

Memorandum

TO: The Vaccine Fund Board of Directors
FROM: Alex Palacios, EVP Resource Mobilization
RE: Board Restructuring and Building Implementation Plan
DATE: November 22, 2004

Executive Summary:

As discussed with the Executive Committee over recent months, we present below a proposal to revise The Vaccine Fund's Board of Directors structure in two ways: one, to recognize formally the advocacy vs. governing board member distinction; and second, to increase the membership of the Executive Committee to include the chair of the Audit Committee and the private fundraising co-chair of the Development Committee. In addition, we present below a plan for the building of The Vaccine Fund's Board of Directors.

1. Board Restructuring:

The Vaccine Fund currently has 18 members on its Board of Directors, out of a possible 30 members. (Of these, 3 longstanding members have never attended a meeting either in person or by phone. Therefore, we consider our Board only half "built" as of today.) An active and fully engaged Board of Directors is essential to the success The Vaccine Fund or of any advocacy and fundraising organization. Over the past 18 months we have worked to facilitate the engagement of our Board members in the organization's governance and advocacy work. Most have responded to the opportunities for engagement we have identified, particularly with regard to the Campaign for Child Immunization.

However, in the course of this period, it has become evident that we have on our Board two main types of special people important to The Vaccine Fund: very public, luminary personalities, such as former President Mandela and Queen Rania of Jordan, and highly accomplished, but less public people who have agreed to lead or serve on governance committees. We also have had the good fortune of some high level, public personality leadership of key committees such as Investment and Nominations!

As we endeavor to build our Board of Directors and to ensure that all Members are contributing in ways they find appropriate given their history and experience, we believe it is important to bear this governing/advocacy distinction in mind. In addition, recent tightening of the non-profit governance rules in the US and elsewhere suggests compliance with governance requirements has become even more important.

With these factors in mind, therefore, we propose confirming formally two groupings of Board members: a group of Governing Board Members and a group of Advocacy Members with different roles and expectations. Principal among these will be that the standing committees of the Governing Board will include Governing Board Members and Advocacy Members will support the organization in public fora, with media, facilitate high

level contacts, but will not be required to attend our Governing Board meetings and will not be needed for purposes of ensuring a quorum. Our Governing Board Members will lead and populate our standing committees. Special committees, which may be formed from time to time may include both governing and advocacy Members.

The second part of the restructuring proposal refers to the composition and function of The Vaccine Fund's Executive Committee. This governance-critical committee currently includes four Members:

Tore Godal, Executive Secretary of GAVI
Sylvia Mathews of the Gates Foundation
Chip Lyons of the US Fund for UNICEF
Jacques-Francois Martin, President of The Vaccine Fund

Given the advocacy and resource mobilization mandate of The Vaccine Fund and increased governance requirements for all US-based non-profit organizations, we recommend that the Executive Committee of The Vaccine Fund or its post-convergence non-profit successor, include representation from the Development Committee and Audit committees. An expanded Executive Committee would include:

The converged entity's new CEO
Sylvia Mathews of the Gates Foundation
Chip Lyons of the US Fund for UNICEF
Dwight Bush, Co-chair of the Development Committee
Jocelyn Davis, Chair, Audit Committee

Beginning January 2005, it is also proposed that the Executive Committee assume the functions of the Nominations Committee, for two years while the board is being built further and a sufficient number of new Governing Board members are in place to adequately populate the standing committees.

2. Governance Board Building Process and Implementation:

- A. Overview of Governance Board recruitment and nominations process
- B. Criteria for Governance Board membership
- C. Governance Board member terms of reference

A. OVERVIEW OF BOARD RECRUITMENT AND NOMINATIONS PROCESS

Transitional Period: 2005 and 2006:

The process to identify and cultivate potential board members will be driven by the staff under the direction of Alex Palacios. Based on agreed upon criteria for board members, the staff-led Board Building Group will surface names, research the candidates, outline a strategy to cultivate each person, and make recommendations to the Executive Committee, which will serve as a Nominations Committee. Though staff led, we will seek and look forward to recommendations from all Advocacy and Governing Board members. We note that quite often a peer-to-peer outreach can make all the difference in the response of a board candidate. If through the outreach it appears that the person

is interested and able to serve, then a recommendation will be made to the EC to formally invite him/her to join the Board. The Board Chair, or his designee, will then extend a formal invitation, which includes confirming that the person is able and willing to fulfill the responsibilities outlined in the job description.

At least for the next two years (2005-06) candidates will be recruited, nominated and elected throughout the year.

Beginning in 2007, a separate Nominations Committee will be formed that will then take over leading the process. The staff will return to a supporting role.

B. CRITERIA AND CONSIDERATIONS FOR BOARD MEMBERS

- Time & confirmed availability
- Private sector contacts and willingness to use them
- Geography/nationality - balance U.S., developed countries, GAVI countries
- Financial/audit experience
- Fundraising “ask” experience
- International profile/outlook/influence (or national profile)
- Donor government contact with lack of excessive or high profile, active partisanship
- Wealth with willingness to give
- History of interest; connects to mission
- Pharmaceutical contacts
- Prominent civil society representation - advocacy powerhouses (women, labor, children, etc.)
- Programmatic public health stars
- Communications/media links

C. GOVERNANCE BOARD MEMBER TERMS OF REFERENCE

Purpose of the Governance Board

To ensure that the public’s trust placed in the organization is protected. The public expects that funds and other resources used to support the organization will be appropriately invested in order to carry out the mission of the organization. A further expectation is that its members are willing to use their expertise, resources and connections to advance the organization. Thus, the board members of the Vaccine Fund should: a) be motivated by strong belief in the Vaccine Fund’s mission; b) possess a willingness to contribute significantly to the achievements of the Vaccine Fund; and c) recognize the importance of the fiduciary role they play.

The Governance Board as a whole is expected to fulfill its roles in:

Public Trusteeship

1. Ensure legal and regulatory compliance.
2. Provide adequate and independent financial oversight, which includes reviewing and accepting the annual audit.
3. Keep the interests and needs of The Vaccine Fund's constituencies at the forefront of decision making.

Strategic Leadership and Planning

4. Set the mission and strategic direction of the organization.
5. Articulate a value base that is reflected in a concise, consistent policy framework.
6. Manage the Vaccine Fund's assets in such a way that enables it to fulfill its mission.

Resource Mobilization and Advocacy

7. Mobilize public and private resources.
8. Ensure that the Vaccine Fund is positioned and recognized so that it can be an effective advocate for child immunization.

Accountability for Performance Outcomes

9. Set performance outcomes for the organization as a whole, and monitor results to planned outcomes.
10. Hire, appropriately supervise, annually review, and set compensation level for the President/CEO.
11. Ensure that there are adequate resources to achieve The Vaccine Fund's goals (e.g. financial, personnel, physical plant, etc.)

Quality Board Performance

12. Ensure the Governance Board's ability to govern effectively through the continual education of Board members, cultivation and recruitment of new members, and development of leadership.
13. Exercise its fiduciary responsibility by abiding by standards of performance of nonprofit corporations: the duty of care, duty of loyalty and duty of obedience.

Expectations of Individual Members:

1. Believe in the mission, programs and direction of The Vaccine Fund.
2. Prepare for, attend and participate in all regular Board meetings and special sessions (one excused absence is allowable; any more are subject to review).
3. Attend and participate in The Vaccine Fund's activities.
4. Advocate for and positively represent The Vaccine Fund in the community.
5. Make a personal financial contribution and/or assist in raising funds from the private and/or public sector. Given the centrality of resource mobilization to The Vaccine Fund's mission, all board members will be expected to adhere to this "give or get" policy.
6. Maintain confidentiality of any sensitive information that is received as a result of service on the Vaccine Fund's Board of Directors.
7. Immediately disclose any potential conflict of interest that may exist or arise and refrain from voting on any matters that may result in a conflict of interest situation. Board members will disclose in writing on an annual basis all existing or potential conflicts of interest.
8. Serve actively on committees or task forces.

9. Use the skills and contacts for which s/he was recruited to the Board.

10. Participate in a regular self-evaluation of the board.