

**WADA FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

**Tuesday, 25 July 2017
Lausanne, Switzerland**

PRESENT: Francesco Ricci Bitti, Chairman
Trevor Burgess
Cheryl Gibson
Michael Gottlieb
Lana Haddad
Tomas Johansson
Rafal Piechota
Vincent Meriton
Austin Sealy

**ALSO IN
ATTENDANCE:** Sir Craig Reedie
Olivier Niggli
Frédéric Donzé
Maria Pisani
Eva Vizioli

APOLOGY: Nenad Lalovic

1. Welcome and Apologies

The Chairman, Mr. Ricci Bitti, welcomed the Committee members and WADA President, Sir Craig Reedie, to the Finance and Administration Committee meeting.

An apology was received from Nenad Lalovic.

The Chairman explained that there was quite a bit of material to cover, in particular with agenda items 6 and 7, namely the 2017 revised budget and the 2018-2021 draft budgets. He noted that it was to be a very strategic meeting and indicated that Mr. Olivier Niggli was to make a detailed presentation on the 2018-2021 draft budgets. He noted that the documents, in particular the four-year plan, prepared for this meeting were of excellent quality.

He asked that the Committee hasten through the review of the routine material to allow more time for discussion and review of the four-year plan.

2. 2016 Audited Accounts and Internal Memorandum

The Chairman reviewed the results of the 2016 audited accounts and the auditors' detailed assurance report (internal memorandum).

He detailed the funds received in contribution income and additional grants, and noted the level of contributions received in 2016 at 97.93% of budgeted contribution income was the lowest level received since 2007. He pointed out that 2016 closed with a loss of US \$729,000 against a budgeted loss of US \$144,000, and indicated that the excess loss was due to a write-down of assets, namely the development of the new ADAMS, and the cost of investigations, namely the Independent Person Report (IPR)

WADA President, Sir Reedie commented on the contributions received in 2016, and questioned if countries that had not paid by the end of 2016 were still outstanding.

It was confirmed that some countries had paid their 2016 contributions late, however Venezuela was still outstanding, as well as a rather substantial shortfall from Italy.

The Chairman commented that the issue with Italy's shortfall was due to a procedural issue and not incapacity to pay. He indicated that he had had discussions with Italy and he hoped that the issue could be resolved quickly.

Capital expenditures in 2016 entailed investments of 2.371 million and related to the development of the Code Compliance Questionnaire, acquisition of an Intelligence and Investigation software, the implementation of the Whistleblowing Hotline (Speak Up!) and continuation of the online education application. There were also expenditures incurred in the fit-out of the additional office space at the Montreal Headquarters. Development of the new Adams platform commenced at the end of 2016 with a new developer.

Mr. Burgess commented on the write-down of asset for 2016, and sought confirmation whether adequate controls and accountability were in place to avoid this from happening again.

WADA Director General, Mr. Niggli responded that Management is very comfortable with the new approach put in place in relation to ADAMS. Firstly, a new in-house team is in place, headed by a new Chief Technology Officer (CTO). This CTO comes from the private sector with many years' experience in implementing such projects. Secondly, the previous process was to develop/re-build a completely new system, and during the process, WADA realized that the vendor was not delivering. Today WADA has moved away from the format of developing a complete system in one piece. WADA is now developing ADAMS by module, and each module is at most, a three-month project. This process allows for better control and evaluation of the project as it progresses. In addition, WADA can terminate the contract at any time so it is not bound to a long-term contract, thus eliminating the risks of such contract. Management is very comfortable with the process put in place. In fact, the ADAMS Team is making good progress and the result will be seen by users by September/October when the first modules will be available, and the list of completed items (modules) can be seen.

It was noted that the WADA Foundation Board had approved the 2016 Financial Statements at its May 2017 meeting. It was also noted that the detailed assurance report highlighted once again that there were no control deficiencies.

3. 2017 Government Contributions

It was reported that WADA had attained 94.10% of budgeted public authorities' contribution to date, slightly lower than last year at the same time at 95.84%. 2017 outstanding contributions from major countries were noted - Mexico 322,094; Venezuela 81,504; Greece 79,513, and Italy shortfall of 174,899.

Additional contributions received to date total US\$ 428,301; with thanks to Japan, Kuwait, Australia, Saudi Arabia and Azerbaijan, and the Lausanne City/Canton de Vaud specifically for the Annual Symposium.

4. Special Research Fund and Investigation Fund

Investigation Fund 4a

Total amount received from Public Authorities as of 30 April 2017 was US \$704,903; IOC matching payment was received in April 2017, bringing the total received to US \$1,409,806.

In 2016, US \$654,903 of this fund was applied to the expenses of the Independent Person (McLaren) Report. The balance of US \$754,903 remains as a reserve, to be used for future investigations.

Mr. Niggli noted that the two investigations (Pound Commission and the Independent Person Report) had cost 4 Million, which was a heavy burden for WADA; however he informed the Committee that an internal investigation team had been hired and investigations would be conducted in-house going forward, thus allowing WADA to control costs. He also noted that the balance of the investigation fund would be kept as a reserve and used for future investigations when needed.

5. 2017 Accounts to June 30, 2017

As of June 30, WADA was at 91% of total budgeted income, higher than last year at this time, due to the additional contributions received. Contributions from Public Authorities were up, as well as Interest Income and Gains on investment, which made up the difference from last year. It was noted that WADA receives the major portion of funding within the first six months of the year, with little coming in the last half of the year, and while expenditures have the opposite trend.

The expenditures to date for major events such as the Annual Symposium were on budget, while Legal/Data protection and the Independent person Report were coming in at higher amounts than expected. These items in particular would be adjusted in the revised budget.

Balance Sheet Items to note:

Deferred Income:

Investigation fund as mentioned above (item 4).

ADAMS fund: 200K from Korea. These funds will be applied to the costs of the new ADAMS as per the 2018 draft budget.

Other deferred items are: Olympic Solidarity fund (14K) and RUSADA Assistance (179K). Total contract with RUSADA is 1.6 million over 3 years (2016 - 550K, 2017 - 800K, and 2018 - 250K). These items will have no impact on WADA's Operations.

No other questions or concerns were raised.

6. 2017 Revised Budget

The 2017 budget was reviewed and discussed by WADA management ahead of the meeting and had brought forth changes to the current budget for review and approval by the Committee:

With the strengthening of the US Dollar, the exchange rate used for the 2017 budget was modified to: USD/CAD from 1.22 to 1.25 in the revised budget, however the CHF/USD remains at the same level of 0.95.

The Chairman noted that the revised budget takes into consideration the enhanced core activities and the newly initiated activities that members would see in the drafted 2018-2021 budgets. The Committee received updates on the various increases and decreases.

The beginning phase of the new core activities:

Increasing Financial Commitments \$120k
Increasing Compliance Unit 50K
Support of Core Activities 100K
Communication Strategy and Positioning 100K

The other changes in the revised budget were reviewed and discussed in detail:

Income: Increase of 541,631

Income budget has significantly increased due to the additional contributions received from previous years both from the IOC and the Public Authorities. In addition, the Grant from Montreal International had to be revised downward due to the strengthening of the USD toward CAD. However, Interest Income and Gain on Investments was revised upward.

Executive Office: Increase of 454,311

Increase in: Compliance Unit CRC 50K
Meeting Costs: Governance Working Group 110K
UNESCO Convention 30K and Strategic Planning 65K
Increase in Staffing 170K

Olivier Niggli explained the additional staff as: 3 new staff – 1 in the travel department-increase in workload due to the reinstatement of WADA's coverage of travel costs for Foundation Board and Executive Committee members; assistant to Government Relations Advisor; and an assistant in HR/Operations.

Legal: Increase of 238,377

Increase for Independent Person Report 120K
Support of priorities 60K
Legal/data protection has also required additional funds to meet costs to year end 40K

Intelligence and Investigation: Decrease of 92K

Decrease is in the staffing – timing difference of hiring dates and salary estimates

Education: Decrease of 122K

Decrease in salaries due to the exchange rate impact

Information and Communication: Increase of 46K

Increase in Communications Strategy and Positioning 60K

Science Research and Medical: Decrease of 117K

Overall decrease in meeting costs and the salary line due to the USD/CAD exchange rate.

Standard and Harmonization: Decrease of 226K

Decrease in Code and Compliance Monitoring 40K
Decrease in Compliance Testing 75K
Decrease in Independent Observers 87K

Information Technology: Increase of 29K

Increase in salaries – new staff hired in 2017

Finance: Decrease of 26K

Decrease in salaries due to exchange rate impact 17K

Decrease in IFRS Costs 4K

Decrease in Software Maintenance 5K

Operational Costs: Increase of 78K

Increase in rent - additional space 40K

Increase in recruitment and relocation expenses 35K

Regional offices

Decreases in most all regional office expenditures

Comments and discussions from members:

Ms. Haddad noted that WADA should be cautious when looking at exchange rates, as the markets are very volatile. What would seem to be an advantage on exchange rate impact, such as in payroll in some of the departments mentioned, can quickly turn and become a greater expense than budgeted. The Chairman and the Director General both thanked Lana for her insight.

It was also noted that WADA does hedge currencies to reduce the risk of an exchange rate impact.

Mr. Johannsson requested clarification on the Investigations department, as to why investigations were separated from the whistleblower program in the revised budget; and why the amount allocated to the whistleblower program was so high when the expenses to date were minimal.

Mr. Niggli responded that the policy for the whistleblower program had only been approved in May of this year. It was a new program, and given the volume the department had received already, which had exploded (120 cases to date), they anticipated that these are the funds they will require. In addition, with the "Speak Up!" program launched in May, it is felt that it is a realistic value. Another reason it was separated was to ensure that responsibilities are separated; those handling whistleblowers know who they are, but investigators handling the case do not know who the whistleblowers are. This ensures that the identity of the whistleblower is not revealed. There is a whole mechanism put in place to protect the whistleblower; another component is in IT security, where the name of the whistleblower never appears on our network. They are assigned a number, and the association of number to name is locked in a safe. There have been a lot of processes put in place to specifically protect whistleblowers.

Another policy approved in May gives WADA's Investigations department independence so that they do not have to report to higher management, the Executive Committee, or the Foundation Board until they have completed their investigation. However, they will be audited regularly by an independent expert to ensure that processes and procedures are followed.

WADA was congratulated by Lana Haddad for putting the "Speak Up!" program in place.

The revised 2017 budget was approved by the Finance Committee for referral to the Executive Committee in September.

7. 2018-2021 Draft Budget

The Committee were reminded of the WADA Operational Reserve Policy:

WADA management put forth an operational reserve policy as was discussed at the 2014 Finance and Administration Committee meeting. The policy states that unrestricted (unallocated cash) reserves cannot be depleted by more than US \$500,000 to fund a budget deficit in any given year, and that the restricted operational reserve fund, which currently stands at US \$2.4 million, covering a little over two months of operations (contractual obligations), should be increased to cover six months of operations or US \$9.6 million.

The operational fund would be funded over time through the allocation of unallocated funds as a regular budgetary item, or with any surplus from operations (year-end profits), or through specific sources of revenue such as one-time gifts or special grants.

The President, Chair of the Finance Committee and the Director General will identify the need to access these funds.

2018-2021 Draft Budgets

Context:

At the November 2016 Foundation Board meeting, a series of recommendations were approved intended to equip the Agency to be fit for the future. As a consequence of these recommendations and for planning purposes, WADA management had developed a four-year plan that articulates which core activities for 2018-2021 must be conducted.

The Chairman announced that there would be a presentation by the Director General on the 2018-2021 budgets. The budgets were based on the new activities requested of WADA at the November 2016 Foundation Board meeting. WADA had been given a new mandate and this budget reflected the financial needs required to meet and carry out this mandate. The four-year budget was a phasing-in plan of all core activities, and thus the budget increases reflected the increase in activities and resources needed to execute them. The proposed contribution increases over the four-year period were: 8% in 2018; 15% in 2019; 15% in 2020 and 5% in 2021 which in monetary terms for Public Authorities was US\$1,188,994 in 2018; US\$2,407,712 in 2019, US\$2,768,868 in 2020 and US\$1,061,400 in 2021.

Mr. Niggli began by saying that there were lots of firsts at this meeting. It was the first time WADA had a presentation to share, and also the first time WADA had produced a detailed four-year plan. WADA had of course provided forecasts for years to come, but not a full, detailed four-year plan. This plan was put together through a big effort from staff, which had been requested to produce a "clean slate" budget, prioritising activities and tasks. The budget was built on that basis rather than on what WADA had in the past, plus a percentage increase. WADA looked at its priorities and the expectations of stakeholders, and built it on that premise.

At the November 2016 meeting, it had been declared that WADA had to be the world regulator and had to be responsible for having harmonized rules that apply to everybody, while ensuring that the rules were monitored and applied in practice. WADA was moving from a time where compliance was limited to just making sure that the rules were in place, to looking deep into what is going on once the rules are in place and if they were applied correctly.

Mr. Niggli noted that one of the key principles for management was if we do things, we do them well, and if we cannot because of resources or lack of them, we do not do them. We cannot do them half way as we expose ourselves to criticism if not done well.

WADA was moving forward with that sentiment. The Agency wanted to be fit for the future, to fulfil its mandate and this has an important financial component.

Mr. Niggli then stated what the priorities were as endorsed by the Foundation Board in November 2016, and the financial cost attached to them for the next four years. The core activities were separated into two categories: current enhanced core activities and new core activities.

Core Activities				
Enhanced core activities	2018	2019	2020	2021
Harmonizing rules: - One of our key activities and responsibilities. - Code revision by end of 2019 – World Conference - Revision of Standards - New Standards for Compliance and Education	520,000	805,400	322,272	307,290
Capacity-building -Work being done around the world with RADOs and NADOs - Key to having a level playing field in all areas of the world - Covers 132 countries in the world	1,440,000	2,187,600	3,239,500	3,948,635
Social Science Research & Education -Continue with our Social Science research program -Design programs that are meaningful and that can be implemented in the world -Knowledge and understanding of what is needed to reach the youth	530,500	820,000	899,500	1,049,135
Accrediting and Monitoring labs -Accreditation of labs is a key piece of our system -Moscow lab center of the controversy (earlier detection) -Working Group came with strong recommendations on how to enhance our compliance program for labs -Called for more Proficiency Testing and Lab Audits	795,000	1,383,600	1,784,108	1,803,871
Scientific Research -Important to keep up with the evolution of research - At the lowest level of funding, but compensated by the research fund to 2019 - Must return to previous levels of research	1,565,000	2,015,000	3,460,000	3,532,400
Developing ADAMS -Big effort to develop new ADAMS -Ongoing costs to keep up with technology going forward	2,200,000	1,700,000	1,600,000	1,600,000

New core activities	2018	2019	2020	2021
ADO compliance -Most important activity -Moving from "Ticking the box" exercise -Real Compliance Program with audits and a process for corrective action -300 signatories of the Code to monitor; increase audits from 10/yr. to 50 per year	680,000	1,172,400	1,580,872	1,697,162
Intelligence & Investigations -New activity -Set up an investigators' network	530,000	825,000	1,137,250	1,184,068
Whistleblower program -Whistleblower a separate activity from investigation -Develop and implement "Speak Up!" program	435,000	577,250	694,568	731,955

Mr. Niggli also noted that funds would be required to revisit the strategic plan, adapting it to ensure it is still meaningful in terms of where WADA is going today, and that it be accompanied by the branding of WADA, our image as to who we are, and how we are perceived. Funds had been allocated for these two exercises which included external consultation.

Another reason for the branding and the imaging is that WADA is to look at outside sources of funding, private sources of donors and sponsors. A strategy on solicitation of private funding would be presented to the Executive Committee in September.

Member's comments and discussions on the Draft Budgets:

Mr. Meriton thanked Mr. Niggli for a very comprehensive report, and noted that WADA was giving much thought to the way forward. Thinking out of the box for more financing was required, and now may be the time to re-think the formula of the Public Authorities' share split.

Mr. Piechota thanked the Chairman and the Director General for the very comprehensive report. He brought forth some concerns on the RADO capacity building program and questioned if this would advance the fight for clean sport. He also commented that perhaps Scientific Research should be the responsibility of laboratories. A suggestion would be that WADA coordinate the activities of different laboratories, but that the activities of the labs be financed by governments, and laboratories should develop their own scientific research programs.

He requested clarification on the projections for 2018-2021, i.e. if it was to be considered as an annual increase, and if the full four year plan was to be presented to the Foundation Board for approval.

He wished to state that he agreed with Mr. Meriton, in that a discussion should be opened with all governments to review the formula/share split of the government contributions.

Mr. Johansson also noted that the four-year plan was one of the best documents he had read from WADA but stressed that it did not mean he was in agreement with all of it. He noted that it was a very good presentation which gave a very good understanding of what WADA was trying to achieve. It was very clear and worked well for this discussion.

Mr Burgess also commended Management on the quality of preparation of the 2018-2021 draft budget papers. He noted that the November 2016 Foundation Board meeting had established a series of strategic recommendations for WADA's future capabilities and the role of this Finance Committee was to discuss the adequacy and fairness of management's costings of those strategic

recommendations in a budget context. Mr Burgess said it was challenging to assess the reasonableness of the significant increases in the budget numbers. However, it was important that an adequate costing methodology had been used to calculate them thereby providing confidence in their reasonableness.

Mr. Gottlieb wanted to go on record that he also agreed on the quality of the documents as being comprehensive and very clear in the amount needed and the staff required to carry out the activities. This was the kind of document that had been requested in the past. He also wished to point out that this body had always brought forward choices or options to the Foundation Board and felt the same should be done now. One point he stressed was that as a finance body, this group should send a clear and strong message that it is time to think outside of the box regarding future funding sources to support WADA and revisit the funding model and share split of the public authorities.

Mr. Johansson explained the history of the share split calculation, as Sweden had the presidency of the European Union at that time. He attended with his minister the meeting held in Cape Town in 2001, where they finalized the split between the continents. It was important to note that at that time, anti-doping was a particular issue for Europe. The economic development in Asia and other parts of the world in comparison to Europe had since created a new imbalance that should be seen in the figures today. An attempt was made a few years ago to initiate such discussions within WADA on the governmental side and it was not met with enthusiasm by other countries. Therefore, if one could do it, it was now time to do it, as it has been many years since the model was formulated.

Ms. Haddad noted that WADA's strategy was good, fair and needed. It was pointed out that WADA was phasing in its needs and the way forward over a four-year period. She also noted that the IOC was behind this four-year plan, and brought to the Committee's attention that half the battle was won.

A suggestion for a clearer format to present WADA's requirements and activities was made, and welcomed. She suggested that WADA communicate its budget as a building block of operations and core activities to further clarify the Agency's needs.

In response to the questions on the increase for 2018, Mr. Niggli explained that the 8% increase was reasonable, and noted that WADA had taken into consideration governments' constraints as many governments were already deep into their budgetary process for 2018.

He stressed that WADA's reality needed also be taken into consideration as to what was asked of them. The reality was that, next year, WADA's mandate included many new activities, and a reduction of some of the core activities, such as Scientific Research, which was proposed to accommodate the 8% increase. Otherwise a 12% increase would be needed for the 2018 budget. The progression of activities would start next year with the Code revision, two new International Standards, and a group on governance that is meeting and working. That is the progression and the reality of 2018. He also stressed that this was a four-year budget with a progression in activities which would require additional staffing in 2019 along with additional office space, and further activities and staffing in 2020. The progression tapers off in 2021 which maintains the core activities at a steady level. It was important that the approval of this budget be for the full four years as WADA could not progress the growth without the full support of the entire plan.

The Chairman thanked all members for their passion, comments, and suggestions. He also stressed that as a Committee, it needed to send a clear and strong recommendation:

- *That the Finance Committee accepts the four-year plan presented as being adequate and necessary to fund the activities required of WADA;*

- *That it was time to revisit the formula or the model of the share split between the public authority continents;*
- *That the Committee encourages WADA Management to look for additional sources of funding to fund additional activities outside the core plan.*

The Finance Chairman declared that the 2018-2021 Draft Budget was approved for recommendation to the Executive Committee, and that the four-year plan was given clear support by the Finance Committee and recommends it to be presented to the September Executive Committee meeting for member review and input, with the view to it being presented for formal recommendation by the Executive Committee and approval by the Foundation Board in November 2017.

8. 2015-2019 Forecast

It was noted that the constraint of depleting cash reserves of no more than US \$500,000 USD allows WADA to maintain reserves at a reasonable level and also allows for a gradual increase in the operations reserves.

The cash projection shows with the currently drafted budget figures, that WADA will have sufficient funds through to 2021.

9. Investments Overview

It was reported that WADA continues to follow its policy of low-risk investments, and invests solely on the recommendation of its investment bankers and financial advisers.

WADA has 3.8 million in Bond investments with UBS SA (in USD, EUR and CAD currencies) and 9.4 million with Lombard Odier (in USD currencies). These bonds bear interest rates ranging from 1% to 3.45% with various maturity dates ranging from August 2017 to October 2027. The bonds are comprised of corporate bonds and banking institution bonds. All are capital guaranteed at maturity date. It is also important to note that 100% of the bonds were rated higher than BB-per our policy.

The Committee reviewed WADA's investments and noted that the bonds invested were still performing at expected levels.

10. General Business

Management put forth two protocols for the Committee's review and discussion; a protocol for voluntary contributions, and a protocol to nominate a new member of the Remuneration Committee

Protocol for voluntary contributions

1.0 Purpose

This protocol governs the solicitations and acceptances of additional contributions from Public Authorities, Sports Movement, and Corporations.

2.0 Solicitation of contributions

The World Anti-Doping Agency can solicit via an official letter signed by the President to Public Authorities, Sports Movement, and Corporations additional contributions or donations to fund general operations or a specific project or mission.

3.0 Acceptance of contributions

The World Anti-Doping Agency will decline any donation that arises in whole or in part from activities that can compromise the Agency's integrity and autonomy in its original mission to support the clean athlete.

Contributions may be given for specific activities or without specific instructions, in which case they shall be assigned to activities at the discretion of management

4.0 Receipt of contributions

Contributions must be a voluntary transmission of funds that is made without expectation of benefit to the donor or to anyone designated by the donor.

5.0 Acknowledgement of receipt

The World Anti-Doping Agency will issue an official acknowledgement letter signed by its Director General for funds received.

6.0 Allocation of voluntary contributions

The World Anti-Doping Agency will issue an annual report listing the donors, along with the amounts received and where the funds were applied.

Decision - The Chairman requested approval to recommend the policy to the Executive Committee for final approval and acceptance, and approval was granted.

Remuneration Committee Nomination Protocol

Nomination of a new Member of the Remuneration Committee:

The May 2017 departure from WADA's Executive Committee of the Government Representative on the Remuneration Committee, namely Ms Thorhild Widvey from Norway, leaves an open seat on the said Committee.

The question put to the Finance Committee Chairman is how should a new member be nominated and elected. The process had not been previously defined.

It is suggested by WADA Management that a process be included in the Remuneration Committee Protocol going forward.

The suggested process could be one of the following:

- 1) Send a call to all vacant seat representatives (i.e. Government or Sport) of the Executive Committee members to nominate a new member from within this group.

Once nominations are received, then a vote can be taken at the next Executive Committee meeting.

or

- 2) The Finance Committee Chairman nominates a member from amongst the vacant seat representatives (i.e. Government or Sport) at the next Executive Committee Meeting.

In addition, it would be helpful to identify the terms of the members, and this is proposed to be 3 years to coincide with the term of the Finance Committee Chairman. It is also important to note that this fourth member should be from the other set of stakeholders

than the Finance Chairman (i.e. if the Finance Chairman represents Sport, the fourth member of the REMCO should represent Governments).

The Committee decided on the following process:

- The Finance Committee Chairman will nominate a member and recommend them to the Executive Committee for approval.
- The term of the mandate is to coincide with the term of the Finance Committee Chairman's mandate.
- This fourth representative should be from the other set of stakeholders than the Finance Committee Chairman.

Nomination of the member:

The Chairman recommended that the member be an Executive Committee member and not be a European member as the region is presently represented by Linda Helleland, WADA's Vice President. He informed the Committee that the representative of Australia was nominated and would be recommended to the Executive Committee in September.

11. Future Meeting

A date and place for the next meeting in 2018 was not established, however, tentative dates will be proposed to the Committee shortly.
