

**BOARD OF DIRECTORS REPORT 2016-2017**  
**COALITION FOR EPIDEMIC PREPAREDNESS INNOVATIONS – CEPI**

**Mission**

CEPI's mission is to stimulate, finance and co-ordinate vaccine development against diseases with epidemic potential where market incentives fail and to ensure equitable access to those vaccines for populations in need.

**CEPI is filling a critical gap in vaccine ecosystem**

Planning for Emerging Infectious Diseases (EIDs) is challenging: the R&D is complex and lengthy, market potential is often limited, and testing such vaccines is complicated when outbreaks are sporadic.

There are already many actors in the vaccine ecosystem. But there are critical gaps, which CEPI intends to fill:

First, by moving vaccine candidates through late preclinical studies through to proof of concept and safety in humans before epidemics begin and by establishing investigational stockpiles ready for use in an outbreak, so that effectiveness trials can begin swiftly – 'just in case' for better preparedness.

Second, by funding the development of new platform technologies for the rapid development of vaccines against new and unknown pathogens, ensuring a faster response.

Third, by funding, coordinating, and/or advocating for activities to improve our collective response to epidemics – involving stockpiling and procurement, clarification of regulatory pathways, and the development of biological standards, assays and animal models.

CEPI is a global coalition of public, private, philanthropic and civil society organizations and we work in partnership.

CEPI has an innovative model that we believe allows the organization to:

- Enhance market predictability through sharing risks and benefits of vaccine development with industry
- Support equitable access, affordable pricing and the availability of vaccines for people who need them

CEPI will benefit both the populations most at risk of EIDs, which tend to be concentrated in low and middle-income countries, as well as populations in high-income countries, which can never be wholly isolated from epidemics if these fail to be contained at source.

CEPI will partner with industry to ensure sufficient global vaccine development and manufacturing capacity and by 2021, assuming it achieves its resource mobilization target of USD 1 billion. CEPI's objective is to have advanced four to six vaccine candidates against two to three priority Emerging Infectious Diseases through to proof of concept and ready for Phase III.

**Background**

After the Ebola outbreak in Africa in 2014-15, a consensus began to emerge around the urgent need for the world to find a new approach to vaccine development to tackle epidemics of Emerging Infectious Diseases (EIDs). Discussions began and included leading representatives from governments, foundations, industry and civil society. A coalition for proactive R&D was proposed during the annual meeting of the World Economic Forum in Davos in January 2016.

During the initiation phase the Coalition for Epidemic Preparedness Innovations (CEPI) consisted of a stakeholder group and a project management group that set up expert task teams that recommended CEPI to focus its investments on vaccine development from the late preclinical stage to proof of concept and to make use of rapid response platforms where possible.

An interim board was established, and an Interim Secretariat for CEPI was set up at the Norwegian Institute of Public Health (NIPH) in Oslo, Norway.

John-Arne Røttingen joined as interim CEO 11 July 2016 and CEPI was formally established as a Norwegian non-profit association 30.08.2016. K.Vijay Raghavan was elected as Chairman of an Interim Board at the first board meeting 31.08.2016.

### **Launch and start-up phase**

CEPI was officially launched at the World Economic Forum in Davos in January 2017, with funding commitments of USD 540 million. It was decided that the CEPI offices would be located with Nodes in Oslo, London, and Delhi. The headquarters in would be Oslo hosted by NIPH, the London office would be hosted by Wellcome and the Delhi Node would be hosted by the Government of India, Department of Biotechnology. CEPI would also be supported by the Research Council of Norway (RCN), which would serve as facilitator of the tender processes for CEPI's Calls for Proposals (CfPs).

Following the official launch of CEPI, it was decided to establish a permanent Secretariat by 01.01.2018. Richard Hatchett was appointed permanent CEO effective 17 April 2017. CEPI has, during 2017, expanded its geographical presence by establishing itself as a legal entity in London, UK and in Washington DC, USA. During the interim start up period in 2017, CEPI's operations and employees have been hosted by NIPH in Norway and Wellcome in the UK, with the exception of the CEO. CEPI's permanent staff are being formally hired into CEPI during the first quarter of 2018.

During 2017, a revised and permanent governance structure has been developed, and a new permanent board with 12 members has been appointed with Jane Halton as Chair effective 08 March 2018.

CEPI is also in the process of adjusting the size and composition of its Scientific Advisory Committee (SAC). The first meeting of CEPI's new SAC was 27 February 2018. The new SAC will be a critical body for providing scientific expertise on CEPI's vaccine development portfolio, and to the Board.

A Joint Coordination Group (JCG) has been formed with the intention of bringing together key organizations (EMA, FDA, GAVI, UNICEF, MSF, IFRC, AVAREF, Wellcome, NIBSC, WHO) focused on identifying and addressing challenges and barriers across the vaccine development life cycle that could slow the development of CEPI's portfolio of vaccines, as well as vaccine development more broadly. An Investors Council has been established to enable full investor engagement in CEPI's governance without inflating the size of the Board.

### **Growing support from investors**

Thus far nearly USD 640 million of the USD 1 billion target identified in CEPI's Preliminary Business Plan has been raised.

The founding investors have for the period 2017 – 2021 pledged:

- Government of Japan – USD 125 million
- Federal Government of Germany – EUR 90 million (~USD 110 million)
- Government of Norway – NOK 1'600 million (~USD 200 million)
- Bill and Melinda Gates Foundation (BMGF) – USD 100 million
- Wellcome – USD 100 million
- Government of Australia – AUD 2 million (~USD 1.5 million)
- Government of Belgium EUR 0.5 million (~USD 0.6 million)
- Government of Canada – CAD 4 million (~USD 3.0 million)

The European Commission has also committed funding in kind of up to EUR 250 million.

The financial commitments received in 2017 enabled CEPI to launch two calls for proposals. However, additional funding will be required to expand CEPI's portfolio and increase the likelihood of success given the historically high rates of attrition and high costs associated with vaccine research and development. CEPI is therefore actively pursuing new avenues to strengthen partnerships and expand its funding base through resource mobilization.

### **CEPI has moved fast since its launch in January 2017:**

CEPI has pursued a number of critical activities during its first year, ranging from program development to fundraising, establishing a financial architecture, revising its governance, and building strategic partnerships.

As mentioned above, two Calls for Proposals (CfPs) have been issued. The first CfP was for candidate vaccines against the MERS, Nipah and Lassa viruses. These were selected from the list of priority threats in WHO's R&D Blueprint for Action to Prevent Epidemics based on criteria including the risk of an outbreak occurring, transmissibility of the pathogen, burden of disease and feasibility of vaccine development.

The second CfP will support the development of platforms that can be used for rapid vaccine development against unknown pathogens.

The CfPs have received applications from a range of biotech firms, academic institutions, non-profit organizations, and pharmaceutical companies. CEPI anticipates announcing its first partnership agreements in the first quarter of 2018.

In addition to this, CEPI has established working groups on biological standards and assays, stockpiling, and regulatory issues that will inform CEPI's programs and portfolio management in 2018 and beyond.

Three additional sovereign investors (Australia, Belgium, and Canada) announced commitments to CEPI in 2017. Norway substantially increased its original commitment by NOK 600 million, to a total of NOK 1'600 million. CEPI has signed a memorandum of understanding (MOU) with Ethiopia and is pursuing MOUs with other African nations as a step towards full membership in the Coalition.

CEPI is working closely with the World Health Organization (WHO) under its R&D Blueprint to align the activities of CEPI and WHO in promoting vaccine development. These efforts led to WHO's prioritizing the development of Target Product Profiles for MERS, Lassa, and Nipah vaccines and to collaboration between the organizations on the planning and development of Lassa clinical trials.

CEPI has established a Financial Intermediary Fund at the World Bank, cementing a strategic partnership with this institution, and is co-funding an International Vaccine Task Force to inform the World Bank's research capacity building efforts.

CEPI has transitioned all of its interim components (the Board, Scientific Advisory Committee, and Joint Coordination Group) to a permanent footing, established an Investors Council as an important new governance body, and revised its Articles of Association to accommodate these new structures.

### **The year ahead**

CEPI has been met with an enormous amount of appreciation and enthusiasm and experienced considerable global goodwill.

Over the course of 2018, CEPI will be looking to move beyond the operational phase and build solid foundations for long-term institutional stability.

This will mean renewed efforts to reach the USD 1 billion funding target and a 'pivot' to look to replenish for the longer term.

Institutionally CEPI will continue to build capability and capacity within the Secretariat – keeping the core team lean and agile with thoughtful deployment of consultants when needed.

A major area of focus will be signing partnership agreements for both Calls for Proposals, and beyond this beginning to work with partners in vaccine development and structuring the management of CEPI's emerging portfolio.

In addition, the Secretariat will develop a revised business plan and principled approach to portfolio management, continue to work closely and evolve partnerships with critical stakeholders such as the WHO, and flesh out an enabling science agenda that will propel the development of the vaccines and platforms in CEPI's portfolio.

CEPI will continue to refine its governance structure, creating strong linkages between the Board, the Investors Council, the Scientific Advisory Committee, and the Joint Coordination Group. It will deliberate on the proposal of private sector partners to create an Industry Council and will likely proceed if the governance burden is viewed as manageable. As its name indicates, CEPI is a coalition of partners and in addition to its important role as a funder of vaccine development, CEPI has a critical role to play in promoting the organization and coordination of activities of its constituent members. Coalition management will be as important to CEPI's ultimate success as the internal processes of project and program management.

Finally, CEPI will use its convening power to bring actors in the fields of vaccines together to promote the development of epidemic vaccines even where CEPI is not a direct funder.

### **Risks**

CEPI's mission is to stimulate, finance, and develop vaccines against diseases with epidemic potential. Developing such vaccines is a business with high costs, expected high rates of failure, and few commercial incentives. Consequently, CEPI's coalition of investors, including sovereigns and philanthropic foundations, have funded the organisation fully recognising these inherent challenges and seeing CEPI as the best way to tackle them.

### **Operational risks**

The speed CEPI is moving at, the heavy workload of setting-up a new organisation, and initial staffing shortages, create risks which CEPI has developed mitigation steps against. Making permanent appointments has been prioritised, with all director level positions filled as of January 2018; and professional consultants have been appointed on an interim basis. An associated risk has been potential conflicts of interest, particularly recognizing the commercially sensitive nature of vaccine development, and the high number of consultants and advisors who support CEPI's work. A robust policy has been developed to mitigate against this risk; and more broadly protocols, checklists, and software put in place to prevent leakage or unwanted accessing of sensitive information due to human error or IT risks.

### **Programmatic risks**

If CEPI's partners are not sufficiently aligned and coordinated, there is a risk of an uncoordinated response to any outbreak, competing and misaligned demands on local resources, and action being too slow. CEPI is therefore moving to ensure that its partners are connected, and has established a Joint Coordination Group to deal with cross-cutting vaccine development issues and ensure alignment with major stakeholders.

Given CEPI's complex inflows from multiple investors, there is a risk of insufficient operational liquidity. To deal with this, operational cash reserves of 8-10 months have been developed, and other cash reserve facilities are being explored.

Finally, the risk of a lack of political, NGO or commercial interest to fund CEPI is being mitigated through close dialogue and partnership with stakeholders, strong management of the investment profile, and ensuring a critical focus on succeeding in the fundamental mission of successfully developing vaccines.

### **Going Concern**

The Board considers the outlook for CEPI as good and confirm that the going concern assumption is appropriate and that the financial statement is prepared based on that basis.

### **Financials**

CEPI's functional currency is USD, reflecting that approximately 90% of investments and expenses are expected to be in USD and that the majority of contributions are expected to be in USD.

The accounts describe CEPI's first accounting period 30.08.16 - 31.12.2017. The accounts reflect a start-up period where CEPI had only one employee, starting April 2017. Hosted and supported by NIPH in Norway and Wellcome in the UK, additional staff and facilities were provided by these organisations pending the establishment of permanent CEPI legal structures and offices in Norway, the UK and the US. CEPI's new, permanent staff will be employed by CEPI during the first quarter of 2018.

In 2017 CEPI received commitments from its investors of USD 425 million, NOK 1'600 billion, EUR 90.5, AUD 2.0 million and CAD 4.0 million for investments in the period 2017-2021. Of these, commitments USD 325 million, NOK 100 million, EUR 90.5 and CAD 4.0 have been formally contracted and/or received as cash payments as of 31.12.2017.

In 2017, Wellcome and BMGF contributed USD 3.7 million as interim awards to finance the operations of CEPI. In addition, Wellcome has paid for services to third parties on CEPI's behalf as part of the first interim award.

NIPH has in the period contributed USD 0.8 million as pro-bono services to CEPI, consisting of office space, electricity, IT, payroll and accounting services. In the UK, Wellcome has provided similar services, however, the amounts have not been possible to quantify.

The Research Council of Norway (RCN) has provided technical solutions and administrative services to assist CEPI in hosting the calls for proposals, the application process and providing a web-based platform for external evaluation of applications for CEPI funding.

CEPI's operational expense reflects that this has been a start-up period establishing and building an organisation to manage an investment portfolio of up to USD 1 billion. The total operational costs amount to USD 9,328 thousand and financial expenses amount to USD 201 thousand. These expenses are in line with the 2017 budget. CEPI will make its first investments to awardees in early 2018.

Revenue is recognised in accordance with the Norwegian Accounting act, described in the Accounting Principles Note 1. For 2017, total revenue amount to USD 31,876 thousand, while remaining funds received are recorded on the balance sheet as prepaid incoming grants/short term receivable incoming grants. The net result of CEPI is USD 22,548 thousand.

#### **Management of Financial Risk**

CEPI currently receives its donations predominately in USD, NOK and EUR, and will make the grants to awardees in USD.

CEPI has entered into a Trustee agreement with the World Bank where the majority of committed funds to CEPI are channelled through. Available funds are invested in the World Bank or with selected commercial banks, with the main investment goal being capital protection. CEPI is in negotiations with commercial banks to establish hedging facilities to minimise currency risk caused by mismatch of funding and grant currencies.

#### **Organisation and Work Environment**

The organisation had only one employee in 2017.

CEPI's activities were otherwise supported by consultants and employees hosted by NIPH and Wellcome or on direct consultancy contracts.

Resources and consultancy contracts will be transferred to CEPI from NIPH and Wellcome starting 01.01.2018. CEPI has budgeted for a Secretariat of 42 employees in 2018.

There is nothing special to report on the work environment. In the Board's opinion, the work environment is good. CEPI's work environment presents no special problems other than those of a globally dispersed workforce and the challenge of coordinating complicated work streams across multiple offices. CEPI moved to new and larger premises in Oslo in May 2017 and has subsequently opened up offices in modern and centrally located facilities in Washington and London. The management has in 1Q of 2018 held meetings and a retreat with all new employees with emphasis on CEPI's value system and team work. There have been no reported injuries or accidents.

### **Equal Opportunities**

The board of directors and the management give equal opportunities to men and women in all occupations at the company. There are no structural differences in salaries of men and women in the same positions with equal qualifications. The new Board of Directors consists of 4 female and 8 male directors. The Interim board of CEPI had 5 female and 16 male directors.

### **Impact on the external environment**

CEPI does not have any activities that are polluting the external environment.

### **Members**

The members of the CEPI Association are CEPI's investors and board members.

### **Profit distribution**

The net result of USD 22,548 thousand will be transferred to restricted equity for investments and secretariat costs.

Addis Ababa 09 March 2018



Awa Coll-Seck  
Board member



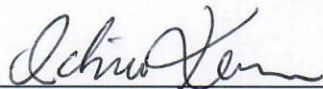
Jane Halton  
Chair of the CEPI Board



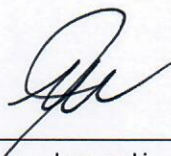
Cherry Kang  
Board member



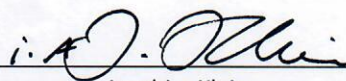
David Reddy  
Board member



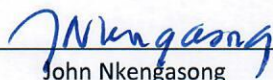
Ichiro Kurane  
Board member



Joanne Liu  
Board member



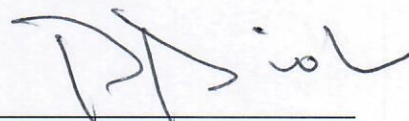
Joachim Klein  
Board member



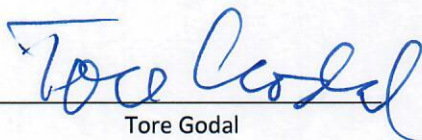
John Nkengasong  
Board member



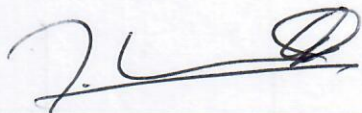
Rajeev Venkayya  
Board member



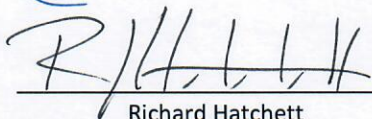
Peter Piot  
Board member



Tore Godal  
Board member



Trevor Mundel  
Board member



Richard Hatchett  
CEO

## Profit & Loss (Activity accounts)

All figures in USD '000

Revenue	Notes	30.08.2016 - 31.12.2017
Contribution from public investors		27 099
Contribution from other investors		3 717
Other income		1 262
<b>Total revenue from operation</b>	7	<b>32 078</b>
<b>Net financial income</b>	2	<b>-201</b>
<b>Total revenue</b>		<b>31 876</b>
<b>Operating costs</b>		
Costs for resource mobilisation		1 025
<b>Total costs for resource mobilisation</b>		<b>1 025</b>
Preparatory costs for development of vaccines		6 250
<b>Total costs for development of vaccines</b>		<b>6 250</b>
Administration costs		2 053
<b>Total administration costs</b>		<b>2 053</b>
<b>Total operating costs</b>	2	<b>9 328</b>
<b>Net result</b>		<b>22 548</b>
<b>Disposal of net result</b>		
Equity with external restrictions	8	22 548
<b>Total disposal of net result</b>		<b>22 548</b>



## Balance Sheet

*All figures in USD '000*

<b>Fixed assets</b>	<b>Notes</b>	<b>31.12.2017</b>
Fixed assets	5	10
Other long term assets		-
Long term financial assets		-
<b>Total fixed assets</b>		<b>10</b>

### **Current assets**

#### *Receivables*

Accounts receivables		-
Short term receivable public grants	7	919
Short term receivable other grants		-
Other receivables		54
<b>Total receivables</b>		<b>973</b>
Bank deposits and cash	6	79 939
<b>Total current assets</b>		<b>80 911</b>
<b>Total assets</b>		<b>80 921</b>

<b>Equity</b>	<b>Notes</b>	<b>31.12.2017</b>
Equity with external restriction	8	22 548
<b>Total Equity</b>		<b>22 548</b>

### **Liabilities**

#### *Short term liabilities*

Trade accounts payable		807
Prepaid incoming public grants	7	32 761
Prepaid incoming other grants	7	20 000
Other short term liabilities		4 804
<b>Total short term liabilities</b>		<b>58 372</b>
<b>Total liabilities</b>		<b>58 372</b>
<b>Total Equity and Liabilities</b>		<b>80 921</b>

Addis Ababa 09 March 2018



Awa Coll-Seck  
Board member



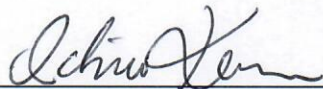
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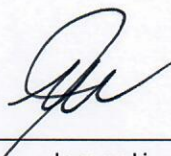
Cherry Kang  
Board member



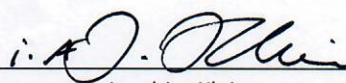
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Board member



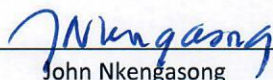
Ichiro Kurane  
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Joanne Liu  
Board member



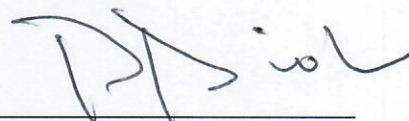
Joachim Klein  
Board member



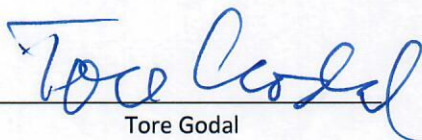
John Nkengasong  
Board member



Rajeev Venkayya  
Board member



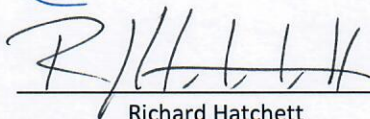
Peter Piot  
Board member



Tore Godal  
Board member



Trevor Mundel  
Board member



Richard Hatchett  
CEO

## Cash Flow Analysis

All figures in USD '000

Cash flow generated by operations:	30.08.2016 - 31.12.2017
Net result	22 548
Depreciation of fixed assets	1
Change in prepaid incoming grants	51 842
Change in prepaid / unpaid outgoing grants	-
Change in other short term receivables & liabilities	5 557
<b>Net cash flow from operations</b>	<b>79 949</b>
Cash flow spent on investments:	
Investments in fixed assets	-11
<b>Net cash flow from investments</b>	<b>-11</b>
Cash flow from long term financing:	
Increase (-) / Decrease (+) in long term receivables	-
<b>Net cash effect of long term financing</b>	<b>-</b>
Net changes in cash flow during the year	79 939
Cash, bank deposits as of 30.08.2016	-
<b>Cash, bank deposits as of 31.12.2017</b>	<b>79 939</b>

## Summary of notes

- Note 1 Accounting principles
- Note 2 Specification of operating costs
- Note 3 Shared costs
- Note 4 Salary costs, management and auditor compensation
- Note 5 Fixed assets
- Note 6 Bank deposits and Cash
- Note 7 Contributions from investors
- Note 8 Equity
- Note 9 Pension Liability

## Note 1 Accounting principles

Coalition of Epidemic Preparedness Innovations (CEPI) is an international coalition working in partnership between public, private, philanthropic and civil organisations to develop new vaccines for a safer world. Its activities are financed through contributions from Government of Norway, Government of Japan, Federal Government of Germany, Wellcome, Bill and Melinda Gates Foundation, Government of Canada and Government of Belgium.

CEPI was registered the 30th of August 2016 as an association ("Forening") and as non-profit ("Frivillig sektor") in the Norwegian public register "Brønnøysundregisteret". The annual accounts are presented as activity based accounts in line with the "Norwegian Accounting Act" as well as the "Norwegian general accepted accounting principles for Non-profit organisations". Operating costs are split into three main categories; costs for resource mobilisation, costs for development of vaccines and costs for administration. The association is tax-exempted. The financial statements will annually be submitted to "Brønnøysundregisteret".

### Principle of revenue and cost recognition

CEPI has a pool of funds for all contributions. For the financial accounts, revenue will be recognised in accordance with Norwegian accounting standards. The contributions can be split into three main categories:

- 1) Contributions with a specific condition on the time frame for the grant to be spent, will be recognised as revenue monthly over the time period of the grant.
- 2) Contributions where there is a clause in the contract of return of unused funds, will be recorded as prepaid incoming grants to the balance sheet and recognised as revenue in line with expenditures.
- 3) Contributions with no clause on return of funds, will be recognised as revenue upon receipt.

For all contributions, only the funds that are either received or committed for the accounting year will be recorded. The total value of the contract will not be recorded due to restrictions in the contracts such as annual parliamentary approval.

Expenditures are recognised as costs when the goods and services are delivered and the activity is performed.

Any pro bono services that are measurable and quantifiable will be recorded in the annual accounts both as income and expenditure.

### Classification of balance sheet items

Current assets and short term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as fixed assets, bank deposits and cash, and equity. Fixed assets are valued at cost, less depreciation and impairment losses.

### Fixed assets

Fixed assets will be depreciated according to the expected economic life of the assets.

### Receivables

Receivables are included in the balance sheet at face value less deductions of provisions for expected loss.

### Foreign exchange

CEPIs' functional currency is USD, reflecting that approximately 90% of investments and expenses are expected to be in USD and that the majority of contributions are expected to be in USD.

Monetary items in a foreign currency are translated into USD using the exchange rate applicable on the balance sheet date.

### CEPI globally

CEPI has during 2017 set up office in the UK and in the US. CEPI UK is a private company limited by guarantee without share capital. CEPI UK has been formed as a company under the Companies Act of 2006; CEPI Norway is the only member of the company. There were no transactions in CEPI UK in 2017.

CEPI US is a registered non-profit corporation that supports social welfare in accordance with section 501 (c)(4) of the Internal Revenue Code of 1986. In 2017, CEPI has covered expenses for CEPI US at a total costs of USD 84 879.

## Note 2 Specification of operating costs

All figures in USD '000

30.08.2016 - 31.12.2017

<b>Operating costs by type</b>	
Salaries	2 770
Consultants	4 387
Infrastructure	1 062
Travel	961
Other operating costs	147
<b>Total operating costs</b>	<b>9 328</b>
Interest income/cost	-6
Agio/Disagio	99
Management fee World Bank	109
<b>Financial costs</b>	<b>201</b>

<b>Operating costs by activity</b>	
Costs for resource mobilisation	1 025
Costs for development of vaccines	6 250
Administration costs	2 053
<b>Total operating costs</b>	<b>9 328</b>
Interest income/cost	-6
Agio/Disagio	99
Management fee World Bank	109
<b>Financial costs</b>	<b>201</b>

**Operating costs are divided into three categories**

In line with the "Norwegian general accepted accounting principles for Non-profit organisations", the costs for administration are defined as costs incurred for board meetings, audit and legal advice. In addition, it includes expenses for consultancy work related to the governance structure of the organisation, which has been an important task in 2017.

Resource mobilisation costs are linked to investor relations and the negotiations of agreements with the various investors.

The core activity of CEPI is to finance and coordinate the development of new vaccines to prevent and contain infectious disease epidemics. In 2017, the costs related to vaccine development have been linked to the preparatory work, such as the processes for call for proposals (CFP1 and CFP2) and technical, financial and legal due diligence of awardees.

The salary costs of CEO, Deputy CEO and CFO are split between the three categories according to estimated time spent on the activities.

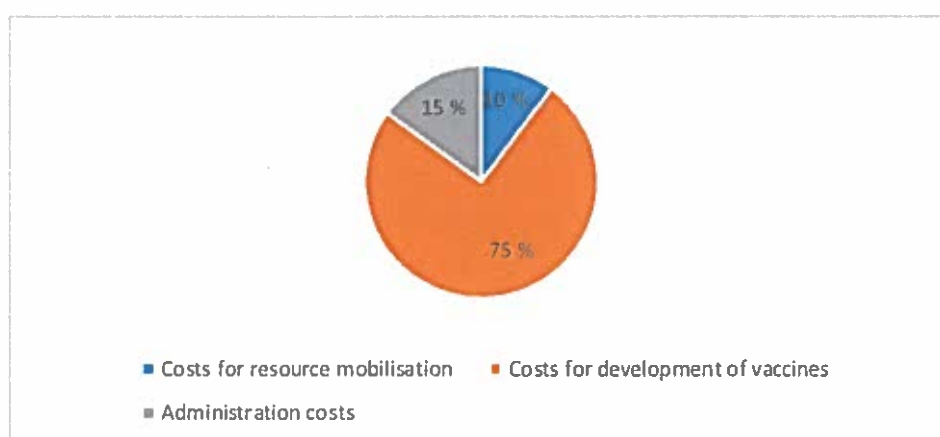
Shared costs are allocated to the three categories based on an allocation key as presented in Note 3.

### Note 3 Shared costs

Shared costs are costs that cannot be directly linked to an activity but is shared between resource mobilisation, development of vaccines and administration. The shared costs include IT, office facilities, finance and HR support. The basis for the allocation key is the total salary costs for each of the three categories of operating costs, as shown in the table below.

All figures in USD '000

	Salary cost per category	In percentage
Costs for resource mobilisation	284	10 %
Costs for development of vaccines	2 072	75 %
Administration costs	414	15 %
<b>Total salary costs</b>	<b>2 770</b>	<b>100 %</b>



	Portion of shared costs	In percentage
Costs for resource mobilisation	228	10 %
Costs for development of vaccines	1 668	75 %
Administration costs	333	15 %
<b>Total shared costs</b>	<b>2 229</b>	<b>100 %</b>

## Note 4 Salary costs, management and auditor compensation

CEPI has had only one employee in 2017, the CEO. The secretariat in Norway has during 2017 been employed by CEPI's host in Norway, the Norwegian Institute of Public Health (NIPH). The total salary costs refunded to NIPH by invoice are included on a separate line below. From 1st of January 2018, CEPI will be taking over the employer responsibility. In the UK, CEPI has been hosted by Wellcome, who has facilitated payment of salaries on CEPI's behalf. These salary costs have been refunded by invoice.

All figures in USD '000

	30.08.2016 - 31.12.2017
Salaries	324
Social security allowance	52
Pension costs	20
Other compensation	113
<b>Total payroll cost</b>	<b>508</b>
<b>Salary paid by NIPH and refunded by CEPI</b>	<b>1 859</b>
<b>Salary paid by Wellcome and refunded by CEPI</b>	<b>403</b>
	<b>2 262</b>
<b>Total salary costs</b>	<b>2 770</b>
<b>Management compensation</b>	
	<b>CEO</b>
Salaries	283
Pension contribution	20
Other compensation	113
<b>Total Management compensation</b>	<b>416</b>

The CEO receives a 4% cash allowance as pension contribution and a retention bonus of GBP 47 333, which will be paid annually for three years (total GBP 142 000). Other compensation includes one off payments related to moving costs to the UK.

No remuneration was paid to the Board members in 2017.

### Auditor compensation

In 2017 CEPI expensed USD 7 572 including VAT for statutory audit.

## Note 5 Fixed assets

All figures in USD '000

	Operating equipment and inventory	Total
Accumulated cost 01.10.16	-	-
Additions	11	11
Disposals	-	-
Accumulated cost 31.12.17	11	11
Carrying amount of borrowing costs		
Accumulated depreciations	1	1
Accumulated write downs	-	-
Reversal of previous write downs	-	-
Carrying value 31.12.17	10	10

The accrued cost for purchase of fixed assets has been USD 1 thousand in 2017. Fixed assets will be depreciated over three years as the expected economic life of the products.

## Note 6 Bank deposits and Cash

All figures in USD '000

	31.12.2017
Employee tax withholding	18
Deposits in the World Bank	74 949
Deposits in commercial banks	4 971
<b>Total bank deposit and cash</b>	<b>79 939</b>
<b>Total liquid assets</b>	<b>79 939</b>

The World Bank has been selected to be the fundholder of CEPI funds through the establishment of a Financial Intermediary Fund (FIF). The FIF will hold funds for as long as deemed necessary by CEPI, and disburse funds to commercial bank accounts upon the request by the CEPI Secretariat.  
In 2017 CEPI had funds in EUR, USD and NOK in the World Bank. The Norwegian bank, DNB, serves as CEPI's operational bank.



## Note 7 Contributions from investors

*Contributions received from investors as per 31.12.2017*

Date	From	Currency	Amount	Currency	000' USD	#
19.05.2017	Bill and Melinda Gates Foundation	USD	1 977 239	USD	1 977	
26.05.2017	Wellcome	NOK	2 032 188	USD	242	
04.08.2017	Wellcome	USD	1 123 181	USD	1 123	
03.11.2017	Government of Canada	CAD	3 600 000	USD	2 830	
05.12.2017	Bill and Melinda Gates Foundation	USD	20 000 000	USD	20 000	
08.12.2017	Wellcome	USD	374 393	USD	374	
18.12.2017	Federal government of Germany	EUR	10 000 000	USD	11 795	
21.12.2017	Government of Norway	NOK	100 000 000	USD	11 890	
28.12.2017	Government of Japan	USD	25 000 000	USD	25 000	
29.12.2017	Federal government of Germany	EUR	5 785 816	USD	6 939	
<b>Total contributions received as per 31.12.2017</b>					<b>82 171</b>	<b>1</b>
Prepaid incoming public grants as per 31.12.2017				USD	32 761	2
Prepaid incoming other grants as per 31.12.2017				USD	20 000	3
Short term receivable public grants as per 31.12.2017				USD	919	4
Agio/ Disagio from prepaid incoming grants and short term receivable grants				USD	-488	5
<b>Revenue from public and other investors (1-2-3+4-5)</b>					<b>30 816</b>	<b>6</b>

*Contributions where CEPI has received free services or third parties have been paid on CEPI's behalf*

Date	From	Currency	Amount	Currency	000' USD	
31.12.2017	Wellcome	GBP	98 000	USD	127	
31.12.2017	Wellcome	USD	281 400	USD	281	
31.12.2017	Norwegian Institute of Public Health	NOK	6 998 505	USD	853	
<b>Other income</b>					<b>1 262</b>	<b>7</b>
<b>Total revenue from operation (6+7)</b>					<b>32 078</b>	

Revenue has been recognised in line with the accounting principles of Note 1.

The contribution from the Government of Belgium of EUR 500 000, and the second instalment from the Government of Canada, CAD 400 000, are included in the 2017 accounts as short term receivables (USD 919 thousand).

Other income includes pro bono services provided by Norwegian Institute of Public Health (NIPH) for office space and services related to payroll, accounting and IT at an estimated value of USD 853 thousand. In the UK, Wellcome has provided similar services. The value of these services has not been possible to quantify. In addition, Wellcome has paid for services to third parties on CEPI's behalf as listed above.

The Research Council of Norway (RCN) has provided technical solutions and administrative services to assist CEPI in hosting the calls for proposals, the application process and providing a web-based platform for external evaluation of applications for CEPI funding. These services have not been possible to quantify.

## Note 8 Equity

*All figures in USD '000*

Equity with external restriction 30.08.2016	-
Total disposal of net result	22 548
<b>Equity with external restriction 31.12.2017</b>	<b>22 548</b>

Equity will be spent as in accordance with the investor agreements, for secretariat costs and vaccine development.

## Note 9 Pension Liability

For 2017, CEPI has had one employee, the CEO, who receives a 4% cash allowance as pension contribution. The contributions recognised as expenses equalled USD 20 thousand.

## INDEPENDENT AUDITOR'S REPORT

To the Members Meeting of Coalition for Epidemic Preparedness Innovations

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Coalition for Epidemic Preparedness Innovations, which comprise the balance sheet as at 31 December 2017, the activity accounts and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the organization as at 31 December 2017 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Other information consists of the information included in the organization's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organizations's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

#### **Opinion on the Board of Directors' report**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



### **Opinion on registration and documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the organization's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Addis Ababa, 9 March 2018  
ERNST & YOUNG AS

A handwritten signature in blue ink, appearing to read 'Tommy R', is written over the printed name and title.

Tommy Romskaug  
State Authorised Public Accountant (Norway)