

THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

Introduction

IFFIm is a multilateral development institution, established as a charity registered with the Charity Commission for England and Wales (the “UK Charity Commission”). IFFIm’s primary purpose is to provide funding for the immunisation programmes and/or programmes of vaccine procurement of the GAVI Alliance (“GAVI”) in 70 of the poorest countries of the world by making grants to The GAVI Fund Affiliate, a charity registered with the UK Charity Commission.

The governments of seven nations — the Republic of France, the Republic of Italy, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden and the United Kingdom — have committed to provide scheduled grant payments to The GAVI Fund Affiliate over up to 20 years. The GAVI Fund Affiliate has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm’s agreement to assess for approval programmes of immunisation and/or vaccine procurement presented to IFFIm by The GAVI Fund Affiliate, and to use its reasonable endeavours to raise funds for such programmes if approved. IFFIm will use the proceeds of the assigned grant payments for the purpose of, *inter alia*, repaying principal and paying interest on the Notes issued by IFFIm under the Programme.

Working with its target eligible countries, GAVI will continue to identify and approve programmes of immunisation, related health system strengthening and/or vaccine procurement, some of which may be appropriate for funding by The GAVI Fund Affiliate. The GAVI Fund Affiliate will present such programmes to IFFIm, which, after consideration of such programmes’ eligibility for IFFIm funding, including consideration of whether IFFIm has sufficient financial resources and consideration of the funding and liquidity policies of IFFIm, may issue Notes from time to time under the Programme and disburse the proceeds to The GAVI Fund Affiliate. IFFIm is also permitted by the Finance Framework Agreement described in greater detail below, and the other agreements to which IFFIm is a party, to raise funds pursuant to loan facilities made available under agreements concluded between it and lenders from time to time. The Finance Framework Agreement contains certain restrictions on the borrowing of loans by IFFIm, including that the terms of any such loan should be confirmed by IFFIm’s Treasury Manager as being in compliance with IFFIm’s funding strategy.

The GAVI Fund Affiliate subsequently disburses the funds received by it from IFFIm, either directly or via an account in the name of the GAVI Fund to support GAVI immunisation, related health system strengthening or vaccine procurement programmes which The GAVI Fund Affiliate has previously approved.

IFFIm is managed by a board of directors. IFFIm has outsourced its principal activities to two organisations: all administrative support functions are provided by the GAVI Fund — the financial coordinating member of GAVI; and all treasury functions are provided by the International Bank for Reconstruction and Development, otherwise known as the World Bank, in its capacity as IFFIm’s Treasury Manager.

Background to the International Finance Facility for Immunisation

The Grantors are committed to the achievement of the United Nations Millennium Development Goals (“MDGs”) agreed at the UN General Assembly in 2000. At the International Conference on Financing for Development in Monterrey in 2002, a number of sovereign grantors committed to increase their Official Development Assistance (“ODA”) and to explore mechanisms to raise additional resources for development. The Initial Grantors reaffirmed their commitment to contributing to meeting the Millennium Development Goals at the Millennium Review Summit held in New York in September 2005 by increasing their ODA and implementing new financing mechanisms.

The fourth Millennium Development Goal (“MDG4”) is the reduction by two thirds of the mortality rate of children under five by 2015. Immunisation and related health system strengthening programmes serving children under five living in poor countries can greatly contribute to the achievement of MDG4. GAVI has been working since 2000 to save children’s lives and protect people’s health through the widespread use of vaccines in poor countries. In 2004, the establishment of a new organisation, IFFIm, was proposed to bring forward resources to support and enhance the immunisation and/or vaccine procurement programmes of GAVI through the leveraging of long-term

sovereign grants. The GAVI Fund Affiliate, registered as a charity with the UK Charity Commission, is intended to be the principal recipient of funds raised in the international capital markets by IFFIm.

The Grantors have each entered into a Grant Agreement, pursuant to which they have committed to make Grant Payments to The GAVI Fund Affiliate according to an agreed schedule. The GAVI Fund Affiliate has, prior to the date of this Prospectus, assigned all of its rights, title, benefit and interest in, to and under each such Grant Agreement, including the rights to receive each Grant Payment committed to be made thereunder, to IFFIm. Further grantors may enter into grant agreements from time to time.

The goal of IFFIm, based on the current Grant Payments, is to provide up to U.S.\$4 billion for programmes of immunisation and/or vaccine procurement from 2006 to 2015 (inclusive).

It is estimated by the World Health Organization that IFFIm's resources could lead to the vaccination of more than 500 million people between 2006 and 2015, with the objective of preventing the deaths of 5 million children and 5 million adults via the usage of new and under-utilised vaccines, targeted immunisation campaigns and the strengthening of health and immunisation services in GAVI's target countries.

There are 72 countries currently eligible for support through GAVI programmes. IFFIm resources can be used to fund non-country specific programmes (as to which, see further below), and country-specific programmes in GAVI eligible countries that are also members of, and not in Protracted Arrears (as defined herein) to, the International Monetary Fund ("IMF"). There are two GAVI eligible countries that are not members of the IMF (Cuba and North Korea) and which will therefore not benefit from IFFIm funds. There are three GAVI eligible countries currently in Protracted Arrears (Somalia, Sudan and Zimbabwe), and for a discussion of the effects of such Protracted Arrears, see further below under "Grant Payment Conditionality".

IFFIm

IFFIm was incorporated as a private company limited by guarantee, without share capital, under the Companies Act 1985 (as amended from time to time, the "Companies Act"), on 26 June 2006 for an indefinite duration under the name of International Finance Facility for Immunisation Company. The members of IFFIm are the GAVI Fund and GAVI Foundation.

IFFIm is registered with the Registrar of Companies for England and Wales under registered number 5857343. IFFIm is also registered with the UK Charity Commission as a charity with registered number 1115413.

IFFIm's registered office is 2 Lamb's Passage, London EC1Y 8BB. IFFIm may be contacted on +41 22 909 6504. See further the section entitled "*IFFIm*" on page 73.

IFFIm has appointed a five member board of directors (who also constitute the charitable board of trustees). The directors and their principal activity outside IFFIm are:

- Alan R. Gillespie CBE, PhD (Chairman of the IFFIm board): Chairman, Ulster Bank Group, Northern Ireland, a member of the Royal Bank of Scotland Group;
- Michèle Boccoz: Director of International Communication, Veolia Environment, Paris;
- John Cummins: Group Treasurer, The Royal Bank of Scotland Group plc, Edinburgh;
- Dayanath Jayasuriya: Attorney-at-Law and Visiting Professor of Law, University of the Free State, South Africa; and
- Arunma Oteh: Vice President, Corporate Management, African Development Bank Group, Tunis.

Pursuant to European Commission Directive 2007/18/EC, because IFFIm has a risk profile equivalent to the multilateral development banks enumerated in Annex VI, Part 1, point 20 of Directive 2006/48/EC, exposures to IFFIm shall be assigned a 0 per cent. risk weight by credit institutions in the European Union. Similarly, the Basel Committee on Banking Supervision has agreed that supervisory regulatory authorities may allow banks to apply a 0 per cent. risk weighting to their exposure to IFFIm as if it were a multilateral development bank. Prospective investors should seek advice in their

particular jurisdiction to ascertain the position with respect to such risk weighting prior to making any investment decision.

Description of Other Parties

Grantors

The governments of the Republic of France (acting through its Agence Française de Développement and the Ministre des Finances, de L'économie et de L'emploi in separate Grant Agreements), the Republic of Italy (acting through its Ministry of Economy and Finance), the Kingdom of Norway (acting through its Ministry of Foreign Affairs), the Government of the Republic of South Africa, the Kingdom of Spain (acting through its Ministry of Foreign Affairs), the Government of the Kingdom of Sweden and, for the United Kingdom, Her Britannic Majesty's Secretary of State (acting through the Department for International Development) have each entered into Grant Agreements with The GAVI Fund Affiliate. Additional grantors may in the future accede to the Finance Framework Agreement and enter into grant agreements that will, once assigned to IFFIm, provide a further source of funds for IFFIm.

Any country which is not a Grantor, provided that it is acceptable to, *inter alios*, the existing Grantors, IFFIm and The GAVI Fund Affiliate, may upon, *inter alia*, (i) entering into a grant agreement on terms approved by the Treasury Manager acting reasonably, (ii) signing a form of accession letter and (iii) providing legal opinions and such documentary conditions precedent as IFFIm may require from it, become an Additional Grantor (acting, if applicable, through an appropriate ministry or government agency), vested with all the authority, rights, powers, duties and obligations under the Finance Framework Agreement as if originally named as an Initial Grantor.

GAVI

GAVI is responsible for the operational activities related to the immunisation, health system strengthening and/or vaccine procurement programmes for which IFFIm provides funding. GAVI was created in 2000 to respond to, and to combat, declining immunisation rates in developing countries. It is a public-private partnership between certain permanent members (including the World Health Organization, the United Nations Children's Fund (formerly known as the United Nations International Children's Emergency Fund, "UNICEF"), the World Bank and the Bill & Melinda Gates Foundation), representatives of governments of industrialised nations and developing countries on a rotating basis, and representatives from the fields of vaccination, health and research. GAVI aims to accelerate access to vaccines, new vaccine development and ensure the financial stability of immunisation and related health system strengthening programmes. GAVI has implemented an innovative performance-based grants programme that rewards countries for increasing immunisation coverage. Since 2000, GAVI has committed more than U.S.\$3.5 billion to more than 70 of the world's poorest countries.

In the last seven years, approximately 176 million additional children have been reached with new and underused vaccines, including those for Hepatitis B, *Haemophilus Influenza* type b and yellow fever. In addition, 36.8 million children have also been reached with basic vaccines against diphtheria, tetanus and pertussis. GAVI estimates that its work has helped to prevent approximately 2.9 million deaths during the past seven years. With the incremental funds from IFFIm, it is anticipated that an additional five million child deaths and more than five million adult deaths will be averted.

Since its creation, the following donors have made direct contributions to support GAVI immunisation efforts in more than 70 of the world's poorest countries: Australia, Canada, Denmark, the European Union, France, Germany, Ireland, Luxembourg, the Netherlands, Norway, Sweden, the United Kingdom, United States and the Bill & Melinda Gates Foundation.

The GAVI Fund

The GAVI Fund is a non-profit 501(c)(3) public charity organised as a corporation under the laws of the State of Washington, USA. It was established on 26 October 1999 with an initial grant from the Bill & Melinda Gates Foundation to address the needs for vaccines and immunisation in the world's poorest countries, being those with a per capita gross national income of less than U.S.\$1,000 (based on 2003 estimates). The GAVI Fund has a board of directors, of which Graça Machel is the Board Chair and Nelson Mandela is the Board Chair Emeritus. Its offices are at 1776 Eye Street, NW, Suite 600, Washington D.C. 20006, USA.

Governance of GAVI and the GAVI Fund

GAVI and the GAVI Fund have commissioned a series of reports to develop options for refining their governance arrangements, currently split into two parallel organisations (GAVI and the GAVI Fund) with separate programmatic and fiduciary responsibilities, into a single governance body.

At a joint meeting on 26 February 2008, the Boards of GAVI and the GAVI Fund agreed in principle to centralise governance and operations of the two entities within GAVI. The joint Boards also decided to reorganise GAVI as a foundation under Swiss law. GAVI Foundation is a charitable entity organised under the laws of Switzerland, established on 14 July 2006 and registered at the Registry of Commerce of the Canton of Geneva as a foundation on 19 July 2006. GAVI is applying for recognition of GAVI Foundation under the Swiss Host State Act which entered into force on 1 January 2008. If so recognised, GAVI Foundation would benefit from broad privileges and immunities within Switzerland. It is expected that following the completion of any such reorganisation, the GAVI Fund would cease to be a member of IFFIm and GAVI Foundation would become the sole member of IFFIm. This reorganisation will require an amendment to the IFFIm governing documents (the Finance Framework Agreement and the Procedures Memorandum) as the process for approving programmes within GAVI and requesting funding from IFFIm will change modestly.

The GAVI Fund Affiliate

The GAVI Fund Affiliate was incorporated as a private company limited by guarantee without share capital, under the Companies Act on 26 May 2006 for an indefinite duration. The GAVI Fund Affiliate is registered with the Registrar of Companies for England and Wales under registered number 5830438. The GAVI Fund Affiliate is also registered with the UK Charity Commission as a charity with registered number 1115297, and has its registered office at Beaufort House, Tenth Floor, 15 St. Botolph Street, London EC3A 7EE. The sole member of The GAVI Fund Affiliate is the GAVI Fund.

The GAVI Fund Affiliate has appointed a four member board of directors. The directors and their principal activity outside the company, are:

- Stephen M Zinser, Chief Investment Officer of European Credit Management Limited, London;
- Wayne Berson, Partner and National Director of Not-for-Profit Services at BDO Seidman LLP, Washington D.C. (also appointed to the board of directors of the GAVI Fund in July 2005);
- Bo Stenson, formerly Principal Officer and Acting Deputy Executive Secretary of the GAVI Alliance Secretariat, Uppsala, Sweden;
- Dr. André Prost, formerly Director of Government and Private Sector Relations at the World Health Organisation and having held prior positions at the World Health Organisation and the World Bank, Loisia, France.

Treasury Manager

The International Bank for Reconstruction and Development has been appointed to act as Treasury Manager of IFFIm. The duties of the Treasury Manager include, among others: assessing IFFIm's ability to finance any proposed immunisation and/or vaccine procurement programme presented for IFFIm's consideration by The GAVI Fund Affiliate; assessing on a periodic basis the funding required by IFFIm to meet its expected obligations in respect of programmes previously approved by it, as well as in respect of outstanding Notes; providing account administration services; recommending funding, risk management, investment management and liquidity policies for IFFIm and, upon approval of such policies, executing all of IFFIm's financial transactions contemplated thereunder; and advising IFFIm on all aspects of the issuance of Notes under the Programme.

Key Transaction Agreements and Structure Overview

IFFIm, the Grantors, the GAVI Fund, The GAVI Fund Affiliate and the Treasury Manager have entered into or became party to the Finance Framework Agreement to regulate their rights and obligations as between one another. The parties to the Finance Framework Agreement have also agreed therein to follow the procedures set out in the Procedures Memorandum when considering for

approval GAVI immunisation and/or vaccine procurement programmes. IFFIm and the Treasury Manager have entered into the Treasury Management Agreement pursuant to which the Treasury Manager agrees to provide certain services to IFFIm. The overview of the structure which is set out in the remaining part of this section is based on, *inter alia*, the key terms of these documents and the Grant Agreements entered into prior to the date of this Prospectus, which can be viewed in full by a prospective investor as described in “*General Information*” at paragraph 10, on page 104.

The Grant Agreements

Each Grantor has, prior to the date of this Prospectus, entered into a Grant Agreement with The GAVI Fund Affiliate. Each Grantor has represented and warranted to IFFIm and the other parties to the Finance Framework Agreement that the Grant Agreement to which it is a party constitutes valid and binding obligations of such Grantor.

Pursuant to each Grant Agreement, the relevant Grantor agrees to make scheduled Grant Payments to The GAVI Fund Affiliate, pursuant to a schedule contained in the relevant Grant Agreement. Each Grant Agreement is substantively identical to the others (save for the quantum and timing of the scheduled Grant Payments and certain other limited exceptions, as summarised herein), and the key terms are summarised below in the section entitled “*Summary of Grant Agreements*” at page 76. Each Grant Agreement is governed by English law, save for the Grant Agreement entered into by the Kingdom of Spain, which is governed by Spanish law, and the Grant Agreement entered into by the Republic of Italy, which is governed by Italian law.

Pursuant to the Finance Framework Agreement, The GAVI Fund Affiliate has confirmed that it has established a funding policy pursuant to which it will request IFFIm to accept an assignment of all Grant Agreements which have been entered into by The GAVI Fund Affiliate (including, for the avoidance of doubt, any Grant Agreements entered into with future additional Grantors after the date of this Prospectus). If at any time The GAVI Fund Affiliate considers changing such funding policy, it is required to give as much notice as reasonably possible to IFFIm, the Treasury Manager and the Grantors that such a change is being considered by it and it is required to consult with the other parties to the Finance Framework Agreement in good faith prior to implementing any such change.

In consideration of IFFIm’s agreement to assess immunisation and/or vaccine procurement programmes submitted to IFFIm for approval and, to the extent any such programmes are approved by IFFIm, to use all reasonable endeavours to fund such programmes in accordance with the Finance Framework Agreement, The GAVI Fund Affiliate has assigned to IFFIm all of its rights, title, benefit and interest in, to and under each Grant Agreement entered into by each Grantor prior to the date of this Prospectus, including the right to receive each Grant Payment committed to thereunder, and IFFIm has agreed to perform all of The GAVI Fund Affiliate’s obligations under such Grant Agreements. Therefore, each Grantor is obliged to make each such Grant Payment on its due date directly to IFFIm, subject to the Grant Payment Condition (as defined below).

In respect of any Grant Agreement entered into by The GAVI Fund Affiliate after the date of this Prospectus with a new grantor, or any further Grant Agreement entered into by a Grantor, IFFIm has agreed that it will consider a written request by The GAVI Fund Affiliate to accept an assignment or transfer from The GAVI Fund Affiliate of all of its rights, title, benefit, interest and obligations in, to and under such Grant Agreement, including the rights to receive each Grant Payment thereunder.

Grant Payments

The Grantors’ commitments under the Grant Agreements entered into prior to the date of this Prospectus are as follows:

GRANTOR	TOTAL COMMITMENT
Republic of France	€1,239,960,000 ⁽¹⁾
Republic of Italy	€473,450,000
Kingdom of Norway	U.S.\$27,000,000
Republic of South Africa	U.S.\$20,000,000

Kingdom of Spain	€189,500,000
Kingdom of Sweden	SEK 276,150,000
United Kingdom	£1,380,000,000

Notes:

- (1) The Republic of France acting through its Agence Française de Développement granted an initial commitment of €372,800,000 pursuant to its Grant Agreement dated 28 September 2006. Acting through the Ministre des Finances, de L'Economie et de L'Emploi, the Republic of France has granted a further commitment of €867,160,000 pursuant to a Grant Agreement dated 7 December 2007.

The Grant Payments are to be paid on the dates set out in the following schedules (shown in the currency in which the Grant Payment will be made):

GRANT PAYMENT DATE	GRANTOR							
	Republic of France ¹ (EUR)	Republic of France ² (EUR)	Republic of Italy (EUR)	Kingdom of Norway (USD)	Republic of South Africa (USD)	Kingdom of Spain (EUR)	Kingdom of Sweden (SEK)	United Kingdom (GBP)
31 October 2006				2,700,000		9,475,000		
28 November 2006			3,000,000					
20 December 2006				2,700,000				
1 March 2007				5,400,000				
15 March 2007					1,000,000			
31 March 2007	20,000,000		6,000,000				18,410,000	
15 April 2007								4,710,000
15 October 2007								4,710,000
31 October 2007						9,475,000		
15 February 2008					1,000,000			
1 March 2008				5,400,000				
31 March 2008	20,600,000	20,000,000	25,850,000				18,410,000	
15 April 2008								8,730,000
15 October 2008								8,730,000
31 October 2008						9,475,000		
15 February 2009					1,000,000			
1 March 2009				5,400,000				
31 March 2009	21,300,000	21,690,000	25,800,000				18,410,000	
15 April 2009								12,920,000
15 October 2009								12,920,000
31 October 2009						9,475,000		
15 February 2010					1,000,000			
1 March 2010				5,400,000				
31 March 2010	21,900,000	23,520,000	25,800,000				18,410,000	
15 April 2010								16,960,000
15 October 2010								16,960,000
31 October 2010						9,475,000		
15 February 2011					1,000,000			
31 March 2011	22,600,000	25,500,000	25,800,000				18,410,000	
15 April 2011								21,070,000
15 October 2011								21,070,000
31 October 2011						9,475,000		
15 February 2012					1,000,000			

GRANT PAYMENT DATE	GRANTOR							
	Republic of France ¹ (EUR)	Republic of France ² (EUR)	Republic of Italy (EUR)	Kingdom of Norway (USD)	Republic of South Africa (USD)	Kingdom of Spain (EUR)	Kingdom of Sweden (SEK)	United Kingdom (GBP)
31 March 2012	23,200,000	27,650,000	25,800,000				18,410,000	
15 April 2012								25,220,000
15 October 2012								25,220,000
31 October 2012						9,475,000		
15 February 2013					1,000,000			
31 March 2013	23,900,000	29,980,000	25,800,000				18,410,000	
15 April 2013								29,410,000
15 October 2013								29,410,000
31 October 2013						9,475,000		
15 February 2014					1,000,000			
31 March 2014	24,700,000	32,510,000	25,800,000				18,410,000	
15 April 2014								33,750,000
15 October 2014								33,750,000
31 October 2014						9,475,000		
15 February 2015					1,000,000			
31 March 2015	25,400,000	35,250,000	25,800,000				18,410,000	
15 April 2015								38,300,000
15 October 2015								38,300,000
31 October 2015						9,475,000		
15 February 2016					1,000,000			
31 March 2016	26,200,000	38,220,000	25,800,000				18,410,000	
15 April 2016								42,090,000
15 October 2016								42,090,000
31 October 2016						9,475,000		
15 February 2017					1,000,000			
31 March 2017	26,900,000	41,440,000	25,800,000				18,410,000	
15 April 2017								45,380,000
15 October 2017								45,380,000
31 October 2017						9,475,000		
15 February 2018					1,000,000			
31 March 2018	27,800,000	44,940,000	25,800,000				18,410,000	
15 April 2018								48,940,000
15 October 2018								48,940,000
31 October 2018						9,475,000		
15 February 2019					1,000,000			
31 March 2019	28,600,000	48,730,000	25,800,000				18,410,000	
15 April 2019								52,790,000
15 October 2019								52,790,000
31 October 2019						9,475,000		
15 February 2020					1,000,000			
31 March 2020	29,400,000	52,840,000	25,800,000				18,410,000	
15 April 2020								56,910,000
15 October 2020								56,910,000
31 October 2020						9,475,000		
15 February 2021					1,000,000			

GRANT PAYMENT DATE	GRANTOR							
	Republic of France ¹ (EUR)	Republic of France ² (EUR)	Republic of Italy (EUR)	Kingdom of Norway (USD)	Republic of South Africa (USD)	Kingdom of Spain (EUR)	Kingdom of Sweden (SEK)	United Kingdom (GBP)
31 March 2021	30,300,000	57,290,000	25,800,000				18,410,000	
15 April 2021								61,320,000
15 October 2021								61,320,000
31 October 2021						9,475,000		
15 February 2022					1,000,000			
31 March 2022		62,120,000	25,800,000					
15 April 2022								53,960,000
15 October 2022								53,960,000
31 October 2022						9,475,000		
15 February 2023					1,000,000			
31 March 2023		67,360,000	25,800,000					
15 April 2023								45,200,000
15 October 2023								45,200,000
31 October 2023						9,475,000		
15 February 2024					1,000,000			
31 March 2024		73,040,000	25,800,000					
15 April 2024								37,390,000
15 October 2024								37,390,000
31 October 2024						9,475,000		
15 February 2025					1,000,000			
31 March 2025		79,200,000	25,800,000					
15 April 2025								30,660,000
15 October 2025								30,660,000
31 October 2025						9,475,000		
15 February 2026					1,000,000			
31 March 2026		85,880,000						
15 April 2026								24,290,000
15 October 2026								24,290,000
Total	372,800,000	867,160,000	473,450,000	27,000,000	20,000,000	189,500,000	276,150,000	1,380,000,000

Notes:

- (1) The Republic of France, acting through its Agence Française de Développement.
- (2) The Republic of France, acting through the Ministre des Finances, de L'Economie et de L'Emploi.

IFFIm has selected a single operating currency, being U.S. dollars. IFFIm, on the advice of the Treasury Manager, has entered into appropriate hedging agreements to limit, *inter alia*, the future impact of changes in currency and interest rates on the value of each Grant Agreement, the interest rate risks in respect of IFFIm's initial bond issuance in 2006, and currency and interest rate risks in respect of IFFIm's second bond issuance in 2008. IFFIm may also, from time to time and on the advice of the Treasury Manager, enter into further hedging transactions to limit currency, interest rate and other risks, as applicable, in respect of, *inter alia*, further Notes issued under the Programme, any other liabilities it incurs or any additional Grant Payments to be received by IFFIm under Grant Agreements assigned to it by The GAVI Fund Affiliate after the date of this Prospectus.

The Treasury Manager currently serves as IFFIm's sole hedging counterparty. Under the Treasury Management Agreement between IFFIm and the Treasury Manager, IFFIm may request the Treasury Manager to negotiate hedging agreements between IFFIm and hedging counterparties other

than the Treasury Manager. Any such additional counterparties must be financial institutions which are approved by the Treasury Manager.

IFFIm also has established liquidity and investment policies based on recommendations made by the Treasury Manager. Under the liquidity policy, it will maintain a prudential minimum level of liquidity equivalent to its contracted debt service payments for the next twelve month period. Under the investment policy, IFFIm's liquidity will be invested in high-grade fixed-income instruments with interest rates matching those of the liabilities funding the portfolio.

Grant Payment Conditionality

IFFIm has established a Reference Portfolio (as set out below) containing all of the GAVI eligible countries that are also members of the IMF. All countries are accorded a Country Weighting of 1 per cent. except for Vietnam, which has a Country Weighting of 3 per cent., and Bangladesh, Congo DR, Ethiopia, India, Indonesia, Nigeria and Pakistan, which each have a Country Weighting of 5 per cent. These countries have been accorded a larger Country Weighting in the Reference Portfolio to reflect the expected larger value of programmes funded by IFFIm in those countries. The Country Weighting of each country in the Reference Portfolio may be used from time to time, as described below, to determine a reduction in the amount of Grant Payments due from the Grantors.

Under the terms of the Grant Agreements, a Grant Payment due from each Grantor will be reduced if, on or prior to the date which is 25 IBRD Business Days prior to the due date for such Grant Payment, the IMF has declared that any Specified Country in the Reference Portfolio is in Protracted Arrears in meeting any of its IMF Financial Obligations. In such circumstances, the Grant Payment Amount then due from the Grantors will be reduced by the Reduction Amount determined by the Treasury Manager according to the following formula:

$$A = B \times C$$

Where A is the Reduction Amount in respect of the Specified Country;

B is the Grant Payment Amount due and payable on the relevant date (ignoring any applicable Reduction Amount or Reduction Amounts); and

C is the Country Weighting applicable to the Specified Country in the Reference Portfolio set out below:

Specified Country	Country Weighting	Total Share
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Republic of Côte d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, São Tomé & Príncipe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	62%
Vietnam	3%	3%
Bangladesh, Congo DR, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%
Total		<u>100%</u>

The Reference Portfolio will remain static throughout the life of the Programme. However, in the event of any secession from or consolidation of a Specified Country, and provided that any

successor states are also members of the IMF, the Reference Portfolio and the Country Weightings will be adjusted accordingly.

If a Specified Country which has been in Protracted Arrears is subsequently no longer in Protracted Arrears, Grant Payments falling due after the date which is 25 IBRD Business Days after the date upon which the Specified Country ceases to be in Protracted Arrears shall not be so reduced by the Reduction Amount with respect to that Specified Country.

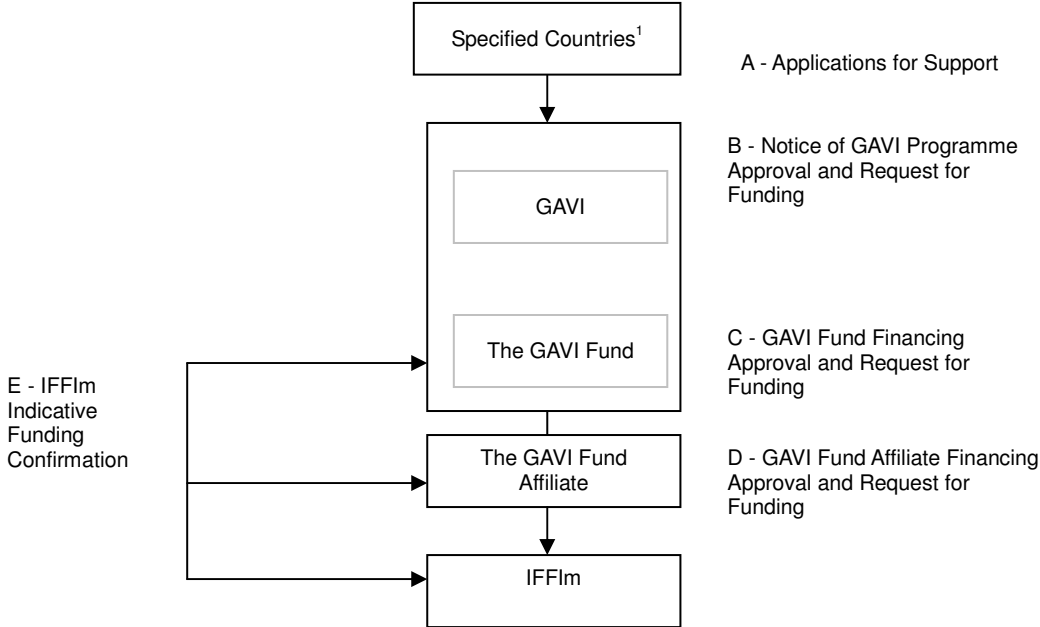
If one or more Specified Countries falls into Protracted Arrears and the Grant Payments are subsequently reduced, the funds available to IFFIm for the purposes of repaying principal and paying interest on the Notes will be reduced. In order to mitigate the impact of one or more Specified Countries falling into Protracted Arrears on IFFIm’s ability to meet its obligations under the Notes, IFFIm maintains the IFFIm Gearing Ratio Limit. The Treasury Manager, on behalf of IFFIm, is obliged to monitor compliance with this limit and to ensure that additional programmes are not approved by IFFIm for funding which would, in the determination of the Treasury Manager, lead to it being breached.

Prospective investors should note that, as at the date of this Prospectus, the following Specified Countries are in Protracted Arrears: Somalia, Sudan and Zimbabwe. Should some or all of them remain in Protracted Arrears as at the Relevant Date for any Grant Payment, then the amount of such Grant Payment will be reduced in the manner described above.

The Activities of IFFIm — Part 1. Programme Approval Procedure

From time to time, IFFIm receives requests from The GAVI Fund Affiliate to approve funding for immunisation and/or vaccine procurement programmes, for the benefit of any of the 70 Specified Countries included in the Reference Portfolio. IFFIm, having considered, *inter alia*, whether such funding would meet its charitable objectives and would not contravene its Memorandum and Articles of Association, and whether such funding would meet certain financial parameters, may approve such programmes. The programmes are originated as follows:

The Programme Approval Procedure



Note:

(1) GAVI may also propose programmes which are non-country specific.

A Applications for Support

Applications for financial support for immunisation, related health system strengthening and vaccine procurement programmes are made by Specified Countries. Such applications are made using a standard GAVI proposal form, and are to be accompanied by required supporting documents.

There are also certain programmes considered by GAVI which do not relate to a specific country. These may, for example, be programmes to create emergency stockpiles of vaccines or for campaigns against disease outbreaks threatening multiple countries.

B GAVI Programme Approval

All applications are screened by GAVI for basic completeness and eligibility for support, and then reviewed by representatives of the World Health Organization and by an Independent Review Committee ("IRC"), made up of experts in the field of vaccines and immunisation. The IRC may recommend to the GAVI board that a particular application be approved, conditionally or unconditionally, or rejected. The GAVI board then considers each application in the light of the IRC's recommendation and report, and considers whether to issue an approval and application for funding.

Though focused generally on supporting country-specific programmes (including the strengthening of health system services), GAVI also provides support on the basis of Non-Country Specific Applications in order to address immunisation objectives and needs which cannot be met through the country-specific support process. Non-country specific programmes may also be able to benefit from funding by IFFIm. Examples include the increase of vaccine security and affordability in multiple countries by means of emergency stockpiles and other collective purchase mechanisms, provision of technical assistance to facilitate rapid scale-up of immunisation services in multiple countries and expanded use of safe and cost-effective vaccines (such as, for example, in relation to mass immunisation campaigns for measles mortality reduction in African countries).

Non-Country Specific Applications may be solicited or commissioned by the GAVI board. In the past such applications have been prepared and submitted to GAVI by international, national and regional organisations, non-governmental organisations, research institutions, foundations, and national agencies, as well as by consortiums of such entities.

Non-Country Specific Applications are normally evaluated by an ad-hoc group constituted by the executive secretary of GAVI, or by an IRC. The GAVI board decides whether to approve each such application on the basis of the report presented by the evaluation group or IRC, and its consideration as to whether the project is substantially likely to advance the objectives of GAVI.

After completion of these procedures, the board of GAVI may approve an application and issue to the GAVI Fund a request for funding in the form of a "Notice of GAVI Programme Approval and Request for Funding", being a standard form document appended to the Procedures Memorandum, together with appropriate supporting documentation.

C GAVI Fund Financing Approval and Request for Funding

The GAVI Fund considers each Notice of GAVI Programme Approval and Request for Funding and reviews its internal comprehensive resource and cash management plan to determine whether the proposed budgeted amount fits within GAVI Fund budgetary constraints, or whether the GAVI Fund may request funding, via The GAVI Fund Affiliate, from IFFIm disbursements (considering the relative financial efficiencies of funding from IFFIm disbursements, as against other sources of funding available to the GAVI Fund).

Thereafter, if the GAVI Fund decides to make a request to The GAVI Fund Affiliate for funding through disbursements from IFFIm for the relevant programme after ensuring that the programme is consistent with its status as a public charity and with its articles of incorporation and by-laws, it issues to The GAVI Fund Affiliate a request for funding (which is in the form of a "Notice of GAVI Fund Financing Approval and Request for Funding", being a standard form document appended to the Procedures Memorandum).

D GAVI Fund Affiliate Financing Approval and Request for Funding

The GAVI Fund Affiliate considers each GAVI Fund Financing Approval and Request for Funding presented to it in light of, *inter alia*, its charitable status, the provisions of its Memorandum and Articles of Association, and its funding policy. If it decides to approve a GAVI Fund Financing Approval and Request for Funding, it issues to IFFIm a request for funding (which is in the form of a “GAVI Fund Affiliate Financing Approval and Request for Funding”, being a standard form document appended to the Procedures Memorandum).

E IFFIm Indicative Funding Confirmation

IFFIm considers each GAVI Fund Affiliate Financing Approval and Request for Funding presented to it in light of, *inter alia*, its charitable status and the provisions of its Memorandum and Articles of Association. It also considers, in consultation with the Treasury Manager, various parameters upon its borrowing, including the maximum cumulative amount of programmes which it may agree to approve for funding in any one financial year, as set out in the Finance Framework Agreement, its funding strategy, its liquidity policy, its risk management policy and the IFFIm Gearing Ratio Limit.

If IFFIm decides to approve a GAVI Fund Affiliate Financing Approval and Request for Funding, it issues an IFFIm Indicative Funding Confirmation (being a standard form document appended to the Procedures Memorandum), and the programme so approved will become, and be known as, an Approved Programme.

IFFIm is subject to a limit on the value of programmes which may become Approved Programmes in any one year under the Finance Framework Agreement. The maximum cumulative value of proposed programmes which, subject to, *inter alia*, the application of the IFFIm Gearing Ratio Limit, IFFIm’s funding strategy, liquidity and risk management policies, may be approved such that they become Approved Programmes during any calendar year (being the IFFIm Programme Capacity for the relevant year, or (in the case of 2006-2007) period, from 2006 to 2015 (inclusive)) is as follows:

Calendar year/period	Maximum amount of new Approved Programmes (U.S.\$)	Cumulative maximum amount of Approved Programmes (U.S.\$)
2006-2007	1,050 million	1,050 million
2008	500 million	1,550 million
2009	450 million	2,000 million
2010	425 million	2,425 million
2011	400 million	2,825 million
2012	350 million	3,175 million
2013	325 million	3,500 million
2014	300 million	3,800 million
2015	200 million	4,000 million

If the cumulative value of Approved Programmes approved in any calendar year, or (in the case of 2006-2007) period, is below the maximum amount, the difference will be added to the capacity for the subsequent calendar year.

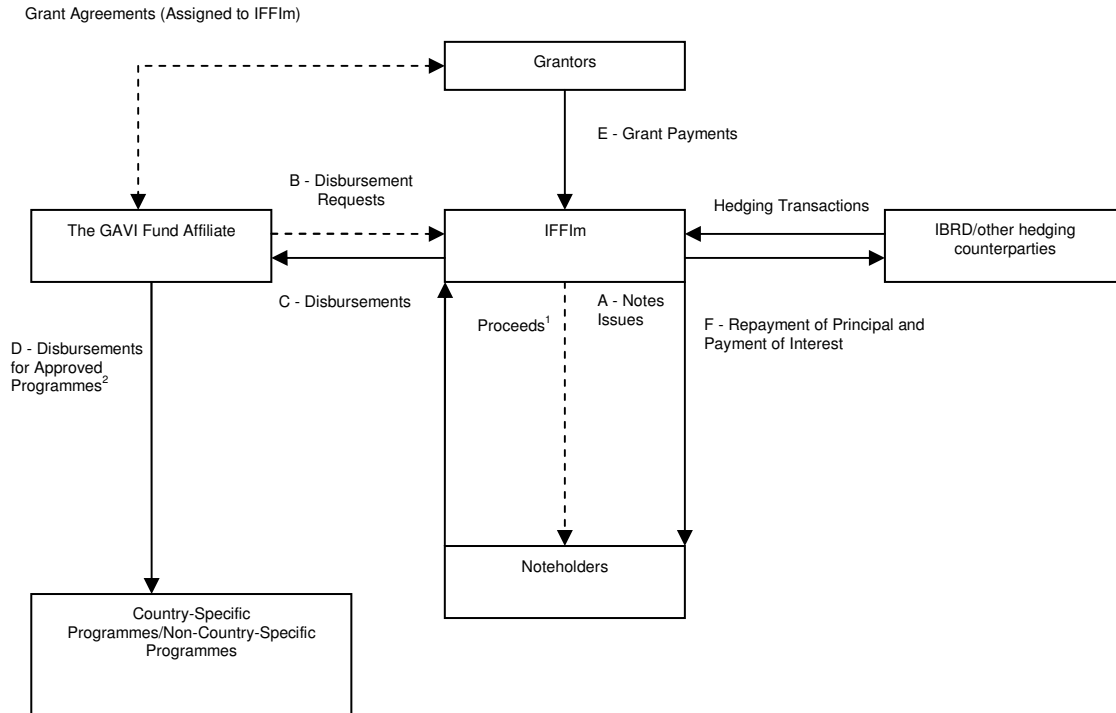
A further schedule may be established between, *inter alios*, IFFIm, the Treasury Manager and the Grantors for the years following 2015, by no later than 1 January 2016. If the relevant parties agree, it is intended that the first such schedule will address IFFIm Programme Capacity for the years 2016 to 2025, and a further schedule may be agreed thereafter, if required.

Prospective investors should also note that IFFIm, under the Finance Framework Agreement, is not permitted to approve any programme for funding unless it is rated “AAA” or the equivalent

highest rating category by at least two of Fitch Ratings Limited, Moody's Investors Service Limited and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

The diagram below illustrates, *inter alia*, the cashflow between IFFIm, the Grantors and the other main parties.

The Activities of IFFIm — Part 2. Programme Funding



Notes:

- (1) Proceeds flow to the IFFIm Account held with, and maintained by, the Treasury Manager.
- (2) In certain cases, funds may be disbursed by The GAVI Fund Affiliate to an account administered by the GAVI Fund, which will in turn make the distribution to the relevant Approved Programme.

A Issuance of Notes under the Programme

Prior to the first day of each Relevant Funding Period, the Treasury Manager assesses, on behalf of IFFIm, the aggregate of IFFIm's payment obligations during the forthcoming Relevant Funding Period, being the IFFIm Financial Requirements for such period. These include, *inter alia*, IFFIm's obligations to fund disbursements under Approved Programmes, to make repayments of principal and payments of interest on outstanding Notes under the Programme, to make payments due in respect of or in connection with any Derivatives Transactions entered into by it, and to meet fees and pay applicable expenses.

The Treasury Manager also assesses the aggregate of all funds available to IFFIm prior to the first day of each such Relevant Funding Period, including, *inter alia*, funds held in its bank accounts, any payments due to it in respect of IFFIm's liquid asset investments (if any), and the amounts due to be paid to it by Grantors under the Grant Agreements in the Relevant Funding Period, together being the IFFIm Aggregate Available Funds.

The amount of funding required by IFFIm for each Relevant Funding Period is therefore the amount by which the IFFIm Financial Requirements exceed the IFFIm Aggregate Available Funds, being the IFFIm Required Funding.

In making the assessment of the IFFIm Required Funding for a Relevant Funding Period, the Treasury Manager also calculates whether the raising of funds to meet the IFFIm Required Funding would cause IFFIm to breach the IFFIm Gearing Ratio Limit, or act in a manner inconsistent with the funding and other strategies of IFFIm, in which case it holds over any Disbursement Requests from

The GAVI Fund Affiliate until such time as the funding of such Approved Programmes would not lead to a breach of the IFFIm Gearing Ratio Limit or an inconsistency with such strategies.

Following the assessments by the Treasury Manager described above, the Treasury Manager effects the issuance of Notes under the Programme, or borrows funds under Loans as necessary to meet the IFFIm Required Funding, or the IFFIm Required Funding as reduced by the amount necessary to account for any Disbursement Requests held over as described above, for such Relevant Funding Period. The proceeds of each issuance are held in the IFFIm Account maintained with IBRD pursuant to the Treasury Management Agreement pending payment pursuant to a Disbursement Request from The GAVI Fund Affiliate (subject to such proceeds being able to be used by IFFIm in the interim, *inter alia*, to meet principal and interest payment obligations under the Notes and any Loans, to meet payments due in respect of Derivative Transactions, and to meet expenses and pay applicable fees).

Based on the current Grant Payments, it is expected that IFFIm may raise up to U.S.\$4 billion (net of refinancing of Notes or Loans) over the period from 2006 until 2015 (inclusive). The annual funding volume, choice of instrument and method of offering will vary depending on the need for funds for Approved Programmes in Specified Countries.

IFFIm and its Treasury Manager intend to seek the best overall value for IFFIm and the Grant Payments on a sustained basis, and to ensure reliable and predictable funding to countries for immunisation and/or vaccine procurement programmes. To achieve this, IFFIm will issue Notes to institutional and/or retail investors through financial intermediaries, and will carry out a variety of transactions ranging from larger, more liquid issues of Notes with broad placement, to smaller Note issues targeted to specific investor groups.

B/C Disbursement Requests and Disbursement to The GAVI Fund Affiliate

From time to time, when The GAVI Fund Affiliate requires a payment in respect of an Approved Programme (see above), it submits to IFFIm a Disbursement Request, containing details, *inter alia*, of the amount requested for disbursement and the Approved Programme to which it relates.

During any Relevant Funding Period, provided that the Treasury Manager is satisfied that funds held in the IFFIm Account and other financial resources of IFFIm will be sufficient to meet the aggregate anticipated requirements of IFFIm during such Relevant Funding Period, the Treasury Manager (on behalf of IFFIm), subject to the provisions of the Finance Framework Agreement, promptly transfers from the IFFIm Account to the GAVI Fund Affiliate Account amounts necessary to meet (i) any Disbursement Request submitted with respect to any previous Relevant Funding Period that has not previously been satisfied in full and thereafter (ii) any Disbursement Request submitted by The GAVI Fund Affiliate to IFFIm on or before the last business day of the preceding Relevant Funding Period.

D Disbursements to Approved Programmes

The GAVI Fund Affiliate arranges for the Account Bank to make the necessary disbursements for the relevant Approved Programmes as soon as reasonably practicable after receipt of relevant funds into the GAVI Fund Affiliate Account. In certain cases, funds may be disbursed by The GAVI Fund Affiliate to an account administered by the GAVI Fund, which in turn makes the distribution to the relevant Approved Programme.

E/F Payment of Principal and Interest on the Notes

IFFIm applies the proceeds of the Grant Payments received by it from the Grantors under the Grant Agreements assigned to it, *inter alia*, to make repayments of principal and payments of interest on any outstanding Notes issued by it under the Programme.

Programme Monitoring

GAVI financial support for Approved Programmes is given subject to strict performance monitoring by GAVI that is designed to track the progress achieved in the previous year, to declare

planned targets for the following year and to verify the sustainability of existing financing sources. IFFIm is under no obligation to monitor Approved Programmes.

The Activities of IFFIm — Part 3. Miscellaneous

Restrictions

Investors should note that the Finance Framework Agreement contains certain covenants of IFFIm, and of The GAVI Fund Affiliate, which restrict their activities. IFFIm and The GAVI Fund Affiliate each agree, *inter alia*, to use all reasonable endeavours to maintain their status as a registered charity, to maintain their residence and management in the United Kingdom, not to engage in other business beyond that contemplated in the Finance Framework Agreement, Procedures Memorandum and related documents, not to incur indebtedness for borrowed money other than as permitted under such agreements, not to have any subsidiaries, not to own or acquire any real property and not to transfer, assign or otherwise dispose of in any manner whatsoever (whether absolutely or by way of security) any of its rights, title, benefit or interest assigned to it under the Deeds of Assignment, or create any mortgage, charge or other security or right of recourse in respect thereof, save to the extent permitted in accordance with the relevant Grant Agreement.

Relevant Events and Suspension of Operations

The Finance Framework Agreement contains provisions permitting the Majority Grantors to oblige IFFIm to suspend, temporarily or permanently, the disbursement of funds to The GAVI Fund Affiliate in certain circumstances, each known as a Relevant Event. These include (but are not limited to) either IFFIm or The GAVI Fund Affiliate ceasing to be a registered charity under the laws of England and Wales, the insolvency of either company, and GAVI's strategic goals for the advancement of immunisation not being met in a materially adverse way, as such goals are set out in the Procedures Memorandum.

During a temporary suspension of operations at the request of the Majority Grantors, no funds may be disbursed by IFFIm to The GAVI Fund Affiliate in respect of any Approved Programmes if the Majority Grantors have notified IFFIm and the Treasury Manager that disbursements to such Approved Programme are to be suspended pending remedy of the applicable Relevant Event. However, during any temporary suspension of operations, IFFIm will continue to make disbursements as necessary to service payments of principal and interest on the Notes and any Loans, make payments due in respect of Derivatives Transactions, and meet expenses and pay fees. A period of up to 60 days is permitted for the parties to use all reasonable endeavours to remedy a Relevant Event which has resulted in a temporary suspension of operations.

Following the elapse of such a period, and if the Relevant Event cannot be remedied to the satisfaction of the Majority Grantors, then they may decide to permanently suspend IFFIm's operations. In that event, IFFIm shall (save as permitted in the Finance Framework Agreement) suspend permanently its operations in respect of disbursements from its bank account, and forthwith cease all activities, except those incidental to the orderly realisation, conservation, and preservation of its assets and settlement of its obligations. As a result, no new GAVI programmes will then be approved to become Approved Programmes and IFFIm will cease disbursements to The GAVI Fund Affiliate in respect of Approved Programmes.

A temporary or permanent suspension of operations does not change, reduce, suspend or alter in any way the Grantors' obligations to make the scheduled payments under their Grant Agreements, which must continue until such time as the Treasury Manager has notified the Grantors that all outstanding Notes, and any other debts owed by IFFIm, have been met in full. Following a notice of permanent suspension, IFFIm may not issue any further Notes or borrow further Loans, except as necessary to refinance Notes and Loans that mature or are otherwise redeemed.

Once IFFIm and the Treasury Manager are satisfied that all creditors of IFFIm (including holders of Notes) have been fully discharged, any funds remaining to the credit of the IFFIm Account shall be applied, following consultation, towards the charitable purposes of IFFIm in accordance with the provisions of IFFIm's Memorandum and Articles of Association and provisions of applicable law.

Any of the Grantors may notify the other parties to the Finance Framework Agreement that:

- (a) (i) it has become, or (ii) it is likely to become, required to make additional payments in accordance with the terms of a Grant Agreement in order to ensure that Grant Payments are made without deduction or withholding on account of tax in that Grantor's jurisdiction or to meet an indemnity obligation in respect of tax; or
- (b) any unanticipated liability to taxation (i) has arisen, or (ii) is likely to arise, under any applicable jurisdiction in relation to the activities of The GAVI Fund Affiliate or IFFIm; or
- (c) a material adverse change in the national or international accounting or regulatory treatment of such Grantor's commitments under a Grant Agreement (i) has occurred or (ii) is likely to occur.

If any such notification is given, the parties to the Finance Framework Agreement shall enter into negotiations in good faith with a view to agreeing a restructuring of the transactions described in the Transaction Documents and any amendments to the Transaction Documents which are necessary as a result of such restructuring, provided that no such restructuring shall take effect (A) unless and until each of the Applicable Rating Agencies has confirmed in writing that the rating of IFFIm's outstanding Notes and/or Loans will not be adversely affected by such amendments or (B) if in the reasonable opinion of the Treasury Manager, such restructuring would (i) impair IFFIm's ability to meet its anticipated disbursements and debt service requirements in respect of Notes and Loans outstanding at the time of that Grantor's request or to meet its other commitments, expenses, liabilities or other requirements of the type specified in the Finance Framework Agreement; or (ii) materially impair the overall financial efficiency of IFFIm.

If, however, the parties are unable to agree amendments to the Transaction Documents, then the Majority Grantors may determine that a permanent suspension of operations of IFFIm should occur, notwithstanding that no Relevant Event has occurred.

If such notification is a notification referred to in (a)(i), (b)(i) or (c)(i) above then, notwithstanding that no Relevant Event has occurred, the Majority Grantors may temporarily suspend the operations of IFFIm prior to entering into any such negotiations, on the basis that such temporary suspension shall begin on the date of such notification by the Majority Grantors to each of the other parties hereto and shall end on (and include) the date on which either (i) a permanent suspension of operations has occurred or (ii) the restructuring and amendments referred to shall have come into effect.