the OBA to support a future discussion. **(Action item EGC01/AIo5)**

³ GF/B32/o8 – Revision 2: Governance Plan for Impact

Components of a Governance Framework II: Constituency Best Practice Guidelines

29. EGC discussion. The EGC reflected on a recommendation contained in the Governance Plan for Impact regarding best practice guidelines for constituency management. The Committee considered a proposal to review the existing Guidelines on Constituency Processes (the “Guidelines”), last updated in 2010, taking into account current practices, for EGC consideration at its October 2016 meeting. EGC members provided the following considerations, to inform the review and development of revised guidelines for constituency management:

- a. Two-tier approach whereby a set of core principles, or minimum requirements, would underpin indicative best practice guidelines, with the latter including options regarding how the key principles could be implemented.
- b. Principles. It would be helpful to develop a set of principles reflecting expected requirements for an effective constituency, in support of effective Global Fund governance. These requirements might include transparency, representation and rotation, accountability, and further ethics-related considerations, for Board adoption.
- c. Best practice. Principles and guidelines should draw on best practice examples, both within Global Fund Board constituencies, and from international standards.
- d. Equity. The principles and guidelines should be appropriate for, and applicable to, all constituencies of the Board.
- e. Constituency funding and other support should be aligned with the agreed principles and requirements.
- f. Compliance reporting. Consideration should be paid to compliance reporting, with the suggestion that OBA should report annually on constituency compliance with the Board-approved principles or minimum standards.

30. Conclusion. The EGC supported review and update of the 2010 Guidelines. Regarding the proposal due for submission at the October 2016 EGC meeting, the EGC called on the OBA to include a set of core principles and minimum standards to be considered by the Board, as well as a methodology for compliance monitoring and reporting.

Components of a Governance Framework III: Board Member Lifecycle Management

31. EGC discussion. The EGC received an update on the Board member onboarding program developed under the oversight of the TGC, and fully implemented in April 2016. Committee commentary emphasized differing needs among Board Members depending on experience, and suggested incorporation of an e-learning package, and mentoring of new Board Members by experienced peers. Finally, the Inspector General underlined the need for the onboarding program to support informed decision-making, incorporating detailed technical briefings where relevant in order to prevent information asymmetry between governance bodies and the functions they oversee.

32. Conclusion. The OBA will finalize a comprehensive on- and off-boarding framework, for presentation to the EGC at its October Meeting.

Country Coordinating Mechanisms

33. Presentation. Raegan Boler noted the TGC’s recommendation regarding enhancing oversight and awareness of CCM matters, both in relation to CCM performance with respect to in-country program oversight responsibilities, and in the context of upholding Global Fund principles of transparency. Abigail Moreland, Head, Grant Management Support, presented a proposal for oversight of CCM matters at committee level, based on the existing Charters, with a distinction between performance, policy and strategic matters including the CCM role in the Global Fund business model (Strategy Committee), and ethics-related matters concerning the intersection between CCMs and the institutional governance structures, as well as ethics-related issues pertaining to CCM members. Finally, the Inspector General provided a summary of the key findings of the OIG’s 2015 audit of CCMs (GF-OIG-16-004), which had identified key weaknesses in CCM operations and oversight. In response to a query from the Committee, Mr Diagne also clarified the role of the CCM in the selection of the Principal Recipient, commenting on the need for a stronger CCM role throughout grant implementation.

34. EGC discussion. Reflecting on the optimal way forward with respect to enhancing oversight of CCM matters, and specifically on the appropriate role for the EGC, the committee considered the following:

- a. CCMs and the governance structure. While not part of the formal governance structure of the Global Fund, CCMs play a key role in program design, implementation and oversight. Several Committee members suggested that they were quasi-governance structures whose effectiveness might therefore be considered to fall under the remit of the EGC. However, the Committee considered that there is ambiguity regarding ensuring CCM issues have a clear entry point within the overall governance system.
- b. CCM role and responsibilities. Many questions relating to the CCM role are already embedded in key Secretariat initiatives overseen by the Strategy Committee, and the Strategy Committee oversees grant portfolio matters, including making recommendations to the Board in relation to CCM Guidelines. However, the EGC plays a key role with respect to ethics-related issues. In addition, the EGC should ensure due attention to management of conflicts of interest. Specifically, there is a need for attention to potential conflicts of interest arising in the context of CCM matters being overseen, at both Board and committee level, by Governance Officials who are also CCM members.

35. Conclusion. The weaknesses in CCM operations and oversight identified by the OIG report require attention and closer oversight by the committees and Board. Also, the EGC noted the need for formal oversight arrangements to be clarified and ambiguities resolved, and considered that identification of the ethics- and governance-related responsibilities of CCMs would support clearer definition of how best to oversee CCM matters. In light of the Board's mixed experience with joint oversight across committees (e.g., risk management), fragmented oversight of CCM matters was considered a risk. As such, the EGC concluded that oversight of CCMs should be anchored with one lead standing committee. The EGC is willing and able to take on this responsibility. Specific follow-up actions are as follows:

- a. The EGC Leadership will raise this issue at the Coordinating Group for their consideration. Following the 1st EGC meeting, through exchange with Coordinating Group, it was also suggested that the EGC Leadership would engage with the leadership of the Strategy Committee with a view to discussing CCM oversight at the October committee meetings, to review the findings of the OIG, the progress on the AMA so far, and define a division of labor between the committees.
(Action item EGC01/o6)

Board Size and Composition

36. EGC discussion. The EGC reflected on the TGC's recommendation that the Board's size and composition be reviewed in 2019-2020 (at the mid-point of the 2017-2022 Strategy), and on constituency commentary at the 35th Board Meeting in April 2016, which demonstrated differing opinion as to the urgency of the discussion.

37. OIG comments. Mouhamadou Diagne provided some context, noting the findings of the 2014 OIG Governance Review, which considered the voting structure as a risk to robust decision-making. Mr Diagne further underlined the importance of organizations challenging their own governance structures, based on conscientious analysis, in order to ensure that institutional governance remains appropriate and effective.

38. EGC discussion focused on the following key themes, with comments including the following:

- a. Methodology for developing options. There is a need to build on the analysis already undertaken, and to develop options which address identified problems or challenges.
- b. Fit for purpose. The Board composition initiative must bear in mind the underlying question of whether the Global Fund Board is fit for purpose to support the Global Fund mission in the Sustainable Development Goals era.
- c. Competitiveness. Specifically, due consideration should be paid to whether the Board is structured to maximize resource mobilization and to enable the involvement of emerging economies who wish to contribute, including through technical assistance or collaboration on supply chain.
- d. Voting structure. The EGC exchanged views on the voting structure in the context of a competitive Board. Some EGC members recognized that there is now a less clear distinction between donors and implementers, and that the term 'implementer' may no longer be

appropriate, while other members viewed the terms ‘donor’ and ‘implementer’ as not being inappropriate or obstructive. Secondly, moving away from the two-group structure may enable more flexibility regarding new seats to accommodate identified representational needs at the Board. Finally, the Donor Group’s principle of like-mindedness may hinder the inclusion of emerging donors within the current structure.

- e. Blocking minority. Recalling the intent of the two-group voting structure as being to ensure buy-in from both donors and implementers, two EGC members cautioned against placing too much emphasis on the blocking minority without concrete examples of its impact, underlining the focus of the majority of constituency members on reaching consensus, or appropriate and quality compromise.

39. Political appetite. The Inspector General and the Head, OBA, commented that extensive analysis had already been undertaken and was available for their review. The OIG will be conducting a follow-up review on governance in 2016 and can expand its scope if deemed helpful. There is now a need to evaluate the political appetite to take forward the discussions and to implement appropriate change.

40. Conclusions. The Chair of the Board called on the EGC to take forward this work stream as a matter of urgency. A working group of the EGC will be formed to develop a methodology to approach the question of the Board’s composition and size, with due focus on defining the issues to be addressed, and proposing associated solutions. Options will be developed that could be presented to the Board, for discussion by the EGC at its October 2016 meeting. (**Action item EGC01/AIO7**)

02 Nomination and Appointment Processes of Board Direct Reports

41. The EGC held an executive session, with the participation of invited guests Mr Norbert Hauser, Chair of the Board; Dr Carole Presern, Head, OBA; and Ms Gülen Newton, Legal Counsel. The purpose of the discussion was to reflect on the role of the EGC in nomination and appointment processes, and on lessons learned from previous Board direct report recruitment processes. In accordance with the Operating Procedures, the record of this executive session is held by Legal Counsel.

03 Constituency Funding: Annual Report 2015-2016 & Revisions to the Constituency Funding Policy

42. Presentation: Annual Report. Raegan Boler presented the first Annual Report on constituency funding (document GF/EGC01/06). The presentation included a briefing on the constituency funding cycle, breakdown of expenditure by type, and explanation of process improvements implemented in light of the recommendations of the OIG’s 2015 advisory review of the adequacy of resources for implementer constituencies (GF-OIG-15-13) and input from the Implementer Group. In addition, Ms Boler commented on the expected impact of 2016 constituency funding, from building constituency capacity to enhancing engagement with regional networks.

43. Presentation: Revising the Constituency Funding Policy. Ms Boler outlined proposed options for the approach to revising the Constituency Funding Policy (GF/B20/DP07), aimed at addressing identified and emerging constituency needs (document GF/EGC01/07). Specifically, EGC guidance was sought regarding transitioning to multi-year rolling work plans and budgets (disbursed annually), and developing a needs-based approach to constituency funding, rather than the current approach which provides for a fixed amount for all constituencies, independent of needs of each implementer constituency.

44. EGC discussion. Committee commentary recognized the following factors as being of relevance to policy development and reporting considerations:

- a. Enhanced implementer engagement. Recognition of the progress made in recent years to strengthen the voice of implementer constituencies, with particular emphasis on the significant impact of the Africa Constituencies Bureau.

- b. Holistic view of the support available. In addition to Global Fund funding, constituencies receive in-kind support from the Global Fund, and funding or in-kind contributions from non-Global Fund sources.
 - a. Non-Global Fund support should be fully assessed and disclosed, both to enable transparent and comprehensive reporting, and in the context of developing a revised policy that addresses identified needs comprehensively. Due consideration should be given to the sustainability of non-Global Fund funding sources.
 - b. Global Fund funding and in-kind support (e.g. training, onboarding, translation) should be coherent and coordinated
- c. Needs assessments. In addition to differing needs resulting from geographical location and constituency composition, one EGC member suggested considering capacity constraints on the constituency's ability to finance its activities.
- d. Conflict of interest. Sensitivity is needed with respect to potential or perceived conflicts of interest relating to the source of any non-Global Fund funding to support a particular constituency, especially when it arises from another constituency.
- e. Three-year budgets and work plans, if acceptable within the Global Fund's financial policies, and upheld by annual reporting, would enable the Global Fund to undertake strategic long-term planning, and a pro-active management of constituency support through the OBA.

45. Conclusions:

- a. Constituency Funding Policy. The EGC supported, in principle, a move to a needs-based model that clearly sets out the objectives for Global Fund support, and called for the ongoing work on the revision of the Constituency Funding Policy to be expanded to include an option for a needs-based model. Consultations should be held with constituencies to identify the full spectrum of needs and the objectives for Global Fund support. The OBA should use information collected over recent years, and further data from constituencies, to inform proactive needs assessments, based on priority work areas, to achieve impact of constituency funding, and the network of governance focal points to discuss the scope and objectives of Global Fund support. Updated options, including a needs-based model, will be presented to the EGC in October 2016, for recommendation to the Board.
- b. Annual reporting on constituency funding should include identification of funding and in-kind support by both the Global Fund and third parties for a holistic view of support to implementer constituencies.

04 Governance Performance Assessment Framework

46. Presentation. Raegan Boler, Office of Board Affairs, provided an overview of the Governance Performance Assessment Framework (the "Framework"), approved by the Board in September 2015, which provides for routine 360° performance assessment of the Board, Board Leadership, Committees and Committee Leadership. Full detail can be found in document GF/EGC01/05. The EGC is responsible for advising the Board in accordance with the Governance Performance Assessment Framework, and will oversee full implementation of the framework, and the 360° review of the Board and Board Leadership in 2016. In addition, the EGC will monitor progress against the Performance Assessment Action Plan developed by the Coordinating Group following the 2015 performance assessment of the Board and standing committees.

47. Egon Zehnder. As per the provisions of the Board decision approving the Framework, the Secretariat has engaged the services of Egon Zehnder to support the EGC to fully implement the Framework, including through designing tools and processes, and conducting annual assessments. In response to queries from the EGC, representatives from Egon Zehnder clarified the following:

- a. Egon Zehnder provides a client-focused model, whereby their work adjusts to fit the needs of the Global Fund, and specifically, the Board. The mandate will not be limited by a predefined scope of work, rather, the objective is to support evolution and improvement, in support of upholding and advancing the Global Fund's position as a leader in public-private partnership governance.

- b. Egon Zehnder services include engaging on best practice suggestions, advising on evolutions in governance, and designing tools and processes which optimize user-friendliness and thus engagement with the performance assessment process.
- c. The EGC role will call for regular engagement with Egon Zehnder, to provide inputs to identify the key issues to be solved, to inform the framework to resolve them.

48. EGC discussion. Through their discussions on both day one and two of the meeting, the EGC reflected on the implementation of the Framework, and collaboration with Egon Zehnder, and made the following observations and suggestions.

- a. Impact. The EGC set a clear expectation that implementation of the Framework should focus on bringing impact and improvement to governance effectiveness at the Global Fund, linked to delivery of the Strategy. The EGC recognized the potential for performance assessment processes to capture improvements required to resolve systemic, structural or procedural issues, as well as competency-related or behavioral concerns.
- b. Linkages to other initiatives. The EGC considered how the roll-out of the Framework, combined with the investment in Egon Zehnder's expertise and services, could best be leveraged to inform other key work streams.
- c. Focus areas. Specifically, consideration could be paid to linking an evaluation of Board effectiveness with the future size and composition of the Board, selection processes and succession planning, the approach to oversight of cross-cutting matters including risk management, and Board information requirements for strategic and efficient decision-making.

49. Conclusions and next steps:

- a. The Board performance assessment survey will be updated and issued in early July 2016.
- b. EGC focal points to hold conference call with Egon Zehnder to provide steer for design of tools and processes. (**Action item EGC01/AI08**)
- c. OBA to provide report on implementation of the Performance Assessment Action Plan from the assessments conducted in 2015 for the October 2016 committee meeting. (**Action item EGC01/AI09**)

05 Selection Processes

50. Presentation. Carole Presern, Head, Office of Board Affairs, presented an overview of the selection processes for Board Leadership, Committee Leadership and Committee membership, and timelines for upcoming appointment processes. The EGC's role includes overseeing selection process effectiveness, and undertaking initial competency reviews of candidates. The Committee discussed the selection processes and procedural requirements, exchanged views on lessons learned from recent processes, and considered improvements for the future. EGC commentary and conclusions are outlined below.

51. Ethics and Integrity Due Diligence. The EGC commented that review of candidates' declarations of interest, and other ethics-related considerations, should take place earlier in the selection processes for improved efficiency. In addition, the Ethics Officer provided some views on existing due diligence work undertaken in the context of governance official selection processes. A proposal on incorporating enhanced Integrity Due Diligence into selection processes for Board Leadership, Committee Leadership and Committee membership will be submitted to the EGC at its October 2016 meeting. (**Action item EGC01/AI10**)

Board Leadership Selection Process

52. EGC discussion.

- a. Current process. The EGC shared insights into the process followed by the two voting groups for the most recent Board leadership selection process. The Committee noted that selection processes within each of the voting groups were maturing, but there is lack of formal engagement between the two groups to ensure complementarity of skillsets between nominees.

- b. Strengthening the Voting Groups' processes. Suggestions for enhancement included developing agreed guiding principles, and increasing transparency by documenting the processes or allowing observers from the other voting group to participate in the selection process.
 - c. Complementary competency requirements. The selection process should facilitate consideration of complementarity of skills and experience between the Chair and Vice-Chair, necessitating connection and interaction between the donor and implementer groups at an earlier stage in the selection process.
 - d. Finalist selection panel. The EGC considered a process whereby the two voting groups would nominate two finalist candidates respectively. Careful consideration would need to be paid to define a process to select the two final candidates, perhaps involving a small selection panel, possibly involving a subgroup of the EGC. The panel could conduct a light-touch final evaluation focused on ensuring complementarity of skillsets. This approach would require due attention to confidentiality matters and reputational risk for nominees.
 - e. Criteria for appointment should include consideration of complementary skills, gender balance where possible, and availability to serve. Specifically, the Board should seek a balance between political seniority and the significant time commitment required for the roles.
 - f. Honoraria. The current Terms of Reference ("ToRs") of the Board Chair and Vice-Chair state that an honorarium may be available, but an Honoraria Policy has not yet been formalized. Review of the ToRs should include consideration of this anomaly.
 - g. Continuous improvement. The EGC should aim to implement process enhancements in an incremental manner, and review lessons learned after the next selection process.
 - h. Handover and onboarding. The OBA is working to enhance the onboarding and handover process from outgoing to incoming Board Leadership
53. Conclusions. Follow-up action was determined as follows (**Action item EGC01/AI11**):
- a. Process design. OBA to work with the EGC to develop an enhanced nominations process, incorporating the above considerations, including guiding principles for the two Voting Groups, and proposal to nominate two finalist candidates per group.
 - b. Revision of ToRs. EGC to consider appropriate revisions to the ToRs for Board Chair and Vice-Chair, reflecting considerations relating to competencies, and potential honoraria.
 - c. Board consultation. EGC to consult with the Board on both process and ToRs, through the planned Governance Focal Points network, to ensure buy-in for proposed enhancements.
 - d. October 2016. The proposed selection process, and ToRs, will be brought to the EGC for discussion at its October 2016 meeting.

Committee Leadership and Membership Selection Process

54. EGC discussion. Through an interactive discussion with the OBA and Vice-Chair of the Board, the EGC put forward the following considerations to inform future review of the selection processes for Committee leadership and membership.
- a. Unified process. Timelines for committee membership appointments should be aligned, to enable recommendation of candidates based on an overview of collective competencies per committee.
 - b. Candidate numbers. One objective should be to increase the pool of competent nominees. Some constituencies, despite several requests, submitted only one candidate in total. It was particularly challenging to attract sufficient candidates for the Audit and Finance Committee, and gender balance was an issue. This may require some attention to how constituencies attract qualified individuals.
 - c. Transparency. The EGC commented on methods to enhance the transparency of committee selection processes for increased Board trust, and sustainability of effective practices. Review of the process should include consideration of actual procedural rules, as compared to the unwritten ways of working, and constituency expectations.
 - d. Selection criteria. In the context of enhancing process transparency and constituency trust, increased clarity is needed regarding how selection criteria are applied and prioritized (competencies, gender, representation, etc).

- e. Representation. Review of the process should include consideration of tensions that may arise in relation to constituency representation and associated expectations. Specifically, number or rotation of committee seats across constituencies. In addition, consideration should be paid to the implications of EGC members serving in personal capacity, and committee Chairs and Vice-Chairs serving in non-voting, neutral roles, and whether these seats should therefore be considered within the procedural rules around constituency representation on committees.
- f. Continuity and rotation. Term limits, and questions of continuity versus change in membership, should be considered.
- g. Risk management. Future process enhancements should address risks of “strategic” applications from constituencies. Requirements regarding the minimum number of eligible candidates per constituency may serve to address these risks.

55. Conclusion. OBA to prepare for a discussion in 2017 to review the principles, unwritten rules, expectations and criteria underlying committee selection processes, with a view to identifying the principal considerations to inform enhancements for the next round of committee appointments in 2017-2018. (**Action item EGC01/AI12**)

Committee Independent Member Selection Process

56. EGC discussion. Committee commentary on the selection of independent members covered both consideration of enhancements for future processes, and discussion of the way forward to appoint the independent ethics expert for the current EGC term.

57. Independent member for 2016-2018 term. The EGC discussed the following:

- a. Profile. The EGC Chair underlined the need for the independent ethics expert to support the embedding of an ethical culture within the Global Fund, and specifically within the governance structure. The EGC further considered the role and required profile of the independent EGC member in the context of the committee’s mandate.
- b. EGC input. The EGC Chair noted a preference to involve the full committee in the review of candidate profiles, noting that the independent expert would serve the full committee for effective delivery of its oversight responsibilities.
- c. Conflict of interest. One EGC member underlined that candidates from the pharmaceutical industry carried a reputational risk with respect to perceived, if not actual, conflict of interest.

58. Process enhancements for future selection processes, to be incorporated into the follow-up captured in **Action Item EGC01/AI12**, may include:

- a. Review of the criteria for independence to ensure they are sufficient without being overly restrictive, specifically in the context of independent members not holding voting rights.
- b. Timing. Selection of independent members at the same time as constituency-nominated members in order to complement skillsets across the committee’s composition.
- c. Networks. Review of the outreach at the stage of calling for expressions of interest, to ensure that the Global Fund is reaching appropriate networks of relevant experts.

59. Conclusion. The OBA will seek additional candidate profiles, including reissuing a call for Expressions of Interest if necessary. Thereafter, the established process will be followed, with the additional process step of sharing candidate CVs with the full EGC, subject to Advisory Panel agreement. (**Action item EGC01/AI13**)

V. Legal Matters

01 Privileges and Immunities – Briefing

60. Presentation. In the context of its responsibility to oversee progress in the acquisition of privileges and immunities (“P&I”) for the Global Fund, the EGC received an information briefing from Gülen Newton, Legal Counsel (document GF/EGC01/09). The presentation covered the history of the Global

Fund's legal status, efforts and progress made to date to secure signing and ratification of the Agreement on the Privileges and Immunities of the Global Fund ("P&I Agreement").⁴ Ratification of the P&I Agreement is critical, given that the agreement sets a threshold of ten states ratifying (or otherwise accepting or approving) the instrument before it enters into force and becomes binding on a multilateral basis under public international law. Finally, Ms Newton outlined the work of the Board-mandated Privileges and Immunities Advisory Group ("PIAG") and referred to a number of activities carried out by the PIAG, with the assistance of the Secretariat, to accelerate the acquisition of P&I for the Global Fund, including high-level advocacy, engagement of diplomatic channels, and seeking the support of ministries of health.

61. EGC discussion. In discussion with the committee, Ms Newton responded to questions and comments, and advised of the following:

- a. Engagement of Board Members and major stakeholders. Regarding the value of engaging Board Members with close connections to ministries of foreign affairs, Ms Newton informed the Board of existing efforts, and took on board a suggestion to engage with one specific constituency.
- b. Incentives for signing the P&I Agreement. Ms Newton confirmed that the framework agreements do not require grant recipient countries to sign the P&I Agreement as a prior condition for receiving the Global Fund grants. Ms Newton referred to some of the incentives for signing the P&I Agreement including the more efficient use of grant funds to fight the three diseases and noted that taxes paid on Global Fund financing across the portfolios are deducted from the US contributions.
- c. Public-private entities. Regarding possible engagement with other private/public partnership entities, Ms Newton mentioned that the Global Fund is leading the way on this issue and added that some of the challenges faced by the Global Fund ensued from the fact that it is not seen by some stakeholders as an international organization in the traditional sense as it was not formed by treaty.

62. Conclusion. The EGC called for accelerated progress to secure P&I for the Global Fund, noting the risks to assets and employees when they are discharging their duties in constituent countries, and the importance of enhanced engagement with major stakeholders. The committee tasked the Secretariat to consider options to further incentivize signature of the P&I Agreement, also taking into consideration the role of civil society. The EGC Vice-Chair indicated that progress needs to be carefully monitored, and noted that if it remains slow, other options may need to be explored, such as introducing further conditionalities on grant disbursement.

63. Sanctions Panel – Briefing

64. Presentation. The EGC is mandated to appoint the independent members of the Sanctions Panel, and to receive updates on Sanctions Panel operations in the context of the strength and effectiveness of Global Fund systems for preventing and addressing fraud and misuse of resources, and enforcement of the Code of Conduct for Suppliers. Gülen Newton provided an informational briefing on the role and objectives of the Sanctions Panel, an explanation of key cases concluded to date, and the Panel's focus for 2017. Ms Newton highlighted the impact of the Panel's innovative focus on mission-enhancing solutions, including (1) mandating donations of two million long-lasting insecticide nets in response to a supplier misconduct case, an international precedent, and (2) the Secretariat's work to develop an Integrity Pact for Global LLIN Procurement.

65. EGC discussion. Committee commentary welcomed the impact of the decisions of the Sanctions Panel so far and sought clarification regarding the reason for the very low caseload to date (four cases in two years), cross-debarment, and the impact of donated LLINs in the context of the Global Fund's financial policies. In response, Ms Newton advised as follows:

- a. Caseload. Ms Newton viewed the caseload to date as reasonable for the first two years of the Panel's operation. She confirmed that cases have been referred to the Sanctions Panel by the

⁴ As at the date of the meeting, 10 countries have signed the P&I Agreement, of which 4 have ratified.

Executive Director on the basis of (1) OIG findings of supplier misconduct; and (2) the recommendation of the Secretariat's Executive Grant Management Committee following screening against established criteria, including the sum of Global Fund resources at risk, and the reputational risk to the organization.

- b. Cross-debarment and publicized blacklisting are prevented by the Global Fund's lack of P&I in some of the jurisdictions in which it operates; however, the Global Fund directly informs all stakeholders in country as necessary to enforce the outcome of the sanctions process. The Secretariat is liaising with similar organizations in order to consider methods to securely share information without risk of exposure to legal challenges such as defamation claims.
- c. Financial policy. LLIN donations in the Cambodia case were made directly to country programs identified by the Global Fund, and as such did not require financial management by the Global Fund.

66. Conclusion. The EGC Vice-Chair called for information in future reports on Sanctions Panel matters, to clarify (1) the number of OIG cases in which supplier misconduct is identified, (2) how many thereof are referred to the Sanctions Panel, (3) how these numbers relate to international best practice, and (4) how sanctions are being followed up. (**Action Item EGC01/AI14**)

VI. Cross-cutting Matters: Risk and KPIs

06 Risk Management: Prioritized Action Plan to Accelerate Management for Impact (joint session with AFC and SC)

67. Presentation. The Chief Risk Officer shared with the members of the three standing committees the "Prioritized Action Plan to Accelerate Management for Impact" (the "PAP"), as set forth in GF/EGC01/04. The main objectives of the plan are (i) building on improvements from the past three years to lay a strong foundation for the Global Fund to improve its maturity level in risk management, internal control processes and governance (ii) acting upon the Board decision from April 2016⁵ to develop a detailed action plan to advance risk management and internal controls, with measureable and time-bound targets, (iii) reviewing the business model in high risk countries, in the context of the Differentiation for Impact Initiative, and (iv) accelerating and prioritizing initiatives with greater focus and commitment on timely and effective delivery.

68. Discussion. Committee members thanked the Secretariat for the preparation of the PAP, and requested an explicit problem statement and strengthened focus within the action plan. In addition to the different initiatives with action plans to address the different risks, committee members felt there is a need for a more systematic and mainstream approach to risk management at the Global Fund. They requested to better understand actual outcomes coming out of the PAP, examples supporting a clearer description of substantive risks prioritized based on potential impact on the organization along with their associated mitigation measures and tracking tools to monitor progress. It was also noted that, ultimately, mitigation actions to address OIG findings should also be embedded in day to day operations. In addition to differentiation approaches, further leveraging partnerships and civil society networks in country would have a positive impact on risk management initiatives, for example around enhancing data quality. Lastly, there is also room to improve governance systems and roles for risk management oversight.

69. Secretariat Response. The Secretariat stated that the Global Fund mainly operates in challenging environments, as such risk to program implementation will always exist. The risk model therefore needs to focus on managing prioritized risks while delivering the Global Fund's mission. There is a need to better balance mission risk and management of operations for efficient delivery programs with specific time frames and in collaboration with partners. The PAP focuses on such prioritized risks. Regarding comments about modifying the current risk model, in the context of relying on the LFAs and partners

⁵ Board Decision GF/B35/DP03: <http://www.theglobalfund.org/Knowledge/Decisions/GF/B35/DP03/>

with presence on the ground as well as CCMs, other options are being explored (e.g., GF specific in country presence).

70. The Secretariat also referred to the project management approach applied to all the initiatives which are aimed at systematically addressing risks. When the projects are completed, their outcomes will be embedded in organisational systems and processes, with a view to supporting implementation of the next GF Strategy. The prioritization of risks related to supply chain in country has been flagged in OIG reports and is 'mission critical'. Likewise, the ITP is an example of how partners' presence in country is being leveraged to manage risks and improve performance of programs. In parallel, community-based monitoring is being tested in a couple of countries to obtain greater assurance and monitoring. Finally, the CRO stressed that developing a common culture around risk management at the Secretariat and in country is paramount to achieving the desired results.

71. Conclusions:

- a. The Secretariat will present options with respect to the business model in high-risk countries to the committees in October 2016, for further discussion.
- b. The Secretariat will present a revised Action Plan to Accelerate Management for Impact ("PAP") to the Board, stating a clear problem statement, risk prioritization with examples, mitigation measures, tracking tools and progress for each initiative.

07 Strategic Key Performance Indicators (joint session with AFC and SC)

72. Presentation. In a joint session with the three Standing Committees, the Chief Financial Officer ("CFO") provided a briefing on the process to develop and implement the 2017-2022 Strategic Key Performance Indicators ("KPIs") Framework, recently approved by the Board (GF/B35/EDP05).

73. The CFO outlined the key milestones in 2016 and 2017 noting that the 2017-2022 KPI Framework is fully aligned with the new Global Fund Strategy covering the same time period with the aim to track its implementation. Together with the mid-2016 KPIs results to be shared for information in October 2016, the proposed 2017 Strategic KPI targets will be presented to the Standing Committees for review and recommendation to the Board. With regards to planned activities in 2017, the Standing Committees will receive a comprehensive progress report on the performance against the 2012-2016 KPI Framework including 2016 results for the full year, mid-year 2017 results where available, proposed 2018 targets for review and recommendation to the Board, as well as regular updates on the overall implementation of the 2017-2022 KPI Framework. In Q2 2018, the Board and Committees will receive the first report of results against the 2017-2022 Strategic KPI Framework along with the first thematic reporting as complement to the Strategic KPIs results.

74. One Committee Member highlighted the importance of, and raised a concern about, the final set of thematic KPIs. It was stated that several proposals from Board constituencies, such as tracking malaria elimination, had not been included among the thematic KPIs for the 2017-2022 period due to timing related and other reasons. Referring to this specific proposed thematic indicator, as an example, it was further noted that the goal of eliminating malaria in up to 10 countries by 2020 is in line with WHO strategies, hence, in the future such number should not hinder the decision to track this type of indicator.

75. Conclusion. The Secretariat will update the Standing Committees about the type of upcoming reporting on the thematic KPIs, including basis for tracking the selected indicators and the kind of information that will be made available.

VII. Close

76. The EGC Chair and Vice-Chair extended their thanks to the EGC members for their active participation. The next in-person meeting will be held in Geneva on 13-14 October 2016. In the interim, conference calls will be held on a monthly basis to discuss specific work streams, with the first call anticipated for the week of 4 July 2016.

Participation

Global Fund Ethics and Governance Committee:

Mohamed Salah Ben Ammar, Chair

Jan Paehler, Vice-Chair

Sarah Boulton, Member

Jacques Mader, Member

Mirta Roses Periago, Member

Jason Wright, Member

Ana Filipovska, participating with delegated authority on behalf of Archil Talakvadze

Apologies:

Archil Talakvadze, Member

Sandy Thurman, Member

Board

Mr Norbert Hauser, Chair of the Board

Ms Aida Kurtovic, Vice-Chair of the Board

Global Fund Secretariat:

*Rachel Orr, Associate Specialist, Office of Board Affairs (EGC focal point)

*Silvia Maggi, Office Coordinator, Office of Board Affairs

*Nick Jackson, Ethics Officer

Carole Presern, Head, Office of Board Affairs

Raegan Boler, Senior Specialist, Office of Board Affairs

Gülen Newton, Legal Counsel

Rahul Singhal, Chief Risk Officer

Allison O'Neill, Legal Officer

Jean Abboud, Legal Officer

Abigail Moreland, Head, Grant Management Support Department

Global Fund Office of the Inspector General:

Mouhamadou Diagne, Inspector General

External:

Neil Hindle, Egon Zehnder

Gaelle Boix, Egon Zehnder

Observers:

None

** Asterisked staff members were present for all of the meeting. Others participated in relevant sessions.*

Background documentation is available on the BoardEffect platform.

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

Decisions

Decision Point	
GF/EGCo1/DPo1	<p><i>Procedure for Retention and Dissemination of Confidential Information (unanimous)</i></p> <p><i>The Ethics and Governance Committee approves the Procedure for Retention and Dissemination of Confidential Information attached as Annex 1 to GF/EGCo1/03.</i></p>
GF/EGCo1/DPo2	<p><i>Approval of the 2016 Ethics Function Work Plan</i></p> <p><i>1. Following review of this proposal, the EGC:</i></p> <p><i>a. Approves the 2016 Ethics Function Work Plan developed by the Ethics Officer in consultation with the Executive Director, as described in Annex 1 to GF/EGCo1/08 – Revision 1;</i></p> <p><i>b. Notes the Ethics Officer’s agreement that the previously approved 2016 Operating Expenses Budget for the Ethics Function (Annex 2 to GF/EGCo1/08 – Revision 1) is sufficient to meet 2016 needs, as set forth in the Ethics Function Work Plan; and</i></p> <p><i>c. Requests the Ethics Officer to keep the 2016 budget under review and return to EGC should changes be deemed necessary within the overall 2016 budgetary allocation for the ethics function.</i></p>

Action Items

Action Item	Work stream	Action required
EGCo1/AIo1	Committee Ways of Working	Develop a vision statement for discussion on a conference call in July 2016, to be drafted by OBA based on EGC members’ commentary, for the Committee’s consideration.
EGCo1/AIo2	Committee Ways of Working	Discuss work plan, vision statement, priorities, and allocation of EGC members to key thematic areas on a conference call in mid-July 2016.
EGCo1/AIo3	Committee Ways of Working	Establish a network of Governance Focal Points in order to exchange and engage with Board constituencies, in order to enable appropriate representation of constituency positions as policies and proposals are developed.
EGCo1/AIo4	Constituency Engagement	Consider Board Meeting reporting standards through the lens of supporting transparency and engagement.
EGCo1/AIo5	Constituency Engagement	Reflect on whether the provision enabling observers at committee meetings upholds the Board’s intent in practice, with analysis from the OBA to support a future discussion.
EGCo1/AIo6	CCM oversight	The EGC Leadership will raise CCM oversight at the Coordinating Group for their consideration. Following the 1 st EGC meeting, through exchange with Coordinating Group, it was also suggested that the EGC Leadership would engage with the leadership of the Strategy Committee with a view to discussing CCM oversight at the October committee meetings, to review the findings of the OIG, the progress on the AMA so far, and define a division of labor between the committees.

Action Item	Work stream	Action required
EGC01/AI07	Board Size and Composition	A working group of the EGC to develop a methodology to approach the question of the Board's composition and size, with due focus on defining the issues to be addressed, and proposing associated solutions. Options will be developed that could be presented to the Board, for discussion by the EGC at its October 2016 meeting.
EGC01/AI08	Governance Performance Assessment Framework	Conference call with Egon Zehnder to provide steer for design of tools and processes.
EGC01/AI09	Governance Performance Assessment Framework	OBA to provide report on implementation of the Performance Assessment Action Plan from the assessments conducted in 2015 for the October 2016 committee meeting.
EGC01/AI10	Selection Processes/ Integrity Due Diligence	Proposal on incorporating enhanced Integrity Due Diligence into selection processes for Board Leadership, Committee Leadership and Committee membership to be submitted to the EGC at its October 2016 meeting.
EGC01/AI11	Board Leadership Selection Process	<p>a. <u>Process design</u>. OBA to work with the EGC to develop an enhanced nominations process, incorporating the above considerations, including guiding principles for the two Voting Groups, and proposal to nominate two finalist candidates per group.</p> <p>b. <u>Revision of ToRs</u>. EGC to consider appropriate revisions to the ToRs for Board Chair and Vice-Chair, reflecting considerations relating to competencies, and potential honoraria.</p> <p>c. <u>Board consultation</u>. EGC to consult with the Board on both process and ToRs, through the planned Governance Focal Points network, to ensure buy-in for proposed enhancements.</p> <p>d. <u>October 2016</u>. The proposed selection process, and ToRs, will be brought to the EGC for discussion at its October 2016 meeting.</p>
EGC01/AI12	Committee Selection Process	OBA to prepare for a discussion in 2017 to review the principles, unwritten rules, expectations and criteria underlying committee selection processes, with a view to identifying the principal considerations to inform enhancements for the next round of committee appointments in 2017-2018.
EGC01/AI13	EGC Independent Member Selection	OBA to seek additional candidate profiles, including reissuing a call for Expressions of Interest if necessary. Thereafter, the established process will be followed, with the additional process step of sharing candidate CVs with the full EGC, subject to Advisory Panel agreement.
EGC01/AI14	Sanctions Panel	Future reports on Sanctions Panel matters to clarify (1) the number of OIG cases in which supplier misconduct is identified, (2) how many thereof are referred to the Sanctions Panel, (3) how these numbers relate to international best practice, and (4) how sanctions are being followed up.