

Minutes¹: 52nd ILRI Board of Trustees Meeting

25 – 31 October 2019

Nanjing, China

Present: Lindsay Falvey – chair
Elsa Murano – vice chair
Andrew Tuimur
Jimmy Smith – director general
Siew Fing Wong
Li Lin Foo
Richard Golding
Judith Lungu
Chanda Nimbkar
Jing Zhu
Martyn Jeggo
Gebregziabher Gebreyohannes

Shirley Tarawali – secretary

Others: Members of ILRI's senior management team and the head of internal audit joined some open sessions relevant to their functions as per the DG's prior request to the Chair for staff to provide additional detail through the DG.

1. The Chair opened the 52nd Board meeting

The chair welcomed members to the meeting, and on behalf of the entire Board and management thanked Professor Jing Zhu and Nanjing Agricultural University for the outstanding hospitality and support afforded to ILRI that had made the first Board meeting in China a reality. The chair also welcomed Li Lin Foo to her first Board meeting, as the incoming chair of the audit and risk committee.

All Board members had completed a confidentiality reminder and conflict of interest form which had been shared with the chair and director general two weeks prior to the meeting. The chair confirmed there were no material conflicts of interest.

2. The meeting will be invited to consider and adopt the agenda of the 52nd Board meeting

The agenda of the meeting was accepted, noting that depending on availability, there would be a virtual call with the CGIAR System Reference Group co-chairs during the course of the meeting.

3. Formal note of approval

Three matters which had been reviewed and approved electronically by the Board since the 51st meeting were noted.

The **minutes of the 51st Board meeting** had been approved electronically and the chair signed the minutes at the present meeting.

¹ This is a public version of the minutes with confidential material excluded. Full minutes are available with the Board secretary.

At its 51st meeting the Board agreed to **update the ILRI Constitution**. Following a process of review over the past 18 months, amendment and approval by the Board executive committee through to mid-July 2019, the amended Constitution was circulated to all Board members who approved between 18 July and 3 September 2019. **The formal approval of the revised ILRI constitution is noted here.** The revised constitution has been shared with the CGIAR System Office.

The **Board's rules of governance** have been updated to reflect the changes to the constitution. In addition, at its 51st meeting the Board reviewed **revised terms of reference for the audit and risk committee** and agreed that the terms of reference should be adjusted to align with the internal audit charter and the policy on external auditors, and with these adjustments was approved. The terms of reference have been amended accordingly, reviewed and approved by the Board electronically and are incorporated into the revised rules of governance.

4. Summary of disposition of matters arising from the minutes of the 51st Board meeting

The Board secretary provided an overview of the status of matters arising from the 51st Board meeting, noting that most of the issues would be covered as agenda items in the committees of the present meeting.

5. Matters arising from Board committees since the 51st Board meeting

The chair noted that the Board executive committee had met virtually in August 2019 and minutes of the meeting had been circulated to all Board members.

The nominations and governance committee met on 26 October 2019 and considered in detail the CGIAR System Reference Group recommendations which have required considerable input from the chair and director general in past months. The chair noted that this matter is a substantive agenda item.

The nominations and governance committee met immediately prior to the Board meeting and provided at this juncture its feedback and recommendations on one agenda item for Board decision (refer to full report of the committee under agenda item 12 below):

Term of Board member Martyn Jeggo

ILRI Board member and program committee chair Martyn Jeggo will complete his first Board term in April 2020 and thus the nominations and governance committee had requested Elsa Murano and Jing Zhu to conduct an evaluation and ascertain the interest of Martyn Jeggo to undertake a second term on the Board. Martyn Jeggo had provided a short-written description of his strong and relevant research expertise which confirmed his value to the Board. The evaluation also highlighted Martyn's active participation and strategic inputs into Board matters, keeping separate from management, which is very valuable. Martyn does an excellent job of promoting ILRI and livestock matters. Martyn has confirmed his willingness to undertake a second Board term and the evaluation team recommended that this be offered. **The Board was unanimous in confirming a second Board term for Martyn Jeggo who graciously accepted.**

6. Director General's report

The Director General (DG) presented his report covering ILRI internal matters, noting that CGIAR matters would be addressed in a following agenda item. Items covered included finance (2019 results to September and provisional 2020 budget in the context of funding flows to CGIAR), program highlights, new developments with

the Centre for Tropical Livestock Genetics and Health (CTLGH) following a review of the first five years and the signing of a new memorandum of understanding. The DG also highlighted the revised BecA-ILRI hub business concept, to be discussed in the program committee and progress with formalising a not-for-profit entity to transition the Integrated Genotyping Service and Support (IGSS).

Progress with the process ILRI is engaged in with the BMGF, as the donor lead, to co-create the future ILRI through building a strategic partnership with donors to strengthen livestock research at ILRI was described. ILRI's workforce profile and on-going activities in the People and Organizational Development directorate were reviewed.

The DG highlighted several recent events, notably the Institute Planning Meeting (IPM) and a number of awards that staff and teams at ILRI had received.

The Board discussed the DG's report and raised several issues for discussion.

The Board enquired about the management of Intellectual Property (IP) from partnerships such as CTLGH. Management confirmed that it is fully compliant with IP requirements of CGIAR. The Board were assured that these issues have been carefully addressed by legal teams from all three principals.

Board resolution on Kapiti

ILRI Kapiti Research Station comprises of 13,000 ha in Machakos County, Kenya initially purchased to provide conditions for vaccine research on cattle. The research has since expanded to include work in genetics/breeding, environmental issues and livestock-wildlife management. Since 2017 there have been multiple attempts at land incursions resulting in several court cases, considerable legal and security issues to the property and staff. The Board were briefed on the latest developments and passed a resolution on the matter.

7. CGIAR proposed changes

The Board discussed the ongoing change process in CGIAR, given the five recommendations shared on 10 October 2019 by the System Reference Group which is due to be reviewed by the System Management Board (28 October 2019) then presented for review and endorsement by the System Council (13, 14 November 2019). Many centres, including ILRI have provided comments and inputs based on this document. If the System Council endorses the SRG proposal, an Extraordinary General Assembly of centres that is scheduled for 12-13 December 2019 will be the opportunity for board chairs and directors general to debate and decide on, the recommendations.

The Board discussed the recommendations, ILRI's communique and forthcoming meetings in relation to its responsibility for ILRI's livestock research agenda and ensuring its assets are deployed to support this agenda. It was noted that ILRI is supportive of the changes and has discussed several concerns. The Board agreed to prepare a communique on the recommendations, highlighting its support and concerns.

The Board also noted the importance of centre host country agreements, for ILRI meaning Kenya and Ethiopia, which are very favourable to the institute's operations, its ability to host others and support the governments.

The Board agreed that ILRI should continue to support the spirit of these recommendations, whilst ensuring that the timing and process are appropriate and that ILRI's assets and its mandate for livestock research for development are protected and supported. The Board will provide input to the chair and DG after the System Council meeting and prior to the General Assembly.

8. The Board in its capacity as the programme committee

Chair: Martyn Jeggo; **vice chair:** Chanda Nimbkar; **secretary:** Iain Wright; **members:** full Board.

8.3 Update on the BecA-ILRI Hub

The director of the BecA-ILRI hub provided a brief summary of the hub's outputs and focused his presentation on a new business concept for the hub. The new business concept has been informed by the review and consultations that identified opportunities and challenges for the hub.

The Board also considered the feedback from the BecA-ILRI Advisory Panel on the business plan concept. The panel had articulated several risks and opportunities and highlighted issues that would require further consideration.

8.4 African swine fever research at ILRI

Given the rising importance of African swine fever as a research agenda for ILRI, and its importance for China (over 100 million pigs culled in recent months), the location of the present Board meeting, an overview of ILRI's research on this topic was presented to the Board. This included a global overview of outbreaks, an update on key scientific activities and achievements at ILRI (diagnostics, vaccines, molecular and field epidemiology and socio-economics), and recent media coverage. The report highlighted the eight on-going research projects and partnerships. Diagnostics is a key issue to address in the short term. ILRI is now a member of the African Swine Fever Global Research Alliance (ASFGRA).

8.5 Extending M&E

A new dashboard report format for ILRI programs was agreed by the Board in May 2019. The information assembled included a mix of centrally collected quantitative data and qualitative information. Management presented to the Board current efforts to extend the metrics reported to include other outcome and impact indicators (outcome and impact case studies, policies and innovations) that are currently collected and reported at the CRP level through MARLO (the monitoring and evaluation tool used by the majority of CRPs). Such metrics would be useful to the institute as a measure of impact. Centre level reporting of these indicators may be possible by 2020 if the investment and tweaking of the MARLO system is undertaken. **The Board endorsed this extended approach.**

8.6 Update on Livestock CRP and interaction with the Chair of the Independent Steering Committee

The Director of the Livestock CRP presented a brief update on the CRP.

1. CRP outcomes and impacts. Highlighted here were recent achievements in Brachiaria breeding, a new multi-purpose barley variety in Tunisia, new resolutions that will significantly impact animal health delivery in Kenya, innovative applications of IT and genomics to identify the best sires and transform dairy genetics and the inclusion, for the first time ever, of Tier 2 emissions factors in IPCC guidelines, making them relevant for African countries.

2. Progress implementing Plan of Work & Budget 2019 is on track with no major issues foreseen.

3. Financial outlook. Anticipated W1/2 funding has been maintained and indications are that this will continue to be the case through to the end of the current CRP in 2021, even though a slight decrease in W1 is likely in 2020.

4. Plan of Work and Budget 2020. The draft was shared with the ISC who reviewed and endorsed it. The CRP management committee agreed to minor adjustments in W1/2 shares to recognize the initial imbalance of funding across flagships as well as certain performance indicators.

5. Independent Steering Committee. The ISC held its meeting immediately prior to the Board meeting and reviewed presentations from flagship leaders covering 2019 progress and 2020 plans. Flagship leaders had responded well to the ISC recommendations.

6. Monitoring & Evaluation. The CRP has participated in a pilot independent external assessment of the initial set of CGIAR Performance Management Standards the results of which will be used internally by the System Management Office and the CRPs to learn and prepare for the first official independent external evaluation scheduled for 2020.

Interaction (virtual) with the Chair of the Independent Steering Committee (ISC)

The Chair of the ISC, Fritz Schneider provided a report on the just-concluded ISC meeting. The Board thanked the ISC chair for the work of the committee.

The Board noted the significant progress in getting ILRI's results from the environmental work at Mazingira Centre included for the first time in the IPCC Tier 2 emission factors.

Items considered for approval

8.7 Review of risks

The Board reviewed the risk matrix and approved eight high risks and given the mitigation measures in place. For risks 2, 3 and 5 below stronger mitigation measures have been put in place (as highlighted in the status column) although these are not fully implemented yet so have not yet changed the overall scores. The Board agreed to one risk de-escalated from the high-risk category.

8.8 AoB

Review of research ethics

The Board was informed that the CG Internal Audit Function (IAF) conducted an audit of research ethics, including a survey of Centres. Their draft report was sent to the DDGs Research for comment and the collated responses from the DDGs sent to the IAF. The report has a lot of descriptive information on the state of research ethics in the centres and some recommendations such as a common set of guidelines for research ethics, which was supported by the DDGs. However, the DDGs did not support having one CGIAR ethical review board.

9. The Board in its capacity as the finance committee

Chair: Richard Golding; **vice chair:** Jing Zhu; **secretary:** Michael Gerba; **members:** full Board.

9.3 Financial update and year end forecast 2019

The Board reviewed the financial update for the period ended 30th September 2019, the Institute recorded a surplus of \$0.4 million based on an income of \$50 million (57% of budget) and expenditure of \$49.5 million (56% of budget). The improved result is explained by increased interest income, cost-savings from support units, a reduction in unfunded program costs and write back of previously accrued CSP.

Expenditure burn rate ended at 56% for this period, which is low compared to the expected straight-line burn rate of 75% by September and related mainly to non-reporting by partners which is expected to be addressed before the year end when burn rate is anticipated as 89% or \$72 million. The Board reviewed expenditure and burn rates by funding sources, CRPs and programs as well as for support and business units.

The Board also noted and commended management for the initiation of a 'strategic research fund' from 2020 onwards will help to smooth out variable funding for some units.

The Board also considered donor payables and receivables. It was noted that there are strenuous efforts to get the donor payables signed off, although much of this is related to CRP W1/2 funds.

9.4 Investment report

The Board reviewed ILRI's investment activities for the period to 30 September 2019 noting the conservative strategy had been maintained.

The Board noted that, for 2019, ILRI had operated within its investment policy, which is fully compliant with CGIAR guidelines.

ILRI's investment policy indicates it should be reviewed every two years, and the Board approved that there should be no change to this policy.

9.5 CGIAR indicators – comparison of 2018 Centre results

Total income for CGIAR in 2018 was \$850 million and expenditure \$860 million resulting in a deficit of \$10 million (\$17 million deficit in 2017). In 2018, 7 of the 15 centres reported a surplus, up from 4 in 2017. The Board reviewed seven indicators for CGIAR as a whole: System revenue; System funding types; expense by category by system and ILRI; unrestricted net assets; available reserves by Centre; centre liquidity expressed in days of operation and indirect cost ratio by Centre. ILRI's results compared well, with the institute in the top 50% for all indicators.

9.6 Corporate services update

An overview of corporate services activities and plans was presented. A major activity in coming months will be the Organizational Transformation Engagement which will engage external consultants to assess ILRI's current state to identify critical gaps, provide recommendations, and then work with ILRI to develop a roadmap for an implementation plan for the recommended transformative changes. This will position the institute for implementing the anticipated new investment portfolio to 2025.

ICT and OCS processes have been further upgraded and continue on track. Major infrastructure work is underway on hostel renovation in Nairobi and the construction of eight new houses in Addis Ababa.

Items considered for approval

9.7 Provisional 2020 budget including CAPEX

Based on a confirmed projected income for 2020 (including proposals with greater than 80% probability) of \$80.3 million (\$6.6 million lower than 2019) and total budgeted expenditure of \$81.4 million, the provisional 2020 budget presented for Board approval has a projected net result shortfall of \$1.1 million. As is usual, management continues to hold discussions with various donors and it is highly probable that a second scenario, with income of \$86 million is likely. The final 2020 budget will be presented for Board approval in late February/early March 2020.

After careful examination of the elements presented, the Board approved a provisional 2020 budget of \$80.3 million and total budgeted expenditure of \$81.4 million, with a projected net result shortfall of \$1.1 million. Management will present a final 2020 budget in late February/early March 2020 for review by the Board executive committee who would make recommendations to the full Board for final approval. The Board noted that an additional \$6 million as presented in scenario 2 is also likely to materialize during this process.

The Board approved a 2020 CAPEX budget of \$3.7 million consisting of \$1.2 million replacement/ upgrading, \$2.3 million new capital and \$0.2 million bilateral project CAPEX. It was noted that there is likely to be carry forward from the 2019 budget.

9.8 Review of risks

The Board reviewed the risk matrix and approved six high risks and mitigations, and given the mitigation actions in place, approved the de-escalation of one risk.

10. The Board in its capacity as the audit and risk committee

Chair: Siew Fing Wong; **Vice-chair:** Judith Lungu; **Secretary:** Shirley Tarawali; **Head of Internal Audit:** Peter Getugi. **Members:** Full Board (non-voting member: Jimmy Smith (DG))

10.3 Status update of 2018 EY external audit reports

The Board reviewed a status update for the management actions identified in the 2018 EY external audit reports for ILRI, ILRI IT and Kapiti. Recommendations have been or are being followed up. The Board noted several deadlines in early 2020 and looks forward to an update at its next meeting.

10.4 Internal Audit Activities Report

ILRI's Head of Internal Audit presented an update of activities.

A draft dashboard format was presented giving an overview of the progress of internal audit activities. This was in response to the PWC External Quality Assurance (EQA) which had recommended such a dashboard should be shared with the audit and risk committee chair and DG every quarter.

The Head of Internal Audit informed the Board of the audits carried out in the last 6 months, and highlighted the high and significant findings from these audits. . A more detailed audit report with

findings/issues/opportunities, together with management comments, were presented to and reviewed by the Board during the meeting.

A. Statement of independence

The Head of Internal Audit confirmed that for the activities conducted between April and September 2019 there were no conditions that represent material deficiencies in internal controls for the institute system from a financial and operational standpoint. Furthermore, there were no circumstances in which we believe that management's decisions resulted in the acceptance of unreasonable levels of risk. It was also confirmed that ILRI's management is fully cognizant of responsibility for internal controls, respects and cooperates with the internal audit plan and participates in identification and mitigation of risks.

B. Summary and status of April 2019 to September 2019 audit

As per the 2019 audit plan, ILRI Internal Audit Unit has undertaken six audits and assignments since May 2019. The Board reviewed a summary of five internal control issues and opportunities for improvement raised from the audit activities (full cost recovery, regulatory complexities, segregation of supply chain duties, OCS access and security and unapproved budget overruns). The recommendations and management responses for high and significant risks identified during the course of these audits were also reviewed.

C. Follow up of past audit recommendations

For previous audit recommendations, five have been fully implemented and five are in progress.

Items considered for approval

10.5 Review of risks

- audit and risk committee risks

The Board reviewed three high risks and mitigations and approved these.

- HR risks

The Board reviewed the risk matrix and approved that four previously high risks should be de-escalated. This is in line with the Board's recommendation in May 2019 that given the mitigation actions in place, management should review and consider de-escalation of these risks. **The Board approved the new risk ratings and asked management to continue to present the significant risks to the Board.**

10.6 AoB

Reports from IIA the Netherlands that highlights risks that had been identified by Chief Audit Executives (CAEs) were shared with the Board. The similarity with ILRI's risks was noted.

System Management Office request to audit committee chairs on the SRG draft recommendations

The Board was informed that the chair of the committee was asked as part of a request to all CGIAR board audit chairs, to provide an assessment of risks involved in the proposed SRG recommendations to the system council. The chair advised that the turnaround time was far too short for any professional analysis to be conducted and that the request had been issued far too late in a process that proposed major changes with multiple attendant risks, and that consequently no substantial response was possible, a fact that the System Office was informed of.

The Board expressed its appreciation to the chair of the audit and risk committee who ended her term on the Board at this meeting and welcomed Li Lin Foo as the new chair of the audit and risk committee.

10.7 Closed session with Head of Internal Audit

The Board held an *in-camera* session with the head of internal audit.

11. Approval of committee reports

Reports and recommendations of the program, finance and audit and risk committees were approved.

12. Report of the nominations and governance committee

12.4 Review of Board member Martyn Jeggo

Martyn Jeggo (program committee chair) was appointed to the Board on 1 May 2017 and participated in his first meeting as a full Board member in November 2017. The three-year term therefore expires at the end of the April 2020 meeting and is thus due for review. Martyn Jeggo had prepared a short brief describing his contributions and interest in a second term on the ILRI Board. The chair delegated Elsa Murano and Jing Zhu to conduct the evaluation and present their findings and recommendations to the Board (see agenda item 5 above).

12.7 Dates of future Board meetings

The committee reviewed the dates for forthcoming Board meetings as below, noting that these may be influenced by the transition to One CGIAR.

Confirmed 2020:

53rd ILRI Board meeting: 25-29 April (Western Easter 12 April; Orthodox 19 April). Location TBC (depending on hostel renovation in Nairobi)

54th ILRI Board meeting: 24–28 October (**one week earlier than previously scheduled**)

Dates proposed and to be confirmed:

2021:

24-28 April (Western Easter 4 April; Orthodox 2 May)

30 October – 3 November or 6-10 November

2022:

30 April – 4 May (Western Easter 17 April; Orthodox 24 April)

29 October – 2 November

12.8 CGIAR System proposed changes

The committee discussed the ongoing change process in CGIAR, given the five recommendations shared on 10 October 2019 by the System Reference Group which is due to be reviewed by the System Management Board and presented for approval by the System Council.

Board discussion and approval of the report and recommendations of the nominations and governance committee

The report and recommendations of the committee were approved.

13. Other matters

13.1 Virtual discussion with CGIAR System Reference Group (SRG) co-chairs

On the final day of its meeting and after the ultimate draft of the SRG paper had been received, the Board held a virtual discussion with the SRG co-chairs, Tony Cavalieri and Marco Ferroni with Karmen Bennett from the System Management Office also in attendance.